INTERIM
MANAGEMENT STATEMENT
Q3 2022

STOCKMANN

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Robust revenue growth for the Stockmann Group and Stockmann division's adjusted operating result reached break even

July–September 2022:

- Stockmann Group's revenue increased to EUR 244.0 million (237.8), up by 4.2% in local currencies.
- Gross margin decreased to 56.8% (59.5).
- The adjusted operating result was EUR 22.0 million (32.9).
- Operating result was EUR 6.0 million (32.7).
- Earnings per share were EUR 0.00 (0.15).
- Net result for the quarter amounted to EUR 0.6 million (22.9).

January–September 2022:

- Stockmann Group's revenue increased to EUR 709.1 million (621.5), up by 15.4% in local currencies.
- Gross margin decreased to 58.1% (59.1).
- The adjusted operating result was EUR 53.7 million (38.6).
- Operating result improved to EUR 130.3 million (31.5).
- Earnings per share were EUR 0.54 (0.13).
- Net result for the period amounted to EUR 84.1 million (12.6).

Guidance for 2022 (unchanged):

Stockmann expects an increase in the Group's revenue and that the adjusted operating result improves compared to previous year. Guidance is based on the assumption that there will be no major changes in consumer spending during the latter part of the year. Geopolitical instability in the world with high inflation and challenges in the supply chains and international logistics as well as the challenges of COVID-19 restrictions require that both divisions have to be adaptive and flexible to meet the future.

Market outlook for 2022:

Uncertainty in the global economy is expected to persist throughout 2022. The geopolitical instability will affect the supply chains and international logistics and the COVID-19 pandemic will continue to have an impact on the economy across the world until the coronavirus situation is under better control. Additionally, the accelerating inflation has an impact on households and consumption and will also lead to increased operating costs. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence.

The Stockmann division will continue to execute the restructuring programme and Lindex to explore new growth opportunities.

CEO Jari Latvanen:

Stockmann Group's robust growth in the third quarter is a great achievement in the challenging market conditions within the retail sector. Both divisions increased physical and digital sales in local currencies, thanks to higher number of visitors and increased average purchases.

The Stockmann division improved the gross margin despite higher costs of purchases, while Lindex's gross margin decreased due to the unfavourable U.S. dollar to Swedish crown exchange rate. To continue growing and maintain a good customer value-based pricing, the currency increase has not been fully implemented to consumer end prices. In addition, Lindex's other costs have increased due to higher investments within digitalisation and strategic growth expenses for new brands and due to a more normal operational environment without the pandemic's effects or subsidies.

The third quarter's adjusted operating result decreased compared to a year ago. The Stockmann division delivered a positive adjusted operating result that was above last year due to higher sales. Lindex continues to deliver good results, but the extraordinarily good operating result from last year could not be reached owing to strategic growth expenses, unfavourable exchange rates and more normalised costs.

The operating result was affected by a provision for prudential reasons of EUR 15.9 million, due to the arbitration decision related to LähiTapiola Keskustakiinteistöt Ky. The provision is recognised as an item affecting comparability in the income statement.

During the third quarter, the Group's cash flow was affected by significant capital expenditure when construction of Lindex's new omnichannel warehouse commenced. The cash flow from ordinary operations was good, but was affected by higher inventories due to longer lead times and preparing for Christmas season. The Group's liquidity remained strong and excluding lease liabilities and the bond there is no interest-bearing debt.

Our systematic implementation of sustainability initiatives and digital development is proceeding well in both divisions. We have strongly committed teams and I would like to thank them all for their good work.

KEY FIGURES

	7–9/2022	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Revenue, EUR mill.	**244.0**	237.8	**709.1**	621.5	899.0
Gross profit, EUR mill.	**138.7**	141.5	**411.8**	367.0	527.0
Gross margin, %	**56.8**	59.5	**58.1**	59.1	58.6
Adjusted operating result (EBIT), EUR mill.	**22.0**	32.9	**53.7**	38.6	68.3
Operating result (EBIT), EUR mill.	**6.0**	32.7	**130.3**	31.5	82.1
Net result for the period, EUR mill.	**0.6**	22.9	**84.1**	12.6	47.9
Adjusted earnings per share, undiluted and diluted, EUR *	**0.09**	0.15	**0.20**	0.18	0.35
Earnings per share, undiluted and diluted, EUR	**0.00**	0.15	**0.54**	0.13	0.42
Cash flow from operating activities, EUR mill.	**6.5**	31.2	**-13.6**	65.6	150.4
Capital expenditure, EUR mill.	**30.2**	3.8	**41.9**	8.1	16.9
Equity per share, EUR			**2.10**	1.52	1.74
Equity ratio, %			**25.7**	16.8	18.9

Where applicable, the previous year's figures have been adjusted to correspond with the change in accounting policy.
* Net profit/loss for the period – adjustments after tax impact / average number of shares, adjusted for share issue

CORPORATE RESTRUCTURING PROGRAMME

The restructuring process is proceeding according to plan, which means that all Stockman's department store properties have been sold and all interest-bearing debt has been paid except for the bond of EUR 67.5 million. The department store property in Tallinn was sold in December 2021 and the agreement for the sale of the Riga department store property was signed in December 2021 with closure in January 2022. The department store property in Helsinki city centre was sold in April 2022, and the last classified restructuring debt was also paid.

Other measures and undertakings, as specified in Stockmann plc's restructuring programme, were already completed during 2021, and are explained in the annual report 2021.

There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end. These claims are further explained under Business Continuity, Risks and Financing Situation.

COVID-19

COVID-19 affected the Stockmann Group's sales in 2020, when the number of visitors dramatically decreased in physical stores. During 2020 both divisions managed to increase digital sales, but this did not fully compensate the decline in sales in the physical stores. In 2021 physical traffic partly recovered again at different speeds in the sales markets. At the beginning of 2022 there were still restrictions in some markets, which affected stores. Since April 2022 all restrictions have been eased up and sales have recovered. Compared with pre-pandemic levels in 2019, merchandise sales during the third quarter in 2022 have increased by 13.8% in the Lindex division and by 4.5% in the Stockmann division.

REVENUE AND EARNINGS

July–September 2022 (compared to July – September 2021)

The Stockmann Group's third-quarter revenue increased to EUR 244.0 million (237.8). Revenue was up by 2.6% and with local currencies 4.2%.

Revenue in Finland was up by 9.7% to EUR 80.0 million (72.9) due to the higher visitor numbers for the Stockmann division. In Sweden it was down by 4.8% to EUR 87.6 million (92.0), mainly owing to weaker Swedish crown exchange rate. Revenue in the other countries amounted to EUR 76.4 million (72.9), an increase of 4.8% mainly due to higher sales in Norway.

Gross profit decreased to EUR 138.7 million (141.5) due to unfavourable exchange rates for the Lindex division. The gross margin was 56.8% (59.5).

Other operating income decreased to EUR 0.3 million (3.2). Last year the Lindex division received retroactive public funding for the pandemic.

Operating costs increased to EUR 107.1 million (86.3), mainly due to a provision for prudential reasons of EUR 15.9 million, due to the arbitration decision related to LähiTapiola Keskustakiinteistöt Ky. The provision is recognised as an item affecting comparability. Lindex's other costs have increased, due to the higher investments within digitalisation and strategic growth expenses, and additionally due to a more normal operational environment without the pandemic's effects or subsidies.

The adjusted operating result for the quarter declined to EUR 22.0 million (32.9) due to higher costs.

The operating result for the third quarter declined to EUR 6.0 million (32.7) due to the prudential provision for LähiTapiola Keskustakiinteistöt Ky arbitration case of EUR 15.9 million and higher costs.

Net financial expenses amounted to EUR 7.4 million (4.2) due to the interest impact of the sale-and-leaseback agreements of Helsinki, Tallinn and Riga department store properties.

The net result declined to EUR 0.6 million (22.9) due to the LähiTapiola Keskustakiinteistöt Ky provision and higher costs.

January–September 2022 (compared to January-September 2021)

The Stockmann Group's revenue for the period increased to EUR 709.1 million (621.5). Revenue was up by 14.1%, and in local currencies by 15.4%, due to higher visitor numbers and increased value of average purchases.

Revenue in Finland was up by 13.3%, to EUR 224.6 million (198.2). In Sweden it increased by 7.9%, to EUR 262.2 million (243.1) Revenue in the other countries was up by 23.4%, to EUR 222.3 million (180.2). Revenue in all countries was positively impacted by higher visitor numbers and increased value of average purchases.

Gross profit increased to EUR 411.8 million (367.0). The gross margin was 58.1% (59.1), as it was starting to be moderately impacted by unfavourable currencies during the third quarter.

Other operating income improved to EUR 99.6 million (6.2). The increase was related to a capital gain from the divestment of the Riga and Helsinki city real estate during the first half of the year.

Operating costs were up by EUR 38.1 million, including EUR 11.5 million in adjustments related to corporate restructuring, the prudential provision for LähiTapiola arbitration provision case and other transformation measures. Operating costs totalled EUR 302.7 million (264.5).

The adjusted operating result for the period increased to EUR 53.7 million (38.6) due to strong sales.

The operating result for the period was EUR 130.3 million (31.5) due to real estate divestments and strong sales.

Net financial expenses amounted to EUR 19.2 million (12.7) due to the interest impact of the sale-and-leaseback agreements of Helsinki, Tallinn and Riga department store properties.

The net result for the period improved to EUR 84.1 million (12.6). Earnings per share for the period were EUR 0.54 (0.13). Adjusted earnings per share were EUR 0.20 (0.18). Equity per share was EUR 2.10 (1.52).

REVENUE AND EARNINGS BY DIVISION

Stockmann Group's reporting segments are the Lindex and Stockmann divisions. The segments are reported in accordance with IFRS 8. Unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

LINDEX

Lindex	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Revenue, EUR mill.	**166.9**	168.9	**488.9**	429.7	607.4
Gross margin, %	**61.7**	65.0	**63.9**	65.8	65.4
Adjusted operating result, EUR mill.	**22.5**	31.2	**67.0**	55.9	80.3
Operating result, EUR mill.	**22.9**	31.2	**67.3**	50.5	74.6
Capital expenditure, EUR mill.	**28.5**	1.9	**36.8**	5.4	12.0

July–September 2022 (compared to July – September 2021)

Lindex's revenue for the quarter decreased by 1.2%, to EUR 166.9 million (168.9), or up by 1.1% in local currencies. Sales at the brick-and-mortar stores continued to increase by 0.7% in local currencies. The digital sales remained on a high level and increased by 0.4% in local currencies. The share of the digital sales accounted for 17.8% (17.9), which is in line with last year.

The gross margin decreased to 61.7% (65.0). Lindex's gross margin decreased due to the unfavourable U.S. dollar to Swedish crown exchange rate. To maintain a good customer value-based pricing, the currency increase has not been fully implemented in consumer end-prices.

Operating costs increased by EUR 1.8 million, to EUR 61.1 million (59.4). This is a result of higher strategic investments within digitalisation and new brands and a more normal business operation environment without the pandemic's effects or subsidies.

Lindex's operating result for the third quarter decreased by EUR 8.3 million, to EUR 22.9 million (31.2). The last year's quarterly result was extremely good, and this year's result is affected by less favourable currency rates, investments in future growth and more normalized costs.

Capital expenditure during the quarter amounted to EUR 28,5 million (1.9) which mainly relates to the start-up of construction the new omnichannel warehouse, which is planned to be ready in 2024.

January–September 2022 (compared to January – September 2021)

Lindex's revenue increased by 13.8%, to EUR 488.9 million (429.7), or up by 15.7% in local currencies. Growth in digital sales during the period was 1.6% and accounted for 18.5% (21.0) of total sales.

The gross margin decreased to 63.9% (65.8). Lindex's gross margin decreased due to the unfavourable U.S. dollar to Swedish crown exchange rate. To maintain a good customer value-based pricing, the currency increase has not been fully implemented in consumer end-prices.

Operating costs increased by EUR 12.4 million, to EUR 189.7 million (177.2). This is a result of higher strategic investments within digitalisation and future growth costs for new brands and a more normal business operation without the pandemic's effects or subsidies.

Lindex's adjusted operating result for the period amounted to EUR 67.0 million (55.9).

The operating result for the period increased to EUR 67.3 million (50.5) due to stronger sales.

Lindex store network and online presence

Lindex had 436 stores in 18 countries in total at the end of the third quarter: 404 of its own stores and 32 franchise stores. Lindex closed four stores during the quarter. In addition to Lindex's own online store, the division also sells its products on third parties' digital platforms.

Lindex sustainability

As part of Lindex transformation to a more sustainable and circular business the fashion company has, during the quarter, initiated a new test pilot with second hand baby clothes online. Lindex test approach gives valuable insights into how the business model can be developed and is an important enabler to secure long-term scalability and profitability going forward.

Full transparency and traceability are enablers for progress within all areas of sustainability and is a long-term ambition for all Lindex products. As a first step, the collection of necessary data throughout the entire value chain to calculate emissions per product has been initiated for all Female Engineering's products, Lindex's new femtech brand.

STOCKMANN

Stockmann	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Revenue, EUR mill.	**77.1**	68.9	**220.2**	191.8	291.6
Gross margin, %	**46.3**	46.0	**45.2**	44.0	44.5
Adjusted operating result, EUR mill.	**0.2**	0.0	**-8.7**	-16.2	-9.9
Operating result, EUR mill.	**-15.8**	0.0	**68.8**	-16.2	11.6
Capital expenditure, EUR mill.	**1.8**	1.9	**5.0**	2.7	4.9

July–September 2022 (compared to July – September 2021)

The Stockmann division's third-quarter revenue grew by 11.9% and amounted to EUR 77.1 million (68.9). Sales in the brick-and-mortar stores grew because of much improved number of visitors as well as an increased average purchase value. The online store sales increased by 13.4% and was 8.1% (8.0) of total sales.

Revenue in Finland came to EUR 59.4 million (53.0), an increase of 12.2%. Revenue in department stores in the Baltics increased by 11.1% to EUR 17.6 million (15.9). All of the countries had higher number of visitors and increased value of average purchases.

The Stockmann division's Crazy Days campaign was held as an eight-day-long campaign from 28 September to 5 October 2022. The campaign was arranged both in the department stores and online. Compared to last year's campaign, the sales improved by 6.4%. The fashion category performed well in all channels, while the home, cosmetics and grocery categories performed well in the brick-and-mortar department stores.

The gross margin improved to 46.3% (46.0). The gross margin increased due to higher share of full-priced products and improved clearance sales margins.

Operating costs increased by EUR 17.6 million, to EUR 45.6 million (28.0). The costs increased due to a provision for prudential reasons of EUR 15.9 million, due to the LähiTapiola Keskustakiinteistöt Ky arbitration decision, recorded as an item affecting comparability, high energy prices and costs related to higher sales.

The adjusted operating result for the quarter increased to EUR 0.2 million (0.0). This was due to better sales and improved gross margins.

The operating result for the quarter decreased to EUR -15.8 million (0.0), due to the provision related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision.

January–September 2022 (compared to January – September 2021)

The Stockmann division's revenue grew by 14.8% and amounted to EUR 220.2 million (191.8). The increase was derived from the brick-and-mortar sales due to higher visitor numbers in the stores as well as the increased value of average purchases. The online store shopping declined by 15.4% and it accounted for 11.7% (15.8) of total sales.

Revenue in Finland amounted to EUR 168.8 million (148.3), an increase by 13.8%. Revenue in the department stores in the Baltics was up by 18.3%, to EUR 51.5 million (43.5). All of the countries had higher visitor numbers and increased value of average purchases.

The gross margin improved to 45.2% (44.0) due to higher sales of full-priced products and better clearance sales margins.

Operating costs increased by EUR 19.6 million, to EUR 107.6 million (88.1), due to a provision for prudential reasons of EUR 15.9 million related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision recorded as an item affecting comparability, and high energy prices in all markets where Stockmann is operating together with higher staffing costs.

The adjusted operating result for the period improved to EUR -8.7 million (-16.2). This was an effect of better sales and improved gross margins.

The operating result for the period increased to EUR 68.8 million (-16.2) due to real estate sales during the first half of the year, stronger sales and improved gross margins.

Stockmann store network and online presence

Stockmann had eight department stores and one online store at the end of the third quarter. The department stores are located in Helsinki (2), Vantaa, Espoo, Turku, Tampere, Riga and Tallinn. Stockmann online store serves customers in Finland, Estonia and Latvia.

Stockmann sustainability

The Stockmann division has prepared and further developed current CO_2 emission calculation concerning the whole Stockmann Group's carbon footprint to be able to set science based targets (SBT) for the whole Stockmann Group within the initiated time frame. The Stockmann division also commenced cooperation discussions in new cities to extend textile recycling pilots to increase circularity in its operations. The division has also mapped means to decrease energy consumption to respond not only to CO_2 emission targets but also to contribute to the general energy challenge related to the energy crisis in Europe.

BUSINESS CONTINUITY, RISKS AND FINANCING SITUATION

The restructuring process is proceeding according to plan, which means that all Stockmann's department store properties have been sold and both the secured restructuring debt and undisputed unsecured restructuring debt have been paid. Other measures and undertakings, as specified in Stockmann plc's restructuring programme, have already been completed during 2021 and are explained in the annual report 2021.

The Group's scope for arranging new financing is limited during the execution of the corporate restructuring programme, which can not end until all disputed claims are solved. This may have an effect on the sufficiency of liquidity and on the financial position.

The uncertainties related to the COVID-19 pandemic may have an impact on Stockmann's liquidity and financial position and the value of its assets. Risks related to production and supply may arise from unusual situations such as an escalation in the COVID-19 pandemic or a new epidemic leading to government-imposed restrictions, a lack of transport capacity, strikes and political uncertainties.

The current geopolitical situation is increasing inflation which may affect sales negatively due to the level of consumer confidence, as well as increased buying prices and operating costs. Further, it may cause delays in the supply chains due to issues in production and freight. The management and the Board of Directors regularly assess the operational and strategic risks associated with the current situation.

In response to the Russian invasion of Ukraine, Stockmann removed products of Russian and Belarusian origin from sale in February. As a result, about 200 products of Russian origin were removed from Stockmann's selections. Stockmann also discontinued selling merchandise to the Russian partner Debruss. The impact on Stockmann Group is limited.

The Swedish tax authorities took a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. The processing of the case continued in the Administrative Court of Appeal, from which a decision was received in September 2022. According to the decision, the Administrative Court of Appeal overturned the previous court decisions and approved Stockmann's appeal and confirmed that Stockmann Sverige AB was entitled to a deduction of interest expenses, which corresponds to a lower tax cost of approximately EUR 20 million during the years 2013–2016. According to a decision received in October 2022, the County Administrative Court in Gothenburg approved Stockmann's appeal and confirmed that Stockmann Sverige AB was entitled to a deduction of interest expenses, which corresponds to a lower tax cost of approximately EUR 13 million during the years 2017–2019. Based on the court decision from the Administrative Court of Appeal Stockmann Sverige AB has decreased its tax liability by reducing income taxes with EUR 2.2 million, which corresponds to the interest on the taxes. The capital of the taxes remained still as a tax liability. Both court decisions are open for appeal process and the outcome should be known at year-end.

Stockmann has paid all undisputed external restructuring debt, but still has disputed claims (described below) and undisputed conditional or maximum restructuring debt. At the end of September 2022, the amount from the disputed claims decreased to EUR 45.4 million. The claim amount, mainly related to the termination of long-term premises leases was EUR 89.0 million in the end of June 2022. The administrator of the restructuring programme has disputed the claims and considered it justified to pay 18 months' rent for the leases instead of all the years left in the lease contract. Two claims will be settled in District Court and one claim by arbitration proceedings. The amount of undisputed conditional or maximum restructuring debt was EUR 8.1 million. Stockmann has made a provision of EUR 14.3 million, which corresponds to the company's estimate of the probable amount relating to both the disputed claims and the undisputed conditional or maximum restructuring debt. The creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed.

LähiTapiola Keskustakiinteistöt Ky, the landlord of Stockmann's Tapiola department store, initiated arbitration proceedings against Stockmann in which the company demanded up to EUR 43.4 million in compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings disputed the demand of LähiTapiola Keskustakiinteistöt Ky in the restructuring programme to the extent that it exceeds EUR 3.5 million. In connection with the same, LähiTapiola Keskustakiinteistöt Ky filed a claim against Stockmann, Stockmann AS and the administrator and/or the supervisor at Helsinki District Court to leave the matter in abeyance. On 31 August 2022, the Arbitration Court in its arbitration decision partially rejected the claims of LähiTapiolan Keskustakiinteistöt Ky and confirmed that the compensation to be paid to LähiTapiolan Keskustakiinteistöt Ky is EUR 19.3 million, of which a previously agreed undisputed amount of EUR 3.4 million was converted to shares and paid. The remaining compensation to be paid is recognised as a provision and will be re-classified as restructuring debt after the confirmation of the court. An arbitration procedure separate from Stockmann plc's arbitration procedure is in progress between LähiTapiola and Stockmann AS concerning the amount of compensation to be paid to LähiTapiola as part of the restructuring proceedings, as well as a separate dispute in the District Court of Helsinki. In addition, concerning this same amount of compensation, a dispute is in progress between the administrator and LähiTapiola. The supervisor deems LähiTapiola's receivable to be under dispute until the claims mentioned above have been finally resolved. The supervisor has announced to the company and the District Court of Helsinki that the supervisor will not request the district court to amend the restructuring programme based on the arbitration decision while the receivable is under dispute. It is the supervisor's view that no payment based on the arbitration decision must be made to LähiTapiola while the amount of the receivable is under dispute, because the company, the supervisor and Stockmann AS consider the arbitration decision to be erroneous.

Nordika II SHQ Oy, the landlord of Stockmann's Takomotie office space, has filed a claim with Helsinki District Court in which the company demands compensation amounting to a maximum of EUR 14.5 million from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. This claim has been disputed by the supervisor of the restructuring programme to the extent that it exceeds EUR 1.2 million. The EUR 1.2 million was converted to shares and paid in March 2022, but the difference is still a claim. In the same claim, Nordika II SHQ Oy has named the administrator and Stockmann as respondents.

Mutual Insurance Fund Fennia, the lessor of the Tampere department store, has commenced arbitration proceedings against Stockmann, in which the company demands up to EUR 11.9 million in compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim to the extent that it exceeds EUR 2.8 million. In addition, Mutual Insurance Fund Fennia has filed two claims with Helsinki District Court with Stockmann, with the administrator and the supervisor as respondents in the first claim and Stockmann as respondent in the other claim. In the claims to Helsinki District Court, Mutual Insurance Fund Fennia requests the court to confirm that the damages payable to Fennia are the maximum amount of EUR 12 million.

Tampereen Seudun Osuuspankki, the second lessor of the Tampere department store, has initiated proceedings at Pirkanmaa District Court, in which the company demands up to EUR 20.3 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. In the restructuring programme, the supervisor has disputed the claim presented by Tampereen Seudun Osuuspankki during the restructuring proceedings (at which time the maximum amount of the claim was EUR 17.7 million) to the extent that it exceeds EUR 2.0 million.

Pirkanmaan Osuuskauppa, the former subtenant of the Tampere department store, has initiated arbitration proceedings in which it demands up to EUR 5.4 million compensation from Stockmann in accordance with, among others, section 27, subsection 1 of the Restructuring Act. The supervisor of the restructuring proceedings has disputed the claim for the most part. Pirkanmaan Osuuskauppa has also appealed regarding the decision of Helsinki District Court on 9 February 2021 to certify the restructuring programme to the extent that Helsinki District Court viewed that the damages payable to Pirkanmaan Osuuskauppa are restructuring debt instead of debt that has arisen after the application for restructuring proceedings came into force pursuant to section 32 of the Restructuring Act. The Helsinki Court of Appeal rejected Pirkanmaan Osuuskauppa's appeal in its court decision on 4 November 2021. The Supreme Court granted Pirkanmaan Osuuskauppa leave to appeal to the extent that the appeal concerns the claim for damages arising from the termination of the sublease agreement are restructuring debt or debt that has arisen during the corporate restructuring proceedings. In its arbitration decision on 25 May 2022, the Arbitration Court mainly rejected the claims of Pirkanmaan Osuuskauppa and ordered Stockmann to compensate Pirkanmaan Osuuskauppa EUR 1.5 million in damages. The above-mentioned court case in the Supreme Court is still pending.

Regarding the other disputed receivables mentioned in the restructuring programme, conciliation negotiations are underway and some of them have already been settled amicably.

EVENTS AFTER THE REPORTING PERIOD

Regarding the taxation of Stockmann's subsidiary Stockmann Sverige AB concerning the right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex a new decision was received in October 2022. According to the decision the County Administrative Court in Gothenburg approved Stockmann's appeal and confirmed that Stockmann Sverige AB was entitled to a deduction of interest expenses, which corresponds to a lower tax cost of approximately EUR 13 million during the years 2017–2019. The court decision is open for appeal process and the outcome should be known at year-end.

The change negotiations for Stockmann's Itis department store have ended. The lessor has used its contractual right to partially terminate the lease agreement for Stockmann's Itis department store. As a consequence, Stockmann will leave the second floor in the current department store by 30 April 2023, and will continue its business on the first floor with approximately 4 000 m2 of commercial space. The change has no significant impact on Stockmann's total number of employees. The personnel reduction will be a maximum of 30 people and the aim is to relocate as many as possible to other Stockmann division units. The impact of the change on turnover is estimated to be marginal.

Helsinki, 27 October 2022

STOCKMANN plc
Board of Directors

FINANCIAL INFORMATION

This Interim Management Statement has been prepared in compliance with IAS 34. The figures are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.9.2022**	1.1.–30.9.2021	1.1.–31.12.2021
REVENUE	**709.1**	621.5	899.0
Other operating income	**99.6**	6.2	31.9
Materials and services	**–297.3**	–254.5	–372.0
Employee benefit expenses	**–158.4**	–140.6	–194.6
Depreciation, amortisation and impairment losses	**–78.5**	–77.2	–102.9
Other operating expenses	**–144.2**	–123.9	–179.4
Total expenses	**–678.5**	–596.2	–848.9
OPERATING PROFIT/LOSS	**130.3**	31.5	82.1
Financial income	**1.5**	2.6	2.7
Financial expenses	**–20.7**	–15.2	–19.6
Total financial income and expenses	**–19.2**	–12.7	–16.9
PROFIT/LOSS BEFORE TAX	**111.1**	18.8	65.2
Income taxes	**–27.0**	–6.2	–17.3
NET PROFIT/LOSS FOR THE PERIOD	**84.1**	12.6	47.9
Profit/loss for the period attributable to:			
Equity holders of the parent company	**84.1**	12.6	47.9
Earnings per share, EUR:			
From the period result (undiluted and diluted)	**0.54**	0.13	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.9.2022**	1.1.–30.9.2021	1.1.–31.12.2021
PROFIT/LOSS FOR THE PERIOD	**84.1**	12.6	47.9
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, net of tax	**–24.6**	–2.8	–6.0
Cash flow hedges, net of tax	**–1.1**	0.3	1.1
Other comprehensive income for the period, net of tax	**–25.7**	–2.5	–4.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**58.3**	10.1	43.0
Total comprehensive income attributable to:			
Equity holders of the parent company	**58.3**	10.1	43.0

1.1.–30.9.2021 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.9.2022**	30.9.2021	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**256.1**	273.7	271.5
Trademark	**83.4**	89.4	88.7
Intangible rights	**25.8**	27.9	27.6
Other intangible assets	**0.8**	1.3	1.1
Advance payments and construction in progress	**3.6**	1.7	2.1
Intangible assets, total	**369.7**	393.9	391.1
Property, plant and equipment			
Machinery and equipment	**38.4**	40.0	40.6
Modification and renovation expenses for leased premises	**4.0**	4.6	4.8
Right-of-use assets	**424.2**	301.7	296.6
Advance payments and construction in progress	**24.8**	1.3	1.2
Property, plant and equipment, total	**491.4**	347.6	343.2
Investment properties	**0.5**	0.5	0.5
Non-current receivables	**3.6**	1.5	3.8
Other investments	**0.2**	0.2	0.2
Deferred tax assets	**28.9**	29.1	23.8
NON-CURRENT ASSETS, TOTAL	**894.3**	772.9	762.6
CURRENT ASSETS			
Inventories	**196.3**	167.6	154.8
Current receivables			
Interest-bearing receivables	**0.6**	0.3	0.0
Income tax receivables	**0.1**	2.5	0.1
Non-interest-bearing receivables	**49.9**	45.9	45.7
Current receivables, total	**50.6**	48.7	45.8
Cash and cash equivalents	**140.2**	169.8	213.7
CURRENT ASSETS, TOTAL	**387.0**	386.2	414.3
ASSETS CLASSIFIED AS HELD FOR SALE		248.4	239.5
ASSETS, TOTAL	**1 281.3**	1 407.5	1 416.5

EUR mill.	**30.9.2022**	30.9.2021	31.12.2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**77.6**	77.6	77.6
Invested unrestricted equity fund	**73.3**	72.0	72.0
Other funds	**0.1**	0.4	1.2
Translation reserve	**-10.2**	17.5	14.4
Retained earnings	**187.0**	67.7	102.9
Equity attributable to equity holders of the parent company	**327.8**	235.2	268.2
EQUITY, TOTAL	**327.8**	235.2	268.2
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**35.3**	38.9	40.6
Non-current interest-bearing financing liabilities	**67.5**	66.0	66.0
Non-current lease liabilities	**481.6**	249.7	264.3
Non-current non-interest-bearing liabilities and provisions	**31.5**	32.8	37.8
NON-CURRENT LIABILITIES, TOTAL	**615.9**	387.4	408.6
CURRENT LIABILITIES			
Current interest-bearing financing liabilities		430.0	381.5
Current lease liabilities	**77.5**	72.1	72.9
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**181.5**	216.9	223.1
Income tax liabilities	**78.6**	46.1	46.4
Current provisions	**0.1**	4.8	0.0
Current non-interest-bearing liabilities, total	**260.1**	267.8	269.6
CURRENT LIABILITIES, TOTAL	**337.6**	769.9	724.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		15.1	15.7
LIABILITIES, TOTAL	**953.5**	1 172.3	1 148.3
EQUITY AND LIABILITIES, TOTAL	**1 281.3**	1 407.5	1 416.5

30.9.2021 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.9.2022**	1.1.–30.9.2021	1.1.–31.12.2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**84.1**	12.6	47.9
Adjustments for:			
Depreciation, amortisation and impairment losses	**78.5**	77.2	102.3
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**−95.3**	0.0	−21.6
Interest and other financial expenses	**20.7**	15.2	19.6
Interest income	**−1.5**	−2.6	−2.7
Income taxes	**27.0**	6.2	17.3
Other adjustments	**17.5**	0.6	0.6
Working capital changes:			
Increase (-) /decrease (+) in inventories	**−48.5**	−33.5	−21.5
Increase (-) / decrease (+) in trade and other current receivables	**−5.2**	−10.0	−10.1
Increase (+) / decrease (-) in current liabilities	**−52.9**	20.1	48.4
Interest expenses paid	**−21.8**	−18.4	−28.7
Interest received from operating activities	**0.3**	0.1	1.0
Income taxes paid from operating activities	**−16.6**	−2.0	−2.0
Net cash from operating activities	**−13.6**	65.6	150.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible assets	**427.6**	0.1	48.3
Purchase of tangible and intangible assets	**−41.8**	−9.2	−17.0
Security deposit			−2.3
Net cash used in investing activities	**385.8**	−9.1	28.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan conversion costs		−0.4	−0.4
Repayment of current liabilities	**−381.5**		−48.5
Payment of lease liabilities	**−55.9**	−37.3	−66.3
Net cash used in financing activities	**−437.4**	−37.7	−115.2
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**−65.3**	18.8	64.1
Cash and cash equivalents at the beginning of the period	**213.7**	152.3	152.3
Net increase/decrease in cash and cash equivalents	**−65.3**	18.8	64.1
Effects of exchange rate fluctuations on cash held	**−8.3**	−1.2	−2.7
Cash and cash equivalents at the end of the period	**140.2**	169.8	213.7

1.1.–30.9.2021 figures have been restated on configuration and customisation costs in cloud computing arrangements from cash flows from investing activities to cash flows from operating activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2021	144.1	186.1		250.4	43.8	20.3	−544.4	100.4	105.8	**206.2**
Profit/loss for the period							12.6	12.6		**12.6**
Exchange differences on translating foreign operations						−2.8		−2.8		**−2.8**
Cash flow hedges			0.3					0.3		**0.3**
Total comprehensive income for the period			0.3			−2.8	12.6	10.1		**10.1**
Reduction of share capital to cover losses	−66.5						66.5			
Usage of funds to cover losses		−186.1		−250.4	−43.7		480.2			
Share issue to creditors for unsecured restructuring debt				72.0				72.0	−53.1	**18.9**
Hybrid bond cut							52.7	52.7	−52.7	
Other changes in equity total	−66.5	−186.1		−178.4	−43.7		599.5	124.8	−105.8	**18.9**
EQUITY 30.9.2021	77.6		0.3	72.0	0.1	17.5	67.7	235.2		**235.2**

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2021	144.1	186.1		250.4	43.8	20.3	−544.4	100.4	105.8	**206.2**
Profit/loss for the period							47.9	47.9		**47.9**
Exchange differences on translating foreign operations						−5.9	−0.1	−6.0		**−6.0**
Cash flow hedges			1.1					1.1		**1.1**
Total comprehensive income for the period			1.1			−5.9	47.8	43.0		**43.0**
Reduction of share capital to cover losses	−66.5						66.5			
Usage of funds to cover losses		−186.1		−250.4	−43.7		480.2			
Share issue to creditors for unsecured restructuring debt				72.0				72.0	−53.1	**18.9**
Hybrid bond cut							52.7	52.7	−52.7	
Other changes in equity total	−66.5	−186.1		−178.4	−43.7		599.5	124.8	−105.8	**18.9**
EQUITY 31.12.2021	77.6		1.1	72.0	0.1	14.4	102.9	268.2		**268.2**

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2022	77.6		1.1	72.0	0.1	14.4	102.9	268.2		**268.2**
Profit/loss for the period							84.1	84.1		**84.1**
Exchange differences on translating foreign operations						−24.6		−24.6		**−24.6**
Cash flow hedges			−1.1					−1.1		**−1.1**
Total comprehensive income for the period			−1.1			−24.6	84.1	58.3		**58.3**
Share issue to creditors for unsecured restructuring debt				1.3				1.3		**1.3**
Other changes in equity total				1.3				1.3		**1.3**
EQUITY 30.9.2022	77.6			73.4	0.1	−10.2	187.0	327.8		**327.8**

Retained earnings for prior year 30.9.2021 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).

CASH FLOWS BASED ON AGREEMENTS IN FINANCIAL LIABILITIES AT 30 SEPTEMBER 2022

EUR mill.	Carrying amount	1.10.2022–30.9.2023	1.10.2023–30.9.2024	1.10.2024–30.9.2025	1.10.2025–30.9.2026	1.10.2026–	Total
Current restructuring debts	0.1	−0.1					−0.1
Restructuring debts total	0.1	−0.1					−0.1
Non-current Bond (5-y Bullet)	67.5	−0.1	−0.1	−0.1	−67.7		−67.9
Current trade payables and other current liabilities	97.3	−97.3					−97.3
Non-current lease liabilities	481.6		−89.7	−85.3	−78.2	−644.9	−898.1
Current lease liabilities	77.5	−77.5					−77.5
Lease liabilities, total	559.1	−77.5	−89.7	−85.3	−78.2	−644.9	−975.6
Total	724.0	−174.9	−89.8	−85.4	−145.9	−644.9	−1 140.9

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.
In July 2021 EUR 66.1 mill. of the restructuring debt was converted into a new bond, which will be repaid in 2026 and to which annual interest of EUR 0.1 mill. will be paid. In 2022 more bonds were converted with 1,5 mill. euros. Remaining restructuring debt 0,1 mill. EUR will be paid according to the retructuring program. Provisions regarding disputed landlords' claims are not included in the cash flows.
Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

RESTRUCTURING DEBT

EUR mill.	**30.9.2022**	30.9.2021	31.12.2021
Non-current non-interest-bearing restructuring debt, unsecured		19.8	19.8
Current interest-bearing restructuring debt, secured		430.0	381.5
Current non-interest-bearing restructuring debt, unsecured	**0.1**	2.0	2.0
Restructuring debt total	**0.1**	451.7	403.3
Provisions related to restructuring debt *)	**30.6**	17.6	17.5
Total	**30.8**	469.4	420.8

Stockmann plc's intra-group restructuring liabilities amount to EUR 63.9 million.
*) Consists of conditional and disputed landlords' claims for terminated lease agreements.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**1.1.–30.9.2022**	1.1.–30.9.2021	1.1.–31.12.2021
Interest income on bank deposits, other investments and currency derivatives	**0.3**	0.9	1.0
Other financial income	**1.2**	1.6	1.7
Financial income, total	**1.5**	2.6	2.7
Interest expenses on financial liabilities measured at amortised cost	**−2.7**	−6.0	−7.2
Interest expenses from lease contracts	**−17.5**	−9.2	−12.2
Foreign exchange differences	**−0.5**	0.0	−0.2
Financial expenses, total	**−20.7**	−15.2	−19.6
Financial income and expenses, total	**−19.2**	−12.7	−16.9

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