2022

FINANCIAL REVIEW

STOCKMANN

CONTENTS

REPORT BY THE BOARD OF DIRECTORS

The Stockmann Group's consolidated revenue in 2022 was EUR 981.7 million (899.0), up 9.2%. Gross margin was 57.9% (58.6). Operating result was EUR 154.9 million (82.1). The adjusted operating result was EUR 79.8 million (68.3). Earnings per share were EUR 0.65 (0.42). Adjusted earnings per share were EUR 0.32 (0.35). The Board of Directors will propose for the Annual General Meeting, that no dividend will be paid for the financial year 2022.

Guidance for 2023:
In 2023, Stockmann expects the Group's revenue to be in the range of EUR 960–1 020 million and the Group's adjusted operating result to be EUR 60–80 million, subject to foreign exchange rate fluctuation. The guidance is based on the assumption that the continuing high inflation will increase costs from 2022 and have an adverse impact on consumer demand. At the same time, the Stockmann Group continues taking firm measures to minimise the impacts of cost increases.

Market outlook for 2023:
The current challenging geopolitical situation and the high inflation level are expected to continue. However, inflation is predicted to slow down compared to the latter part of the year 2022. This, together with high interest rates, is forecast to have a negative impact on consumer confidence and purchasing power. The retail market is expected to remain challenging due to lower consumer demand and increased purchasing prices and operating costs. The risk of potential disruptions in the supply chains and international logistics cannot be excluded, either.

STRATEGY

The Stockmann Group consist of two business divisions: the Lindex fashion company and Stockmann, a multichannel retail company with premium department stores. In addition to their brick-and-mortar stores, both companies have online stores. The Stockmann Group's strategy is based on shared strengths and opportunities with two divisional strategies. The two divisions share an outlook characterised by the utmost strategic importance of customer centricity, an omnichannel approach and strong brands to build future growth.

The Stockmann Group's strategic priorities are the following;
- Providing the best customer experience and achieving the highest customer loyalty by successful development of the omnichannel operating model
- Using the strong brands and offering to enhance customer loyalty
- Maintaining and developing a strong commitment to fair and responsible business models and practices
- Seeking growth and efficiency together with third parties in order to extend our range of meaningful products and services as well as reach new customers groups
- Securing sustainable business by seeking growth in revenue, better cost-efficiency and efficient capital utilisation in order to improve the Group's profitability and financial stability.

According to the Lindex division's long-term strategy, Lindex aims to be a global, brand-led, sustainable fashion company. This means growth in digital revenue, both in its own online sales as well as in collaborations with global digital fashion platforms, improved cost efficiency and also growth with new businesses, while meeting sustainability targets.

The Lindex division's purpose is to empower and inspire women everywhere. This is done through actions as a company and through a progressive fashion experience. The customers, co-workers and partners are all part of this ambition. Lindex is digital first and powered by people. To fulfil the purpose and vision, Lindex has made a promise: to make a difference for future generations. The purpose includes all dimensions of sustainability and is divided into three areas: empower women, respect the planet and ensure human rights. A considerable part of Lindex's affordable product range is resilient to the economic downturn.

The Stockmann division's purpose in all encounters with its customers, partners, co-workers and other stakeholders is to make a new impression, every day. The division's vision is to create a marketplace for a good life. Customer centricity – in other words, the capability to understand customers and to serve them in the way they choose and to provide a unique customer experience – is the core of the strategy. The Stockmann division provides a curated merchandise selection in fashion, beauty, home and food combined with various services for customers in eight department stores as well as in the online store. Products sold under the Stockmann division's own brands are considered to be resilient also during the economic downturn. The Stockmann promise to customers is to create a feeling that lasts. The professional and service-minded personnel delivers this promise.

CORPORATE RESTRUCTURING PROGRAMME

The restructuring programme is proceeding according to plan, which means that all Stockmann'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 confirmed restructuring debt was paid.

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

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 fell dramatically in physical stores. During 2020, both divisions managed to increase digital sales, but this did not fully compensate for the decline in sales in the physical stores. In 2021, physical traffic partly recovered again at various 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 full year of 2022 increased by 15.1% in the Lindex division and decreased by 14.1% in the Stockmann division.

OPERATING ENVIRONMENT

Fashion sales in Finland grew by 5.1% in the whole year of 2022. Fashion sales decreased by 8.1% in 2022 compared to the market situation before the COVID-19. Delivery delays and a shortage of goods had an impact on the fashion sales. The popularity of online shopping declined during the year, as customers started to shop in brick-and-mortar stores more frequently due to the end of the COVID-19 period. Despite this decline in the online shopping in 2022, the online fashion sales still increased by 17.9% compared to 2019 (source: Fashion and Sports Commerce association).

In Sweden, fashion sales in January–December were up by 12.1%. Fashion sales in 2022 are now above the level in 2019, at 4.0% (source: Swedish Trade Federation, Stilindex).

In the Baltic countries, fashion sales have had a strong growth in 2022, being up by 13.8% in Estonia (source: Statistics Estonia) and by 39.1% in Latvia (source: Central Statistical Bureau Republic of Latvia). The operating environment was increasingly affected by the EU's highest inflation levels, which has impacted the consumer confidence, reflected in slowing revenue growth rates in the fourth quarter (source: Eurostat).

REVENUE AND EARNINGS

The Stockmann Group's revenue for the accounting period increased to EUR 981.7 million (899.0). Revenue was up by 9.2%, due to higher number of visitors in the stores and increased value of average purchases. Lindex division's revenue increased by 8.8% in euros and 14.1% in Swedish krona. Stockmann division's revenue increased by 10.0%.

Revenue in Finland increased by 8.9%, to EUR 321.1 million (294.9). In Sweden the revenue increased by 3.2%, to EUR 354.3 million (343.4), and in the other countries by 17.5%, to EUR 306.4 million (260.7). Revenue in all countries was positively impacted by higher visitor numbers and increased value of average purchases.

Gross profit increased to EUR 568.3 million (527.0) due to better sales in both divisions.

The gross margin was 57.9% (58.6), explained by Lindex's costs of goods sold being significantly impacted by unfavourable currencies in the face of a historically high U.S. dollar, increased raw material prices and freight, mainly during the second half of the year. To further strengthen the market position, these cost increases were not fully passed on to end-customers, but instead partly mitigated by more efficient sourcing and more full-price sales. In the Stockmann division, the gross margin improved due to higher sales of full-priced products as well as better clearance and full-price sales margins.

Other operating income improved to EUR 99.6 million (31.9). 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 35.8 million, including EUR 20.1 million in adjustments related to corporate restructuring, the prudential provision for the LähiTapiola Keskustakiinteistöt Ky arbitration case and other transformation measures. Operating costs totalled EUR 409.8 million (374.0). The increase excluding the items affecting comparability relates to a more normal business operation without pandemic-related effects or subsidies, together with higher strategic investments within digitalisation and future growth costs for new brands within Lindex. During the latter part of the year, macro-economic effects such as inflation, higher energy prices and other external supplier expenses have affected cost levels. Both divisions are continuing with cost efficiency actions and rental negotiations which partly mitigate the effects.

The adjusted operating result for the accounting period increased to EUR 79.8 million (68.3) due to a strong increase in revenue and cost mitigation actions. The result for the Lindex division was an all time high of EUR 90.0 million (80.3). The Stockmann division has improved the adjusted operating result from EUR -9.9 million to EUR -5.4 million. The improved result for both divisions is explained by increased sales and cost mitigation actions.

The operating result for the accounting period was EUR 154.9 million (82.1) due to real estate divestments together with a strong revenue increase and cost mitigation actions.

The interest impact of the sale-and-leaseback agreements of the Helsinki, Tallinn and Riga department store properties increased the net financial expenses to EUR 25.7 million (16.9).

The net result for the accounting period improved to EUR 101.6 million (47.9). Earnings per share for the accounting period were EUR 0.65 (0.42). Adjusted earnings per share were EUR 0.32 (0.35). Equity per share was EUR 2.15 (1.74).

ITEMS AFFECTING COMPARABILITY (IAC)

EUR million	1–12/2022	1–12/2021
Operating result (EBIT)	**154.9**	82.1
Adjustments to EBIT		
Gain on sales of real estate	**-95.4**	-21.7
Costs for disputed, conditional and maximum restructuring debt	**18.1**	
Restructuring and transformation measures	**2.0**	10.9
Costs related to the war in Ukraine	**0.5**	
Employee insurance refund	**-0.3**	-3.0
Adjusted operating result (EBIT)	**79.8**	68.3

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 62.5 million (16.9) for the full year of 2022.

During the second quarter the Group made a decision to invest for a new omnichannel distribution centre for the Lindex division to enable continued growth and improve efficiency. The new omnichannel warehouse will manage the supply of goods to all the fashion company's stores, as well as managing the strongly growing digital sales and the company's third-party collaborations with global fashion platforms. The investment is the largest in the Lindex division's history and amounts to approximately EUR 110 million between 2022 and 2025.

FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 167.9 million (213.7) at the end of the accounting period.

Cash flow during the full year of 2022 was EUR -33.9 million (+64.1), due to the Lindex division's repayment of EUR 40.0 million of VAT governmental loans and investments of EUR 24.2 million in Lindex new omnichannel distribution centre. When excluding these items, cash flow from operations was positive, although partly decreased by higher inventories in end of the year.

Total inventories were EUR 174.2 million (154.8) at the end of the accounting period. Inventories increased from the previous year in both the Lindex and the Stockmann divisions, explained by increased sales, higher purchase prices and longer lead times.

At the end of the accounting period, interest-bearing liabilities totalled EUR 622.3 million (784.7). These included a non-current senior secured bond EUR 67.5 million (66.0) and lease liabilities due to IFRS 16 reporting of EUR 554.8 million (337.2). The lease liabilities related to the Stockmann division were EUR 287.7 million (85.7) and to the Lindex division EUR 267.1 million (251.5).

Excluding IFRS 16 reporting interest bearing net debt is positive with EUR 100.4 million (-233.8). The previous year's interest-bearing liabilities included the restructuring debt, which has been fully paid when divesting the real estates (381.5).

Assets on the balance sheet totalled EUR 1 282.9 million (1 416.5) at the end of the accounting period.

The equity ratio was 26.2% (18.9) and net gearing was 135.4% (212.8) at the end of the accounting period. IFRS 16 has a significant impact on the equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 53.4% and net gearing would have been -22.3%.

The Group’s capital employed at the end of the accounting period was EUR 1 005.4 million, or EUR 634.3 million excluding IFRS 16 items (1 059.2 or 728.9).

REVENUE AND EARNINGS BY DIVISION

The 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.

THE LINDEX DIVISION

	1–12/2022	1–12/2021
Revenue, EUR mill.	**661.1**	607.4
Gross Profit, EUR mill.	**423.7**	397.4
Gross margin, %	**64.1**	65.4
Adjusted operating result, EUR mill.	**90.0**	80.3
Operating result, EUR mill.	**90.3**	74.6
Capital expenditure, EUR mill.	**55.3**	12.0

Lindex division’s revenue increased by 8.8%, to EUR 661.1 million (607.4). In Swedish krona the revenue increased by 14.1%. The Lindex division’s sales thus exceeded SEK 7 billion, which is an important milestone in the company’s history. Sales at the brick-and-mortar stores continued to increase and were up by 13.6% compared to the previous year. Digital sales decreased by 0.7% and accounted for 18.5% (20.7) of total sales. The division’s sales increased in all markets and business areas. During the year, Lindex succeeded in getting one million new customers and has today close to 5.7 million registrered customers. Lindex entered the femtech market and successfully launched the new brand Female Engineering.

Gross profit increased from EUR 397.4 million to EUR 423.7 million. The gross profit improved due to higher sales, but was impacted by a lower gross margin.

The gross margin decreased to 64.1% (65.4). The Lindex division’s gross margin mainly decreased due to the unfavourable exchange rate between the U.S. dollar and the Swedish krona, which together with higher prices of raw material and freight, impacted the costs of purchased goods significantly. To maintain value-based pricing for customers, the volatile currency increase, when it reached the highest levels, was not fully passed on in consumer end-prices. The negative gross margin effect was, however, partly mitigated with lower markdowns and more efficent sourcing.

Operating costs increased by EUR 6.6 million, to EUR 260.8 million (254.2), where the currency effect from the Swedish krona to the euro partly impacted positively. The cost increase is a result of a more normal business operations without the pandemic-related effects or subsidies, together with higher strategic investments within digitalisation and future growth costs for new brands. During the year, there has also been an implementation of a bonus programme for all Lindex division employees together with the macro-economic effects of inflation and higher energy prices which have affected costs mainly during the latter part of the year. The Lindex division is continuing with cost efficiency actions and rental negotiations which are expected to mitigate the effects partly.

Lindex division’s adjusted operating result increased to EUR 90.0 million (80.3) due to higher sales and good cost control. A lower gross margin as well as macro-economic costs were partly offset.

The operating result, including items affecting comparibility also increased to EUR 90.3 million (74.6).

Capital expenditure was EUR 55.3 million (12.0) which is mainly related to the ongoing construction of the new omnichannel distribution centre planned to be ready in 2024.

The Lindex division’s store network and online presence

The Lindex division had 436 stores in 18 countries in total at the end of the accounting period: 404 of its own stores and 32 franchise stores. The Lindex division opened four stores and closed nine stores during 2022. In addition to the Lindex division’s own online store, it also sells its products on third parties’ digital fashion platforms.

The Lindex division sustainability

The Lindex division's business is growing in new ways. Circular business models and continued development of customer offerings with new services are important parts of the fashion company's transformation into a more sustainable business. The transformation affects all parts of the company and is a key focus. During the year, the fashion company scaled up its second-hand offering to include all kidswear, opened a pop-up store and initiated a test pilot with second-hand baby clothes online. The test pilots give valuable insights into how the business model can be developed and are an important enabler to ensure long-term scalability and profitability going forward. Lindex also takes new step in its transformation to a more sustainable and circular assortment with a new viscose fibre based on OnceMore®, an innovative process for large-scale textile recycling of blended materials.

Another focus area for Lindex and the fashion company's sustainability promise is Empowering Women, in which Lindex has made continued progress in its supply chain. Lindex's sustainability report, which summarises the year 2022 in more detail will be released in March 2023.

Lindex has, since 2003, supported the Pink Ribbon campaign promoting breast cancer awareness and supporting fundraising for cancer research. Over the years, Lindex has together with its' customers contributed with over EUR 19.3 million to cancer research. In 2022, Lindex succeeded thanks to the fantastic commitment of its' employees and customers, to collect EUR 1.7 million for this good cause.

THE STOCKMANN DIVISION

	1–12/2022	**1–12/2021**
Revenue, EUR mill.	**320.6**	291.6
Gross Profit, EUR mill.	**144.6**	129.6
Gross margin, %	**45.1**	44.5
Adjusted operating result, EUR mill.	**-5.4**	-9.9
Operating result, EUR mill.	**71.2**	11.6
Capital expenditure, EUR mill.	**7.2**	4.9

The Stockmann division's revenue grew by 10.0% and amounted to EUR 320.6 million (291.6). The increase was derived from the brick-and-mortar sales due to higher number of visitors in the stores as well as the increased value of average purchases. The Stockmann division made a great achievement with over 88 000 new loyal customers during the year and good progress in customer experience when Emotional Value Index (EVI) improved from 49 to 58. MyStockmann Loyalty application was also launched in the division's Baltics markets.

During the year, Stockmann 160 year anniversary was celebrated with customer and employee events, unique brand collaborations and special collections marking the important milestone. The division reported strong annual sales in fashion, boosted with 70 new brand launches.

Sales at the brick-and-mortar stores increased by 14.6%. Online store shopping declined by 14.0%, accounting for 12.6% (16.1) of total sales.

Revenue in Finland increased by 8.3% and was EUR 245.5 million (226.7). Revenue in the department stores in the Baltics was up by 15.9%, to EUR 75.1 million (64.8). Both Finland and Baltics had higher visitor numbers and an increased value of average purchases.

The gross profit increased from the previous year to EUR 144.6 million (129.6) due to higher sales and gross margin.

The gross margin improved to 45.1% (44.5) due to a larger share of sales of full-priced products and as a result of both better clearance and full-price sales margins. Sales margins increased as the rise in product purchase prices was fully reflected in consumer end-prices, and due to improved seasonal and clearance sell-through.

Operating costs increased by EUR 21.4 million, to EUR 145.5 million (124.1). This was due to a provision of EUR 15.9 million for prudential reasons related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision, recorded as an item affecting comparability. It was also due to the effects of high inflation, especially high energy prices in all markets where Stockmann is operating together with higher staffing costs. The increases in operating costs caused by inflation were partly mitigated by cost-efficiency actions.

The adjusted operating result for the accounting period improved to EUR -5.4 million (-9.9) due to better sales and improved gross margins.

The operating result for the accounting period increased to EUR 71.2 million (11.6) due to capital gain of real estate sales during the first half of the year, stronger sales and improved gross margins.

The Stockmann division's store network and online presence

The Stockmann division had eight department stores and one online store at the end of the accounting period. The department stores are located in Helsinki (2), Vantaa, Espoo, Turku, Tampere, Riga and Tallinn. The Stockmann division online store serves customers in Finland, Estonia and Latvia. In spring, the division made an interesting opening with

Wolt, enabling a delivery service launch and successful expansion of it to all cities, where Stockmann's department stores are located.

Stockmann sustainability

The Stockmann division has renewed Stockmann Group's CO2 emission calculation covering the Stockmann Group's scope 1, 2 and 3 emissions. This renewal has taken into account Science Based Target (SBT) requirements. The division has executed the means to decrease energy consumption in order 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. In the coming years, Stockmann will invest even more strongly in product ranges and services that support the circular economy. Stockmann has been selected for the Circular Design programme, which is part of the implementation of Finland's national circular economy programme.

SHARES AND SHARE CAPITAL

The company has a single class of shares. Each share carries one (1) vote at a general meeting of shareholders.

At the end of the accounting period, Stockmann had a total of 155 880 206 shares. The number of votes conferred by the shares was 155 880 206.

According to the Finnish Companies Act, distributions to shareholders during the three years following the registration of the reduction of share capital in order to cover losses can only be made by following the creditor protection procedure. According to the restructuring programme, the company may not distribute the company's assets to shareholders during the implementation of the repayment schedule under the restructuring programme.

At the end of the accounting period, the share capital was EUR 77.6 million and the market capitalisation stood at EUR 307.1 million (333.6).

The price of a STOCKA share was EUR 1.97 at the end of the accounting period 2022, compared with EUR 2.16 at the end of December 2021.

A total of 94.8 million shares were traded on Nasdaq Helsinki during the the accounting period. This corresponds to 61.1% of the average number of shares.

The company does not hold any of its own shares, and the Board of Directors has no valid authorisations to purchase company shares.

At the end of the accounting period, Stockmann had 44 289 shareholders, compared with 45 054 a year earlier.

BUSINESS CONTINUITY AND FINANCING SITUATION

The restructuring process is proceeding according to plan: 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 2021 annual report.

The Group's scope for arranging new financing is limited during the execution of the corporate restructuring programme, which cannot end until all disputed claims are solved. This may have an effect on the sufficiency of liquidity and on the financial position. The Stockmann Group prepares for the future by evaluating strategic options and financing for the period after the corporate restructuring.

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 of 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 causing a rise in inflation which may affect sales negatively due to the level of consumer confidence, as well as increasing buying prices and operating costs. Further, it may cause delays in the supply chains due to matters concerning 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.

DISPUTES RELATED TO THE RESTRUCTURING PROCESS AND TAX CASES

Stockmann has paid all undisputed external restructuring debt, but still has disputed claims and undisputed conditional or maximum restructuring debt. At the end of the accounting period 2022, the amount from the disputed claims was EUR 61.3 million. The disputed claim amount is mainly related to the termination of long-term leases of premises. The administrator of the restructuring programme has disputed the claims and considered it justified to pay 18 months' rent for the leases instead of rent for all the years remaining in the lease contract. At the end of September 2022, the disputed claims amounted to EUR 45.4 million. Since then Stockmann has filed a claim in the District Court regarding the nullity and the application for annulment regarding the decision given in the arbitration proceedings between LähiTapiola Keskustakiinteistöt Ky and Stockmann. As a result, EUR 15.9 million is again seen as a disputed case. Two other remaining claims will be settled in the District Court and one claim by arbitration proceedings. The amount of undisputed conditional or maximum restructuring debt was EUR 8.8 million. Stockmann has made a provision of EUR 30.8 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 LähiTapiola Keskustakiinteistöt Ky and confirmed that the compensation to be paid to LähiTapiola 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 Helsinki District Court. 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 Helsinki District Court 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 1.3 million. The EUR 1.3 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 regarding 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 with EUR 1.5 million in damages. According to the Supreme Court's decision announced on 8 December 2022, Pirkanmaan Osuuskauppa's claim for damages, EUR 1.5 million, from Stockmann is a reconstructing restructuring debt to be taken into account in Stockmann's corporate restructuring pursuant to section 27 subsection 1 and 4 of the Restructuring Act, and there is therefore no reason to change the outcome of the Helsinki Court of Appeal previous decision.

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

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 corresponding to a lower tax cost of approximately EUR 17 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 decreased its tax liability by reducing income taxes by EUR 2.1 million, which corresponds to the interest on the taxes. The capital of the taxes remained still as a tax liability. Both court decisions were open for an appeal process at the end of the year. The Supreme Administrative Court in Sweden decided on 27 January 2023 that it will not grant a leave to appeal to the Swedish Tax Agency for the decision made by the Administrative Court of Appeal on Stockmann's subsidiary Stockmann Sverige AB's right to deduct interest expenses during the years 2013-2016 for the loan it raised for the acquisition of AB Lindex. Consequently, on 3 February 2023 the Administrative Court of Appeal stated that the Swedish Tax Agency withdrew their appeal against the decision made by the County Administrative Court on the right to deduct interest expenses during the years 2017-2019. Based on the decisions, Stockmann Sverige AB's tax liability and income taxes will decrease by approx. EUR 30 million and no tax liability for the years 2013-2019 will remain.

RISK FACTORS

Stockmann is exposed to risks that arise from the operating environment, risks related to the company's own operations and financial risks. The general economic situation and the COVID-19 pandemic affect consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, the growth of remote working and changing purchasing trends as well as by emerging inflationary pressures. Rapid and unexpected movements in markets and the geopolitical situation may influence on the financial markets, logistics and consumer behaviour. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk arising from the operating environment that could affect Stockmann also in the future. The uncertainty in the operating environment may continue to affect the operations of Stockmann's tenants and may consequently have a negative impact on rental income.

Stockmann's business is affected by normal seasonal fluctuations during the year. The revenue in the first quarter is typically low and revenue in the fourth quarter is typically higher. Fashion accounts for approximately 80% of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. These factors may have an impact on the Group's revenue and gross margin.

In the retail sector, the value chain of products from raw material to customers often contains many stages and involves risks related to the fulfilment of human rights, good working conditions, and environmental and other requirements set out in Stockmann's Code of Conduct and other policies. Responsible management of the supply chain and sustainable use of natural resources are important for the Group's brands in order to retain customer confidence in Stockmann.

Risks related to production and supply may arise from unusual situations such as an escalation of the COVID-19 pandemic or a new epidemic leading to governmental restrictions, strikes, political uncertainties or conflicts which may stop or cause delays in production or supply of merchandise, and which in turn may affect business negatively. The Group's operations are based on flexible logistics and the efficient flow of goods and information. Delays and disturbances in logistic and information systems, as well as uncertainties related to logistics partners, can have an adverse effect on operations. Every effort is made to manage these operational risks by developing appropriate back-up systems and alternative ways of operating, and by seeking to minimise disturbances to information systems.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, which is the euro, and the Swedish krona, the Norwegian krone and the US dollar and certain other currencies. Currency fluctuations may have an effect on the Group’s business operations. The Group is currently only partly hedging the foreign exchange risks due to the corporate restructuring. Interest rate fluctuations may also have an impact on goodwill impairment testing through discount rates.

The Group’s ability to arrange new financing are limited during the execution of the corporate restructuring programme. This may have an effect on the sufficiency of liquidity and on the financial position. Failure to meet the requirements may lead to the termination of the restructuring or bankruptcy.

DISCLOSURE OF NON-FINANCIAL INFORMATION

The Stockmann Group is a Finnish listed company engaging in the retail trade, whose business operations focus on offering a comprehensive range of high-quality products and services in multi-channel department stores, fashion stores and e-commerce. Stockmann is committed to a responsible business strategy and responsible business development in all operations in both of its divisions. The product and service range is being developed in line with sustainable values, so that customers can be provided with an increasing volume of sustainable options. It consists of fashion, beauty, home and grocery products, as well as the supporting services. The company has eight department stores and 436 fashion stores including franchising stores spread over 18 countries.

The daily operations are based on the Group’s strategy and values, Stockmann’s Code of Conduct, and the corporate social responsibility (CSR) strategies of both of its divisions and in line with national and international sustainability commitments. The CSR focus areas are identified through comprehensive materiality assessments and stakeholder dialogue. CSR targets and indicators are then integrated into business operations, and their development is monitored on a regular basis. In 2021, a stakeholder survey was conducted in all countries of operation in order to update the Stockmann division’s CSR strategy, and a materiality assessment was carried out on the basis of its results. The views of the Stockmann Group's various stakeholders and the Board of Directors were considered in the materiality assessment process of the Stockmann division. The representatives of the Board have participated in the definition of materiality based on the results of the Stockmann division's extensive online survey in in-depth interviews, where the preliminary results have been discussed and deepened. The Lindex division has also conducted a comprehensive stakeholder survey to further develop its CSR work among Lindex employees and customers.

The Group’s continuous CSR development work is guided by the CSR strategies and promises of the Stockmann and Lindex divisions. According to the CSR promises, Lindex focuses on empowering women and the Stockmann division develops its operations towards more resource-wise retail business. According to the CSR strategies, Lindex commits to empowering and inspiring women everywhere, while respecting the planet and defending human rights. The focus areas of the Stockmann division’s CSR strategy are profitable and responsible business, environmental sustainability as well as ethical responsibility and collaboration.

The Stockmann Group communicates openly about its CSR work and reports annually on its CSR focus areas, targets and developments in the Group’s CSR Review, which is prepared according to Global Reporting Initiative (GRI) standards. The CSR Review will be published in the week beginning 24 February 2023 at year2022.stockmanngroup.com. Lindex will report on its sustainability in a separate report that will be available at lindex.com.

Key commitments, codes of conduct and policies
Stockmann’s operations comply with international and national laws and regulations as they stand at the time in question in its countries of operation. The Group’s operations are also guided by international treaties and recommendations, such as the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the UN Sustainable Development Goals and the UN Guiding Principles on Business and Human Rights. In addition, Stockmann is committed to the UN Global Compact initiative, and promotes human rights, labour rights, environmental protection and anticorruption measures in accordance with the initiative. The Stockmann Group was among the first companies to sign the new expanded International Accord for Health and Safety in the Textile and Garment Industry. The accord is a successor to the so-called Bangladesh Accord on Fire and Building Safety, which was signed by Stockmann in 2013, thus becoming the first company in Finland to do so. Further information about other international commitments is provided in Stockmann’s CSR Report 2022 and on the Group’s website.

The Stockmann Group’s Code of Conduct and other Group policies determine the way in which all personnel and partners operate. This Code and the related clarifications have been included in the Group’s Collaboration Agreements, and Stockmann requires all of its suppliers and partners to commit to and comply with the Code of Conduct or to demonstrate their commitment to equivalent principles. As part of responsibility management, the principles are communicated to both internal and external stakeholders. The Code of Conduct covers compliance with laws and ethical practices, free competition and consumer rights, employees and working conditions, the environment, and corruption and conflicts of interest.

By the end of 2022, 93% (89) of the Stockmann division's personnel in Finland and 100% (100) of its personnel in Latvia had completed online training on the Code of Conduct. During 2022 the Code of Conduct online training was also implemented in Estonia. All new employees read through the instructions on their first day of work. In Finland, 83% (90) of the members of the management teams of Stockmann's support functions and department stores have completed the training. For Estonia and Latvia, the corresponding figure is 100%. Our target is for 100% of the Group's personnel in all countries to have completed the training.

Respecting human rights
Stockmann respects and promotes all human rights in accordance with its Code of Conduct and human rights policy. The company is committed to ensuring that fundamental rights are respected, and that people are treated with dignity and respect. We implement due diligence as required by the UN Guiding Principles on Business and Human Rights in order to identify and prevent any negative human rights impacts caused by or resulting from our business operations.

Stockmann has recognised that the most significant human rights risks related to its business operations lie in the product supply chains and concern working conditions. A significant portion of Stockmann's own fashion brands, 96% (94), and those of Lindex, 94% (98), are manufactured in areas classified as high-risk by amfori BSCI. The Stockmann Group is aware that these countries involve a risk that the Code of Conduct might be violated, and therefore actively strives to ensure compliance.

The Stockmann Group has been a member of amfori BSCI since 2005, and therefore is committed to systematically improving the working conditions at its production facilities over the long term. In addition, Stockmann has been committed to promoting fire and construction safety in Bangladesh through the Accord it signed in 2013. In 2020, Lindex transferred from amfori BSCI to compliance with the SEDEX standard. As a member of SEDEX, Lindex applies the SMETA (Sedex Members Ethical Trade Audit) method. Factories in all high-risk countries that manufacture Stockmann's and Lindex's own-brand products undergo regular in-house audits by Stockmann Group's local personnel, as well as amfori BSCI, SEDEX or SA8000 audits conducted by a third party. To ensure transparency and traceability, both Stockmann and Lindex publish a comprehensive list of their own brands' suppliers and factories on their websites.

Product safety and responsible supply chain
Stockmann offers a wide range of safe and durable products and focuses on the responsibility and transparency of its supply chain. In the Stockmann division's department stores, the majority of the selection consists of international branded products, complemented by a wide range of Stockmann's own-brand products in the fashion and home categories, designed by the Stockmann division's own designers and leveraging the synergy created by a joint procurement organisation with Lindex. Most of the Lindex selection consists of its own brands.

As part of responsible supply chain management, the Stockmann division's own-brand suppliers and producers are required to comply with Stockmann's Supplier Code of Conduct. All manufacturers of Stockmann's own products have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or a similar commitment. The Group's purchasing offices have local personnel at five main production sites to monitor production quality and compliance with the Code of Conduct. In addition, producers in high-risk countries are subject to third-party liability audits. The long-term target is for 100% of Stockmann's own-brand producers in high-risk countries to have undergone an amfori BSCI or similar audit.

All suppliers and business partners supplying or acting on behalf of Lindex are required to sign the Lindex sustainability commitment, code of ethics and Code of Conduct. Together, these outline the Lindex expectations for suppliers and business partners. In 2022 Lindex worked with 97 suppliers and a total of 152 factories. One hundred per cent were covered by the Code of Conduct. Lindex is a member of Sedex and uses the SMETA audit approach. SMETA stands for Sedex Members Ethical Trade Audit, and Lindex selected this system because of the embedded focus on gender equality.

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. Product safety is ensured in collaboration with suppliers. Product testing and quality checks are carried out to ensure that the products fulfil all statutory quality and safety requirements and any stricter requirements set by the company. During the reporting year, Stockmann and Lindex had no public product recalls.

Prevention of corruption and bribery
The Stockmann Group's policies related to anti-corruption and anti-competitive practices are included in its Code of Conduct and are further specified in the Group's anti-corruption policy. The Stockmann Group has zero tolerance towards all forms of bribery and corruption. The Stockmann Group's employees and management are expected always to perform their duties honestly and with integrity, in the best interests of the company, avoiding any conflicts of interest and complying with local laws.

The Stockmann Group uses a Group-wide whistleblowing channel operated by an external supplier, which can be used anonymously by employees, partners and other stakeholders to report any suspected or detected violations of the Code of Conduct or other Group guidelines. Stockmann's employees can also report any suspicions to their supervisor, their unit's security manager, the Group management, the legal department or the Group's Internal Audit. All whistleblowing reports and discussions are taken seriously and handled confidentially. All incidents are reported to Internal Audit and to the Director of Legal Affairs. In 2022, one incident was reported through the channel. The incident was not related to corruption. It was investigated, and the necessary measures were carried out. Stockmann was not made aware of any legal cases, proceedings or decisions concerning corruption, anti-competitive behaviour or anti-trust practices in 2022.

Customers
The Stockmann Group engages in continuous dialogue with its customers to maintain and improve customer satisfaction. Efforts towards more effective customer dialogue include close cooperation with customers in service development, customer pilots and testing, customer surveys and panels, and customer satisfaction measurements. In addition, Stockmann actively uses social media and other feedback channels to understand customer needs and expectations better. In 2021, the Stockmann division selected the Emotional Value Index (EVI), which measures emotional experience, as its new customer experience performance indicator. The division-level EVI result for 2022 was 58 (49). The EVI result was 65 (65) for the department stores, 22 (6) for customer service and 54 (48) for the online store. Stockmann will continue to develop the customer experience systematically and purposefully in 2023.

To inspire and support its customers in making responsible choices, both the Stockmann Group's divisions openly share information about their CSR work, actively promote the sustainability of its selection and services, and regularly participate in sustainability and charity projects. Sustainability aspects are part of customer satisfaction measurements. A separate sustainability survey for the Stockmann division's customers is carried out twice a year. The target score to be achieved by the end of 2022 is 4 (on a scale of 1 to 5). The result for 2022 was 3.7 (3.7). Stockmann will continue to make systematic efforts to improve sustainability.

In its operations, Stockmann complies with the current competition and privacy laws and promotes free competition in its sector. There were no GDPR incidents in the Stockmann Group in 2022. Stockmann's annual target is zero incidents of customer privacy breaches.

Personnel
Highly motivated and committed personnel is the backbone of Stockmann's business. The Stockmann Group's Human Resources (HR) policies are based on the company's values, strategy and Code of Conduct, and the human rights policy of the Stockmann Group. Ensuring a safe working environment, promoting equality and diversity, and supporting the professional growth and wellbeing of employees are an essential part of Stockmann's responsible HR practices. The implementation of good HR policies is monitored through personnel surveys, performance appraisal discussions and other feedback channels. Cooperation also takes place in local personnel committees and the Group's employee council.

The coronavirus pandemic that broke out in the spring of 2020 still continued to pose some challenges for Stockmann's business operations. In 2022, the constraints resulting from the pandemic were addressed through country-specific temporary adjustment measures. The year was demanding for our employees, as the company continued to adjust its operations and cost levels to the changes in the operating environment caused by the high inflation and insecurity affecting consumer behaviour in all the Stockmann Group's countries of operation, and to some extent still caused by the coronavirus pandemic. The company continued to implement cost-saving measures in both business divisions to improve cost efficiency in the exceptional prevailing circumstances. At the same time, the company continued to implement its revised strategies and process development to improve business performance and customer satisfaction. Organisational changes to improve profitability continued in the Stockmann division. Major investments were also made in further developing employees' competence and work culture.

The Group's average number of employees was 5 802 (5 649) in 2022. In terms of full-time equivalents, the average number of employees was 4 332 (3 886). At the end of the year, the Group had 6 008 (5 833) employees, of whom 1 619 (1 512) were working in Finland. The number of employees working outside Finland was 4 389 (4 321), or 73.1% (74.1) of the total number of personnel. Among the Stockmann Group's employees, women represented 91% (91) and men 9% (9).

The Group's wages and salaries amounted to EUR 165.7 million in 2022, compared with EUR 149.3 million in 2021. The total employee benefit expenses were EUR 212.1 million (194.6), or 21.6 % (21.6) of revenue.

The environment
The goal of Stockmann's responsibility management is to reduce and prevent the negative environmental impact of the company's business by reducing emissions, improving energy efficiency and reducing water consumption, as well as by sorting and recycling waste. To ensure continuous improvement, Stockmann monitors compliance with and development of the environmental goals of the department stores' environmental system. All Stockmann's operations in Finland have an ISO 14001 environmental management system in place. The same operating methods have been adopted in the

department stores in the Baltic countries.

Energy efficiency is one important part of Stockmann's environmental work. The Group's own energy consumption mainly consists of electricity and district heating and cooling. Energy is consumed by the lighting, ventilation, heating and cooling systems in the stores, distribution centres and offices, as well as by other equipment and machinery in these facilities, such as lifts and escalators. As part of active environmental efforts to reduce climate impacts, employees' environmental awareness is maintained through training and regular internal communications.

During 2022, the Group's divisions continued to promote measures to reduce emissions. In keeping with its goal-oriented work, in 2021 Stockmann Group made a commitment to set emission reduction targets in accordance with the criteria of the Science Based Targets initiative (SBTi) in line with the Paris Agreement. The goal is to set science-based climate targets to reduce greenhouse gas emissions in the Group's own operations and value chain. Through the SBTi commitment, Stockmann will enhance its climate action and further develop a low-carbon roadmap to cut emissions and reduce climate risks. The Stockmann division has renewed Stockmann Group's CO_2 emission calculation covering Stockmann Group's scope 1, 2 and 3 emissions. This renewal has considered Science Based Target (SBT) requirements. The division has executed 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.

Reporting on GHG emissions serves as a management tool in the Stockmann Group. Stockmann's carbon footprint in 2022 covers the Stockmann and Lindex divisions in all countries of operation. The Group is reporting its 2022 CO_2 emissions in the SBT-eligible way. Stockmann reports annually on its carbon dioxide emissions in the Group's CSR Review and in the international Carbon Disclosure Project (CDP) climate change survey. In 2022, Stockmann's CDP result continued to be at the good level of B- (B-), similar to the three previous years. Stockmann's rating is at the same level as the global average (B-) and slightly lower than the regional average for Europe (B). The rating reveals that Stockmann has taken coordinated action on climate issues.

The share of certified renewable energy purchased in the Stockmann Group in 2022 was 49%, total 107 515 MWh (34 580), of which Stockmann's share is 56 % and Lindex's 44 %.

In 2022, the largest share of emissions, approximately 69% (67) of the Stockmann Group's carbon footprint, resulted from purchased goods and services, which included all the production emissions of inbound goods and also of operational expenses (Scope 3, Category 1). The next largest emissions come from downstream transportation and distribution (Scope 3, Category 9), with a share of 12% (10). The third largest emissions, 8% (9), come from the use of sold products (Scope 3, Category 11).

In addition, the market-based purchased electricity and heat was in total 8 $ktCO_2e$, 3% (9), where Lindex's share was 21% (33) and the Stockmann division's 79% (67), due to the fact that the Stockmann division has department stores which consumed a significant amount of electricity and district heating.

At the time of publication of this report, the Lindex calculation was incomplete, but the impact on total emissions is minor.

Stockmann Group has identified the circular economy as one of the key themes in promoting sustainable business, and thus seeks to act in line with the principles of the circular economy. Lindex is working within its own operations as well as within the supply chain to transition to renewable fuel sources, push for innovative and resource-efficient processes, eliminate hazardous chemical use, safeguard the waterways and extend the life of products. Lindex continues to make progress towards its goals, which have been updated in 2022 to reflect the clear prioritisation of addressing the climate crisis, transitioning the business to a circular model and protecting natural resources. The Stockmann division works on the same principles as Lindex and aims to reduce the environmental impacts of own-brand products and to increase the use of more sustainable materials in its own-brand products.

Lindex has launched a new recycled fibres goal and a roadmap for achieving it. The aim is that 70% of all products will include a minimum of 15 per cent recycled content by 2026. As of the end of 2022, 27 per cent of the materials were recycled, compared to 16 per cent in 2021. In addition, as part of the Lindex pilot with Södra and the commitment to circularity, Lindex booked 250 tonnes of OnceMore® material made from post-consumer textile waste. This has been integrated into our supply chain where it is being made into about a million garments that will be available in stores at the end of 2022 and throughout 2023.

In 2022, 66% (60) of Stockmann's own-brand garments were made from more sustainable materials, and 92% (88) of its own brand knitwear was made from more sustainable cotton. Both indicators exceeded their target level. Stockmann's target was that, by 2021, 50% of its own-brand garments would be made from more sustainable materials, and that 80% of its own brand knitwear would be made from more sustainable cotton. Since these goals have been achieved, Stockmann has started work to re-evaluate and set new goals for the use of materials that support the circular economy and sustainable development. Active collaboration and dialogue with goods suppliers will continue so that information on the origin of products and sustainable materials can be made more available to customers in a transparent manner, for both our own brands and our partners' brands.

CSR risks and risk management
The Stockmann Group's most significant CSR-related risks have been identified as concerning the supply chains of the product selections. The well-known international and domestic branded products in Stockmann's department stores form the majority of the department store's range. The suppliers of these products are expected to commit to the Stockmann Code of Conduct or to demonstrate a similar commitment. In addition, Stockmann's department stores have a wide range of Stockmann's own brands. The majority of the Lindex range consists of its own-brand products. A significant proportion of the Group's own-brand products are manufactured in regions classified as high-risk countries by amfori BSCI. This proportion is 96% (93) for Stockmann and 94% (98) for Lindex. In the management of its own-brand supply chains, the Group is exposed to various risks, such as the traceability and transparency of supply chains, the implementation of human and labour rights, and the environmental impacts of production and raw materials.

Stockmann manages these risks through responsible purchasing practices and established policies and risk management methods. The risks are monitored in accordance with the CSR strategy and good corporate governance as part of business risk management. All suppliers of the Group's own brands are required to comply with Stockmann's Supplier Code of Conduct, which is based on the 11 core labour rights of amfori BSCI, or on a similar commitment. The Group's purchasing offices have local staff at five main production sites and monitor the quality of production and adherence to ethical principles. In addition, third-party sustainability audits are carried out for producers in high-risk countries. All deviations are addressed immediately, and corrective measures are taken.

Other identified CSR-related risks regarding the Group's business operations include risks related to the employees' competence and wellbeing, product safety and environmental awareness. Failure to respond to risks within these areas could have an impact on the Group's business development, brand and reliability. Open dialogue and cooperation with the Group's stakeholders, as well as transparent CSR communication, are an essential part of Stockmann's risk management activities.

STOCKMANN'S ASSESSMENT OF EU TAXONOMY-ELIGIBLE AND -ALIGNED ACTIVITIES

The EU taxonomy is a classification system establishing a list of environmentally sustainable economic activities. It aims to help the EU to scale up sustainable investment and implement the European green deal. The EU taxonomy would provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In this way, it should create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed.

The Taxonomy Regulation currently applies to listed companies with more than 500 employees that fall under the Non-Financial Reporting Directive. Stockmann plc, which is listed on the stock exchange and employs more than 500 people, must assess its EU taxonomy eligibility and alignment. The EU's taxonomy does not define criteria that are specific to Stockmann Group's business in the retail sector. Currently, criteria exist for 13 different sectors, including energy production, construction and real estate, transport and forestry. An economic activity is considered taxonomy-eligible if it is listed in the EU taxonomy and can potentially contribute to at least one of the six environmental objectives: climate mitigation, climate adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. In the 2022 assessment, the two environmental objectives that are defined by the EU and can be applied are climate change mitigation and adaptations. The development of the EU taxonomy will be monitored, and internal understanding of the possible impact of the EU taxonomy framework on the Stockmann Group's business operations continue to be enhanced.

Stockmann's business in the retail sector
At the time of preparing this report, the Stockmann Group's retail business is not included in the sectors that are within the scope of the EU taxonomy. However, the retail sector may have a significant impact on the other environmental objectives of the taxonomy, such as the circular economy, but applicable criteria have not yet been published. The Stockmann Group has assessed the impacts of its business operations and has actively promoted the circular economy by optimising the use of packaging materials, using high-quality and sustainable materials in products, making increasing use of recyclable and recycled materials, enhancing the recycling of waste, increasing services that support sustainability and attempting to promote sustainable consumption habits. The Stockmann Group has also systematically increased the energy efficiency of its operations and disclosed its greenhouse gas emissions at the Group level for 10 years. Stockmann Group has thus recognised the climate impact of its operations throughout the value chain, has carried out measures and is committed to setting science-based SBT climate targets.

Stockmann's real estate holdings
The EU taxonomy defines criteria for sustainable financial operations in the real estate business. Under the Taxonomy Regulation, the acquisition and ownership of buildings (Activity 7.7 'Acquisition and ownership of buildings') is classified as a sector covered by the taxonomy. During the financial year 2022, Stockmann plc owned Riga and Helsinki department store real estates in Q1 and paid real estate-related capital expenditure in April. After the completion of the divestment of these real estates, the premises were leased-back and are treated in the Stockmann Group's accounts as

right-of-use assets in accordance with IFRS 16. The amounts of the right-of-use assets that the Group retains are recorded in capital expenditure and thus included in the EU taxonomy assessment as eligible.

Stockmann's assessment of other potential taxonomy-eligible activities
Another EU taxonomy category in which Stockmann Group's operating activity could be assessed is transport by motorbikes, passenger cars and light commercial vehicles (Activity 6.5. 'Transport by motorbikes, passenger cars and light commercial vehicles'). Currently the impact from owned and leased cars is below the Stockmann Group's defined materiality.

The Stockmann Group reported EU taxonomy eligibility in 2021, and 2022 is the first year to report EU taxonomy alignment. Out of the six EU taxonomy environmental objectives, the company contributes to climate change mitigation. In this report, Stockmann Group has assessed the EU taxonomy eligibility and alignment of its business activities in real estate for turnover, capital expenditure and operating expenses as follows:

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH citeria ('Does Not Significantly Harm')										
Economic activities	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR mill.	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	%[1]	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	0.0	0.0%	0%	0%	0%	0%	0%	0%	N/A	N	N/A	N/A	N/A	N/A	Y	0.0%	0.0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%	0.0%		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	17.3	1.8%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2.)		17.3	1.8%																	
Total A (A.1. + A.2.)		17.3	1.8%														0.0%	0.0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		964.4	98.2%																	
Total (A + B)		981.7																		

[1] All percentages relate to the Group's total sales revenue.
Of the Stockmann Group's total sales revenue in 2022, EUR 17.3 million, or 1.8%, was taxonomy-eligible sales revenue.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH citeria ('Does Not Significantly Harm')										
Economic activities	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR mill.	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	%[1]	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	0.0	0.0%	0%	0%	0%	0%	0%	0%	N/A	N	N/A	N/A	N/A	N/A	Y	0.0%	0.0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%	0.0%		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	258.5	92.0%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2.)		258.5	92.0%																	
Total A (A.1. + A.2.)		258.5	92.0%														0.0%	0.0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2.)		22.4	8.0%																	
Total (A + B)		280.9																		

[1] All percentages relate to the Group's total capital expenditure.
Of the Stockmann Group's total capital expenditure in 2022, EUR 258.5 million, or 92.0%, was taxonomy-eligible capital expenditure.

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH citeria ('Does Not Significantly Harm')										
Economic activities	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year 2022 (18)	Taxonomy-aligned proportion of OpEx, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR mill.	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	%[1]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	%[1]	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	0.0	0.0%	100%	0%	0%	0%	0%	0%	N/A	N	N/A	N/A	N/A	N/A	Y	0.0%	0.0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%	0.0%		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	L68.20	4.4	10.1%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2.)		4.4	10.1%																	
Total A (A.1. + A.2.)		4.4	10.1%														0.0%	0.0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		39.1	89.9%																	
Total (A + B)		43.4																		

[1] All percentages relate to the Group's total operating expenditure.
Of the Stockmann Group's total operating expenditure in 2022, € 4.4 million, or 10.1%, was taxonomy-eligible operating expenditure.
Stockmann distribution center meets 2 out of the 3 Taxonomy criteria (Substantial contribution and Minimum safeguards criteria). However, the assessment for the DNSH requirements has not been made yet. If the distribution center was considered fully aligned, EUR 1.5 million, or 3.4%, would be taxonomy-aligned operating expenditure.

EVENTS AFTER THE REPORTING PERIOD

The Supreme Administrative Court in Sweden decided on 27 January 2023 that it will not grant a leave to appeal to the Swedish Tax Agency for the decision made by Administrative Court of Appeal on Stockmann's subsidiary Stockmann Sverige AB's right to deduct interest expenses during the years 2013-2016 for the loan it raised for the acquisition of AB Lindex. On 31 January 2023, the Swedish Tax Agency also withdrew the appeal for the years 2017–2019. Consequently, the decisions made by the Administrative Court of Appeal became legally valid and thus Stockmann Sverige AB is entitled to deduct the interest expenses in taxation, which corresponds to a lower income tax of approximately EUR 30 million. The Stockmann Group will recognise a reversal of the related tax liability during the first quarter of 2023, which will decrease the income taxes on the income statement and the tax liability on the statement of financial position.

ANNUAL REPORTING 2022

Stockmann Group's Annual Report, Financial Review, Remuneration Report, Corporate Governance Report and Corporate Responsibility Report for 2022 will be published during the week beginning 27 February 2023 (week 9).

Helsinki, 23 February 2023

STOCKMANN plc
Board of Directors

Key figures

		2022	2021	2020	2019	2018
Revenue *)	EUR mill.	**981,7**	899,0	790,7	960,4	1 018,8
Gross profit *)	EUR mill.	**568,3**	527,0	443,7	540,9	580,1
Gross margin *)	%	**57,9**	58,6	56,1	56,3	56,9
EBITDA *)	EUR mill.	**258,0**	184,9	109,6	153,0	76,0
Adjustments to EBITDA *)	EUR mill.	**75,1**	13,8	-7,3	-15,6	-8,4
Adjusted EBITDA *)	EUR mill.	**183,0**	171,1	116,9	168,6	84,3
Operating result *)	EUR mill.	**154,9**	82,1	-269,6	24,1	-5,0
Share of revenue *)	%	**15,8**	9,1	-34,1	2,5	-0,5
Adjustments to operating result *)	EUR mill.	**75,1**	13,8	-257,3	-15,6	-33,4
Adjusted operating result *)	EUR mill.	**79,8**	68,3	-12,3	39,8	28,4
Net result for the period	EUR mill.	**101,6**	47,9	-291,8	-45,6	-45,2
Adjustments to net result for the period *)	EUR mill.	**51,5**	7,9	-255,8	-12,5	-31,7
Adjusted net result for the period *)	EUR mill.	**50,2**	40,0	-36,0	-33,1	-12,1
Share capital	EUR mill.	**77,6**	77,6	144,1	144,1	144,1
A share	EUR mill.			61,1	61,1	61,1
B share	EUR mill.	**77,6**	77,6	83,0	83,0	83,0
Return on equity	%	**33,7**	20,2	-86,7	-9,3	-5,2
Return on capital employed	%	**15,7**	8,0	-20,1	1,6	-0,4
Capital employed	EUR mill.	**1 005,4**	1 059,2	1 237,4	1 529,1	1 540,1
Capital turnover rate		**1,0**	0,8	0,6	0,6	0,7
Inventories turnover rate		**2,4**	2,4	2,6	2,9	3,1
Equity ratio	%	**26,2**	18,9	14,5	27,8	46,2
Net gearing	%	**135,4**	212,8	340,7	191,7	64,5
Capital expenditure	EUR mill.	**62,5**	16,9	18,5	33,8	29,3
Share of revenue *)	%	**6,4**	1,9	2,3	3,5	2,9
Interest-bearing net debt	EUR mill.	**622,3**	570,8	702,5	900,2	543,3
Interest-bearing net debt / EBITDA	EUR mill.	**1,8**	3,1	6,4	5,9	7,2
Total assets	EUR mill.	**1 282,9**	1 416,5	1 425,3	1 690,3	1 827,9
Staff expenses *)	EUR mill.	**212,1**	194,6	181,9	211,1	222,0
Personnel, average *)	persons	**5 802**	5 649	5 991	7 002	7 241
Average number of employees, converted to full-time equivalents *)	persons	**4 332**	3 886	3 973	4 891	5 299
Revenue per person *)	EUR thousands	**169,2**	159,1	132,0	137,2	140,7

*) continuing operations

Stockmann Group changed its accounting principle according to IFRIC agenda decisions on configuration or customisation costs in a cloud computing arrangement (IAS 38) in the financial year 2021. Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 were reclassified from financial items to other operating expenses.

Stockmann Group changed from its previous revaluation model to a cost model for its property, plant and equipment in the financial year 2020. The change in accounting method was applied retrospectively as of 1 January 2019 according to the IAS 8 standard. The change in the accounting policy had a remarkable impact on the comparability of certain key figures.

IFRS 16 implementation in 2019 had a significant impact on the comparability of certain key figures.

Stockmann Delicatessen in Finland was reported as discontinued operation for financial year 2018.

Key figures per share

		2022	2021	2020*)	2019*)	2018*)
Earnings per share, continuing operations	EUR	**0,65**	0,42	-3,89	-0,69	-0,65
Earnings per share, discontinued operations	EUR					-0,02
Earnings per share (undiluted and diluted)	EUR	**0,65**	0,42	-3,89	-0,69	-0,67
Adjusted Earnings per share (undiluted and diluted)	EUR	**0,32**	0,35	-0,48	-0,53	-0,23
Cash flow from operating activities per share	EUR	**0,35**	1,32	2,03	1,42	1,15
Equity per share	EUR	**2,15**	1,74	2,86	6,52	11,71
Dividend per share	EUR					
Dividend per earnings	%					
P/E ratio of shares						
A share				-0,3	-3,1	-2,9
B share		**3,0**	5,1	-0,3	-2,9	-2,7
Share quotation at 31.12.	EUR					
A share				1,27	2,26	2,00
B share		**1,97**	2,16	1,16	2,06	1,92
Highest price during the period	EUR					
A share				3,59	3,16	5,64
B share		**3,26**	2,44	3,22	2,74	5,13
Lowest price during the period	EUR					
A share				0,88	1,90	1,84
B share		**1,46**	1,07	0,65	1,78	1,65
Average price during the period	EUR					
A share				1,87	2,41	2,53
B share		**2,19**	1,61	1,45	2,12	3,31
Share turnover	thousands					
A share			576	2 102	1 281	3 875
B share		**94 830**	90 210	30 258	13 127	13 952
Share turnover	%					
A share			0,5	6,9	4,2	12,7
B share		**60,8**	79,1	72,9	31,6	33,6
Market capitalisation at 31.12.	EUR mill.	**307,1**	333,6	86,9	154,5	140,8
Number of shares at 31.12.	thousands	**155 880**	154 437	72 049	72 049	72 049
A share				30 531	30 531	30 531
B share		**155 880**	154 437	41 518	41 518	41 518
Weighted average number of shares, undiluted	thousands	**155 189**	114 009	75 102	75 102	75 102
Weighted average number of shares, diluted	thousands	**155 347**	114 009	75 102	75 102	75 102
Total number of shareholders at 31.12.		**44 289**	45 054	43 656	43 394	44 396

*) Key figures per share for years 2018-2020 are adjusted for comparison purposes.

Items affecting comparability

Stockmann uses Alternative Performance Measures according to the guidelines of the European Securities and Market Authority (ESMA) to better reflect the operational business performance and to facilitate comparisons between financial periods.

Adjusted operating result (adjusted EBIT) is calculated from operating result excluding any adjustments related to acquisitions and disposals, restructuring, impairment losses, litigation fees and settlements, value adjustments to assets, losses related to the war in Ukraine as well as disputed, conditional or maximum restructuring debt.

Adjusted net result is calculated from net profit/loss for the period excluding any adjustments after tax impact related to acquisitions and disposals, restructuring, impairment losses, litigation fees and settlements, value adjustments to assets, losses related to the war in Ukraine as well as disputed, conditional or maximum restructuring debt.

EUR mill.	**2022**	2021	2020	2019	2018
Adjusted EBITDA	**183,0**	171,1	116,9	168,6	84,3
Adjustments to EBITDA					
Costs for disputed, conditional and maximum restructuring debt	**-18,1**				
Restructuring and transformation measures	**-2,0**	-10,9	-7,3	-15,2	-3,3
Gain on sale of real estate properties	**95,4**	21,7		-0,4	6,8
Value adjustment to assets held for sale					-11,9
War in Ukraine related losses	**-0,5**				
Employee insurance refunds	**0,3**	3,0			
Adjustments total	**75,1**	13,8	-7,3	-15,6	-8,4
EBITDA	**258,0**	184,9	109,6	153,0	76,0
Adjusted operating result (EBIT)	**79,8**	68,3	-12,3	39,8	28,4
Adjustments to EBIT					
Goodwill impairment			-250,0		-25,0
Costs for disputed, conditional and maximum restructuring debt	**-18,1**				
Restructuring and transformation measures	**-2,0**	-10,9	-7,3	-15,2	-3,3
Gain on sale of properties	**95,4**	21,7	0,0	-0,4	6,8
Value adjustment to assets held for sale					-11,9
War in Ukraine related losses	**-0,5**				
Employee insurance refunds	**0,3**	3,0			
Adjustments total	**75,1**	13,8	-257,3	-15,6	-33,4
Operating result (EBIT)	**154,9**	82,1	-269,6	24,1	-5,0

EUR mill.	**2022**	2021	2020	2019	2018
Adjusted net result for the period *)	**50,2**	40,0	-36,0	-33,1	-12,1
Adjustments to net profit/loss for the period					
Goodwill impairment			-250,0		-25,0
Costs for disputed, conditional and maximum restructuring debt	**-18,1**				
Restructuring and transformation measures	**-2,0**	-10,9	-7,3	-15,2	-3,3
Gain on sale of properties	**95,4**	21,7	0,0	-0,4	6,8
Value adjustment to assets held for sale					-11,9
War in Ukraine related losses	**-0,5**				
Employee insurance refunds	**0,3**	3,0			
Income taxes	**-23,6**	-5,9	1,5	3,2	1,7
Adjustments total	**51,5**	7,9	-255,8	-12,5	-31,7
Net result for the period *)	**101,6**	47,9	-291,8	-45,6	-43,7

*) Continuing operations

Definition of key figures

Performance measures according to IFRS

Earnings per share, continuing operations	Result for the period attributable to the parent company's shareholders from continuing operations − tax-adjusted interest on hybrid bond / Average number of shares, adjusted for share issue
Earnings per share, discontinued operations	Result for the period attributable to the parent company's shareholders from discontinued operations − tax-adjusted interest on hybrid bond / Average number of shares, adjusted for share issue
Earnings per share	Result for the period attributable to the parent company's shareholders − tax-adjusted interest on hybrid bond / Average number of shares, adjusted for share issue

Alternative performance measures

Gross profit	Revenue – materials and services
Gross margin	Gross profit / revenue x 100
EBITDA	Operating result + depreciation, amortisation and impairment losses
Adjusted EBITDA	EBITDA – adjustments, see items affecting comparability
Adjusted operating result	Operating result − adjustments, see items affecting comparability
Adjusted net result for the period	Net profit/loss for the period – adjustments after tax impact, see items affecting comparability
Adjusted earnings per share	Adjusted net result for the period attributable to the parent company's shareholders – tax-adjusted interest on hybrid bond / Average number of shares, adjusted for share issue
Return on equity, %	Result for the period / Equity total (average for the year) x 100
Return on capital employed, %	Result before taxes + interest and other financial expenses / Capital employed x 100
Capital employed	Total assets − deferred tax liability and other non-interest-bearing liabilities (average for the year)
Capital turnover rate	Revenue / Total assets − deferred tax liability and other non-interest-bearing liabilities (average for the year)
Inventories turnover rate	365 / Inventories turnover time
Equity ratio, %	Equity total / Total assets − advance payments received x 100
Net gearing, %	Interest-bearing liabilities − cash and cash equivalents − interest-bearing receivables / Equity total x 100
Interest-bearing net debt	Interest-bearing liabilities − cash and cash equivalents – interest-bearing receivables

Key figures per share

Equity per share	Equity attributable to the parent company's shareholders / Number of shares on the balance sheet date
Cash flow from operating activities per share	Cash flow from operating activities / Average number of shares without the own shares owned by the company
P/E ratio of shares	Share quotation on balance sheet date / Earnings per share
Share turnover	Number of shares traded during the period
Market capitalisation	Number of shares multiplied by the quotation for the respective share series on balance sheet date

Stockmann Group's management decided to disclose adjusted net result for the period and adjusted earnings per share as additional alternative performance measures in 2022 for comparison purposes due to the sales of the real estates in 2021-2022.

Shares and share capital

Stockmann plc has one class of shares, the shares of which carry one (1) vote per share and otherwise similar rights. The company's share is listed on the Helsinki Stock Exchange and its trading code is STOCKA and ISIN number is FI0009000251.

The company's share capital on 31 December 2022 was EUR 77 556 538 and number of shares was 155 880 206.

The number of registered shareholders was 44 289 (45 054 shareholders 31 December 2021).

The company's market capitalisation on 31 December 2022 was EUR 307,1 million (EUR 333,6 million on 31 December 2021).

Number of shares, 31 December 2022

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1-100	27 194	61,4	0,6	0,6
101-1000	12 771	28,8	3,0	3,0
1001-10000	3 726	8,4	7,0	7,0
10001-100000	505	1,1	9,4	9,4
100001-1000000	77	0,2	12,6	12,6
1000001-	16	0,0	67,5	67,5
Total	44 289	100	100	100

Ownership structure, 31 December 2022

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	43 007	97,1	21,3	21,3
Private and public corporations	865	2,0	17,5	17,5
Nominee registrations (incl. foreign shareholders)	192	0,4	23,8	23,8
Foundations and associations	189	0,4	31,9	31,9
Financial and insurance companies	36	0,1	5,5	5,5
Total	44 289	100	100	100

Major shareholders, 31 December 2022

		Percentages of shares %	Percentages of shares %
1	Föreningen Konstsamfundet Grouping	10,4	10,4
2	Varma Mutual Pension Insurance Company	8,1	8,1
3	Society of Swedish Literature in Finland	7,5	7,5
4	Hc Holding Oy Ab	4,1	4,1
5	Etola Group	3,9	3,9
6	Niemistö Kari Pertti Henrik	3,3	3,3
7	eQ Nordic Small Cap Mutual Fund	2,0	2,0
8	Samfundet Folkhälsan i Svenska Finland	1,8	1,8
9	Ilmarinen Mutual Pension Insurance Company	1,3	1,3
10	OP-Henkivakuutus Ltd.	0,9	0,9
11	Jenny and Antti Wihuri Foundation	0,9	0,9
12	Coeus Invest Grit Erikoissijoitusyhtiö	0,7	0,7
13	Cumulant Capital Pohjois-Eurooppa	0,7	0,7
14	Mandatum Life Insurance Company Ltd.	0,6	0,6
15	Kaloniemi Markku Petteri	0,5	0,5
16	LähiTapiola Keskustakiinteistöt Ky	0,5	0,5
17	LähiTapiola Mutual Life Insurance Company	0,5	0,5
18	VISIO Allocator Fund	0,5	0,5
19	Wilhelm och Else Stockmanns Stiftelse	0,4	0,4
20	eQ Finland Investment Fund	0,4	0,4
	Other	51,0	51,0
	from which Nominee registered shares	22,9	22,9
Total		100,0	100,0

Consolidated Financial Statements

Consolidated Income Statement

EUR mill.	Note	1.1.-31.12.2022	1.1.-31.12.2021
REVENUE	2.2	**981,7**	899,0
Other operating income	2.2	**99,6**	31,9
Materials and services	2.3	**-413,4**	-372,0
Employee benefit expenses	2.5, 5.5	**-212,1**	-194,6
Depreciation, amortisation and impairment losses	3.1	**-103,2**	-102,9
Other operating expenses	2.6	**-197,7**	-179,4
Total expenses		**-926,4**	-848,9
OPERATING PROFIT/LOSS	2.1	**154,9**	82,1
Financial income	4.1	**2,6**	2,7
Financial expenses	4.1	**-28,3**	-19,6
Total financial income and expenses		**-25,7**	-16,9
PROFIT/LOSS BEFORE TAX		**129,2**	65,2
Income taxes	2.7	**-27,5**	-17,3
NET PROFIT/LOSS FOR THE PERIOD		**101,6**	47,9
Profit/loss for the period attributable to:			
Equity holders of the parent company		**101,6**	47,9
Earnings per share, EUR:	4.13		
From the period result (undiluted and diluted)		**0,65**	0,42

Consolidated Statement of Comprehensive Income

EUR mill.	Note	1.1.-31.12.2022	1.1.-31.12.2021
PROFIT/LOSS FOR THE PERIOD		**101,6**	47,9
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax		**-33,3**	-6,0
Exchange differences on translating foreign operations, net of tax	2.7, 4.12	**-33,3**	-6,0
Cash flow hedges, before tax		**-2,2**	1,1
Cash flow hedges, net of tax	2.7, 4.12	**-2,2**	1,1
Other comprehensive income for the period, net of tax		**-35,6**	-4,9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**66,1**	43,0
Total comprehensive income attributable to:			
Equity holders of the parent company		**66,1**	43,0

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2022	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		**250,9**	271,5
Trademark		**81,8**	88,7
Intangible rights		**26,8**	27,6
Other intangible assets		**0,7**	1,1
Advance payments and construction in progress		**4,2**	2,1
Intangible assets, total	3.2	**364,4**	391,1
Property, plant and equipment			
Machinery and equipment		**37,6**	40,6
Modification and renovation expenses for leased premises		**4,4**	4,8
Right-of-use assets	3.5	**419,2**	296,6
Advance payments and construction in progress		**37,1**	1,2
Property, plant and equipment, total	3.3	**498,2**	343,2
Investment properties	3.4	**0,5**	0,5
Non-current receivables	4.10, 4.11	**3,1**	3,8
Other investments	4.10	**0,2**	0,2
Deferred tax assets	2.8	**31,0**	23,8
NON-CURRENT ASSETS, TOTAL		**897,4**	762,6
CURRENT ASSETS			
Inventories	2.4	**174,2**	154,8
Current receivables			
Income tax receivables		**0,2**	0,1
Non-interest-bearing receivables		**43,2**	45,7
Current receivables, total	4.3	**43,5**	45,8
Cash and cash equivalents	4.4	**167,9**	213,7
CURRENT ASSETS, TOTAL		**385,5**	414,3
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	**0,0**	239,5
ASSETS, TOTAL		**1 282,9**	1 416,5

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**77,6**	77,6
Invested unrestricted equity fund		**73,3**	72,0
Other funds		**-1,0**	1,2
Translation reserve		**-18,9**	14,4
Retained earnings		**204,6**	102,9
Equity attributable to equity holders of the parent company	4.12	**335,6**	268,2
EQUITY, TOTAL		**335,6**	268,2
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	**40,3**	40,6
Non-current interest-bearing financing liabilities	4.5	**67,5**	66,0
Non-current lease liabilities	4.5	**477,5**	264,3
Non-current non-interest-bearing liabilities and provisions	4.9, 4.10, 5.3	**0,7**	37,8
NON-CURRENT LIABILITIES, TOTAL		**585,9**	408,6
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	4.6	**0,0**	381,5
Current lease liabilities	4.6	**77,3**	72,9
Trade payables and other current liabilities	4.6, 4.9	**179,1**	223,1
Income tax liabilities	4.6	**73,7**	46,4
Current provisions	5.3	**31,2**	0,0
Current non-interest-bearing liabilities, total		**284,0**	269,6
CURRENT LIABILITIES, TOTAL		**361,3**	724,0
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	**0,0**	15,7
LIABILITIES, TOTAL		**947,3**	1 148,3
EQUITY AND LIABILITIES, TOTAL		**1 282,9**	1 416,5

Consolidated Cash Flow Statement

EUR mill.	Note	**1.1.-31.12.2022**	1.1.-31.12.2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period		**101,6**	47,9
Adjustments for:			
Depreciation, amortisation and impairment losses		**103,2**	102,3
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		**-95,2**	-21,6
Interest and other financial expenses		**28,3**	19,6
Interest income		**-2,6**	-2,7
Income taxes		**27,5**	17,3
Other adjustments		**17,7**	0,6
Working capital changes:			
Increase (-) /decrease (+) in inventories		**-28,3**	-21,5
Increase (-) / decrease (+) in trade and other current receivables		**-1,2**	-10,1
Increase (+) / decrease (-) in current liabilities		**-50,5**	48,4
Interest expenses paid		**-29,0**	-28,7
Interest received from operating activities		**1,3**	1,0
Income taxes paid from operating activities		**-17,9**	-2,0
Net cash from operating activities		**55,1**	150,4
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible assets		**429,1**	48,3
Purchase of tangible and intangible assets		**-62,7**	-17,0
Security deposit		**-0,1**	-2,3
Net cash used in investing activities		**366,3**	28,9
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan conversion costs		**0,0**	-0,4
Repayment of current liabilities		**-381,5**	-48,5
Payment of lease liabilities		**-73,8**	-66,3
Net cash used in financing activities		**-455,2**	-115,2
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**-33,9**	64,1
Cash and cash equivalents at the beginning of the period		**213,7**	152,3
Net increase/decrease in cash and cash equivalents		**-33,9**	64,1
Effects of exchange rate fluctuations on cash held		**-11,9**	-2,7
Cash and cash equivalents at the end of the period	4.4	**167,9**	213,7

The proceeds from sales of real estate properties were paid directly to the secured creditors of the restructuring programme. The transactions are presented as proceeds from sale of tangible assets and repayment of current liabilities.

Consolidated Statement of Changes in Equity

EUR mill.	Share capital	Share premium fund	Reserve for un-restricted equity	Hedging reserve	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2022	**77,6**	**0,0**	**72,0**	**1,1**	**0,1**	**14,4**	**102,9**	**268,2**	**0,0**	**268,2**
Profit/loss for the period							101,6	101,6		101,6
Exchange differences on translating foreign operations *)						-33,3		-33,3		-33,3
Cash flow hedges *)				-2,2				-2,2		-2,2
Total comprehensive income for the period, net of tax	0,0	0,0	0,0	-2,2	0,0	-33,3	101,6	66,1	0,0	66,1
Share issue to creditors for unsecured restructuring debt			1,3					1,3		1,3
Share-based payments							0,1	0,1		0,1
Other changes in equity total	0,0	0,0	1,3	0,0	0,0	0,0	0,1	1,4	0,0	1,4
EQUITY 31.12.2022	**77,6**	**0,0**	**73,3**	**-1,1**	**0,1**	**-18,9**	**204,6**	**335,6**	**0,0**	**335,6**

*) Notes 2.7, 4.12

EUR mill.	Share capital	Share premium fund	Reserve for un-restricted equity	Hedging reserve	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2021	**144,1**	**186,1**	**250,4**	**0,0**	**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, net of tax	0,0	0,0	0,0	1,1	0,0	-5,9	47,8	43,0	0,0	43,0
Reduction of share capital to cover losses	-66,5						66,5	0,0		0,0
Usage of funds to cover losses		-186,1	-250,4		-43,7		480,2	0,0		0,0
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	0,0
Other changes in equity total	-66,5	-186,1	-178,4	0,0	-43,7	0,0	599,5	124,8	-105,8	18,9
EQUITY 31.12.2021	**77,6**	**0,0**	**72,0**	**1,1**	**0,1**	**14,4**	**102,9**	**268,2**	**0,0**	**268,2**

*) Notes 2.7, 4.12

Notes to the consolidated financial statements

1 Basis of preparation

1.1 Corporate information

Company name	Stockmann Plc
Parent company	Stockmann Plc
Ultimate parent of Group	Stockmann Plc
Change in company name	N/A
Legal form	Public listed company
Domicile	Helsinki
Country of incorporation	Finland
Registered address	Aleksanterinkatu 52, 00100 Helsinki
Primary field of business	Retailing
Principal place of business	Finland

The parent company's shares are listed on the Helsinki exchange (Nasdaq Helsinki Ltd). A copy of the consolidated financial statements is available at www.stockmanngroup.com or from the parent company.

1.2 General

Stockmann Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards and IFRIC and SIC interpretations in force on 31 December 2022. In the Finnish accounting legislation and the regulations issued pursuant to it, International Financial Reporting Standards (IFRS) refer to the standards and their interpretations that have been approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation that supplements IFRS regulations. The information in the financial statements is based on original acquisition costs, unless stated otherwise in the accounting policies. The financial statements are presented in millions of euros.

Stockmann Group issues a financial review complying with the ESEF requirements on its website. In addition, Stockmann Group issues voluntarily a financial review in pdf format, which does not fulfill the disclosure requirements set in the Finnish Securities Markets Act, chapter 7, section 5.

Stockmann's Board of Directors has approved these financial statements for disclosure on 23 February 2023.

1.3 New and amended standards and interpretations

On 1 January 2022, the Stockmann Group adopted the following amendments to the accounting standards issued by the IASB and endorsed by the EU:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Annual improvements – minor improvements to IFRS 9, IFRS 16 and IAS 41

The amendments had no impact on Stockmann's consolidated financial statements.

Stockmann Group has not early adopted any new and amended standards and interpretations that have been issued but are not yet effective. The new and amended standards and interpretations issued by the IASB that are effective in future periods are not expected to have a material impact on the consolidated financial statements of Stockmann when adopted. Stockmann intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are endorsed by the EU.

1.4 Corporate restructuring programme

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, and the restructuring proceedings were ended. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group.

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. 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 confirmed restructuring debts 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 Financial Review 2021.

On 27 January 2022, Stockmann announced that it had received and verified three subscription forms from Entitled Persons whose previously conditional or disputed receivables subject to the payment programme of the Restructuring Programme had been clarified and the final amounts of such receivables had been confirmed. The Subsequent Bonds duly subscribed for by such Entitled Persons amounted to the aggregate principal amount of EUR 94,333. The receivables of the Entitled Persons were converted, by way of set-off, to Subsequent Bonds.

Stockmann’s Board of Directors decided on 27 January 2022, in accordance with the Restructuring Programme and pursuant to the authorization granted by the Annual General Meeting, to issue 28,139 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme had been confirmed to their final amounts by 1 December 2021 and approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

Stockmann’s Board of Directors decided on 23 March 2022, in accordance with the Restructuring Programme and pursuant to the authorization granted by the Annual General Meeting, to issue 284,337 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to a creditor whose previously conditional or disputed restructuring debts under the Restructuring Programme had been confirmed to their final amounts by 21 January 2022 and approved the subscription made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

Stockmann’s Board of Directors decided on 21 July 2022, in accordance with the Restructuring Programme and pursuant to the authorization granted by the Annual General Meeting, to issue 1,130,786 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme had been confirmed to their final amounts by 14 July 2022 and approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme. As a result of the Share Issue, the total number of shares in the Company increased by 1,130,786 shares to a total of 155,880,206 shares.

On 21 July 2022 Stockmann announced that it had received and verified one subscription form from an Entitled Person whose previously conditional receivable subject to the payment programme of the Restructuring Programme had been clarified and the final amounts of such receivable had been confirmed. The aggregate principal amount by which the Entitled Person had been entitled to subscribe for Subsequent Bonds amounted to EUR 1,385,878.70. The receivables of the Entitled Person were converted, by way of set-off, into Subsequent Bonds.

Under the restructuring programme, Stockmann plc has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed.

Note 4.6 presents an itemisation of the Stockmann Group’s secured and unsecured restructuring debts and note 4.8 presents the maturities of all the Group’s debts as on 31 December 2022.

1.5 Transactions resulting from the corporate restructuring programme

Stockmann plc. has paid all confirmed undisputed external restructuring debt, but still has disputed claims and undisputed conditional or maximum restructuring debt. At the end of the reporting period, the amount of the disputed claims was EUR 61.3 million. The claim amount is mainly related to termination of long-term premises lease agreements. 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 terminated lease contracts. Three claims will be settled in District Court and one claim by arbitration proceedings. The amount of undisputed conditional or maximum restructuring debt was EUR 8.8 million. Stockmann plc has made a provision of EUR 30.8 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 amount and the time of realisation of the disputed claims are uncertain. Therefore, the disputed amount exceeding the provision, EUR 40.7 million, is disclosed as a contingent liability.

Stockmann entered into sales agreements and long-term leaseback agreements with the new owner related to its department store property in Riga in December 2021 with closure in January 2022. The department store property in Helsinki city center was sold and leased back in April 2022. The proceeds from the sales were, in accordance with the restructuring programme, used to pay both the secured and the undisputed unsecured restructuring debt. The sale-and-leaseback transactions have been treated in the Consolidated Financial Statements by reducing the amount of assets classified as held for sale, determining lease liabilities for the initial lease periods and amounts of the right-of-use asset that Stockmann retains and recognising a gain on rights transferred. The transactions have reduced the amount of non-current assets classified as held for sale by EUR 239.5 million, reduced the liabilities directly associated with non-current assets classified as held for sale by EUR 15.7 million, increased the lease liabilities by EUR 209.5 million and increased the amount of right-of-use assets by EUR 116.9 million. The net of gain on rights transferred and the cost related to sales transaction of EUR 95.4 million has been recognised under other operating income in the income statement. The secured restructuring debt of EUR 381.5 million has been paid and of the undisputed unsecured restructuring debt EUR 2.8 million has been converted to shares and bond and EUR 25.5 million has been paid.

Stockmann Group's financial statements do not present or account for the consequences of the restructuring programme, such as the realisable value of the Group's assets or whether they are sufficient for covering all debts, the amounts and seniority of the loans being restructured or other debts, or the impacts on the Consolidated Income Statement of the changes that potentially could be made to the Group's business because of the restructuring programme.

1.6 Accounting policies requiring management's judgement and key sources of estimation uncertainty

The uncertainties related to the COVID-19 pandemic will have an impact on Stockmann Group's liquidity, 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 can affect sales negatively due to the level of consumer confidence, as well as increased buying prices and operating costs. Further it might 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 preparing the consolidated Financial Statements in compliance with the recognition and valuation principles of IFRS, it has been necessary to make forward-looking estimates and assumptions. The estimates and assumptions presented in the financial statements are based on management's best knowledge at the Financial Statements date. At the Financial Statements date, the assumptions are related particularly to the basis for continuity, valuations of assets, exercising lease options, contingent liabilities and provisions recognised. The principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying amounts of assets and liabilities within the next financial year, concern the value of right-of-use asset and lease liabilities, depreciation and leasing periods, demand for inventories and turnover rate as well as the impairment testing of Lindex goodwill and the brand. More detailed information on these is provided in notes 2.4, 3 and 5.3.

1.7 War in Ukraine

In response to the war in Ukraine, Stockmann removed products of Russian and Belarusian origin from sale in February 2022. As a result, about 200 products were removed from Stockmann's selections. Stockmann also discontinued selling merchandise to the Russian partner Debruss.

The impact of the war on Stockmann Group is limited. War in Ukraine related losses are reported as other operating expenses and more information on the losses is provided in the note 4.8 section credit and counterparty risk.

1.8 Business continuity

Stockmann Group's Consolidated Financial Statements have been prepared based on the principle of business continuity. The Group's ability to continue its operations is dependent on the profitability of its business and the implementation of the restructuring programme prepared for Stockmann plc. The profitability of the Group's business is dependent on future market conditions and the Group's ability to execute its business plan successfully.

Helsinki District Court approved Stockmann plc´s restructuring programme in February 2021. The eight-year restructuring programme is based on the continuation of the Company's department store operations, the sale and lease back of the department store properties in Helsinki, Tallinn and Riga and the continuation of Lindex business operations under the ownership of the Stockmann Group.

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 Group'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.

Stockmann Group does not currently have any legal disputes or claims not already reported in the financial statements and there are no further indications of material threats for continuing operations or cash outflows.

Due to the nature of business, Stockmann Group's revenues are divided to large number of customers and no single customer poses a significant threat to the Group's cash flows.

The Board of Directors of Stockmann has carefully analysed the company's overall situation in connection with the deployment of the corporate restructuring programme and with respect to the uncertainty due to changes in the general economic situation, and its analysis confirms the adequacy of liquidity and financing for the following twelve months and thus supports the preparation of this consolidated financial statements in accordance with the principle of business continuity.

1.9 Principles of consolidation

The consolidated financial statements include the parent company, Stockmann plc, as well as all the companies in which the parent company holds, either directly or indirectly, over 50 per cent of the number of votes conferred by the shares or over which the parent company otherwise has control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and could affect those returns through its power over the entity.

Inter-company share ownership within the Group has been eliminated using the acquisition method, according to which the consideration transferred, and all the identifiable assets and liabilities of an acquired company are measured at fair values at the date of acquisition. Goodwill is recognised as the amount by which the combined total of the consideration transferred the non-controlling interests in the acquisition and the previous ownership interest exceeds the fair value of the acquired net assets. Intra-Group transactions, receivables, liabilities, unrealised margins and internal distribution of profits are eliminated in the consolidated financial statements. The profit or the loss as well as the comprehensive income for the financial period are distributed to the parent company's owners and to non-controlling interests. Non-controlling interests are presented as an individual item in the Group's equity. Acquired subsidiaries are presented in the consolidated financial statements from the moment that the Group gains control and divested subsidiaries up to the time the control ends. Changes in the parent company's ownership interest in a subsidiary, which do not lead to loss of control, are dealt with as equity transactions.

Joint arrangements in which Stockmann and another party, based on an agreement or the Articles of Association, have rights to the assets and obligations for the liabilities of the joint arrangement are dealt with as joint operations. The shares in real estate companies that fulfil the criteria of being a joint operation in the Group have been dealt with as joint operations in the consolidated financial statements. The consolidated financial statements include Stockmann's share of the joint operations' income, expenses and items of other comprehensive income, and assets and liabilities, from the date when joint control was obtained up to the date when it ends.

The Stockmann Group does not have any joint ventures or associates.

1.10 Items denominated in foreign currency

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currency are recognised in the amounts of each company's functional currency, applying the exchange rate of the date of the transaction. Receivables and liabilities at the financial statements date are translated at the exchange rate of the financial statements date. Exchange differences arising on translation are recognised through profit and loss.

The income statements and statements of other comprehensive income of foreign group companies are translated into euro at the average rate during the financial period, and the statement of financial position at the rate at the financial statements date. The exchange rate difference from translating the income statement and other comprehensive income at the average rate and the statement of financial position at the financial statements date is recognised as a separate item in other comprehensive income. The goodwill arising from the acquisition of foreign operations and the fair value adjustments made in the carrying amounts of the assets and liabilities of such operations in connection with acquisition of foreign operations are treated as assets and liabilities of foreign operations and converted into euro using the exchange rates at the financial statements date. When a foreign subsidiary or joint arrangement is divested in whole or in part, the cumulative translation difference is recognised in the income statement as part of the gain or loss on disposal.

2 Key numbers

2.1 Segment information

Accounting policies
The Stockmann Group's reportable segments are Lindex which engages in the fashion trade and Stockmann which engages in the department store trade. Segments are divisions of the Group that are managed and monitored as separate units selling different products and services.

The segment information presented by the Group is based on the management's internal reporting, in which management's assessment of the profitability of the segments is based on monitoring of the segments' operating profits, and in which the measurement principles for assets and liabilities accord with IFRS regulations. The highest level of operational decision-making is vested in the Group's CEO, who regularly examines the operational performance of the divisions.

2.1.1 Operating segments

Lindex
Lindex is one of Europe's leading fashion companies, with 436 stores in 18 countries and sales online worldwide through third-party partnerships. Lindex offers inspiring and affordable fashion, and the assortment includes several different concepts within womenswear, kidswear, lingerie and cosmetics.

Stockmann
Stockmann offers premium selections of brands, excellent customer service and experiences in its 8 department stores in 3 countries and Stockmann online store. Stockmann's selection is focused on fashion, beauty and home products and in the Baltics also on the Stockmann Delicatessen. The offering is complemented by partners' high-quality products and services.

EUR mill.

Revenue	**2022**	2021
Lindex	**661,1**	607,4
Stockmann	**320,6**	291,6
Group total	**981,7**	899,0

Operating profit/loss	**2022**	2021
Lindex	**90,3**	74,6
Stockmann	**71,2**	11,6
Unallocated	**-6,7**	-4,1
Group total	**154,9**	82,1
Financial income	**2,6**	2,7
Financial expenses	**-28,3**	-19,6
Consolidated profit/loss before taxes	**129,2**	65,2

Depreciation, amortisation and impairment losses	**2022**	2021
Lindex	**-76,8**	-77,3
Stockmann	**-26,4**	-25,5
Group total	**-103,2**	-102,9

Capital expenditure	**2022**	2021
Lindex	**154,6**	54,9
Stockmann	**129,9**	9,9
Group, total	**284,5**	64,8

Assets	**2022**	2021
Lindex	**935,0**	941,0
Stockmann	**344,8**	460,1
Unallocated	**3,1**	15,3
Group, total	**1 282,9**	1 416,5

2.1.2 Information on market areas

In addition to Finland, the Group operates in three geographical regions: Sweden, Norway as well as Baltics and other countries.

EUR mill. Revenue	2022	2021
Finland	**321,1**	294,9
Sweden*)	**354,3**	343,4
Norway	**139,1**	122,7
Baltic countries and other countries	**167,3**	138,0
Group total	**981,7**	899,0
Finland, %	**32,7 %**	32,8 %
International operations, %	**67,3 %**	67,2 %

Operating profit/loss	2022	2021
Finland	**50,9**	-15,2
Sweden*)	**66,6**	64,9
Norway	**4,5**	3,7
Baltic countries and other countries	**32,8**	28,6
Group total	**154,9**	82,1

Non-current assets	2022	2021
Finland	**219,1**	352,9
Sweden*)	**556,5**	534,8
Norway	**46,5**	43,4
Baltic countries and other countries	**44,3**	47,0
Group total	**866,4**	978,1
Finland, %	**25,3 %**	36,1 %
International operations, %	**74,7 %**	63,9 %

*) Includes the sales of goods and services to the franchising partners.

2.2 Operating income

2.2.1 Revenue recognition

Accounting policies
Revenue is recognised, when a performance obligation is satisfied by transferring a promised good or service to a customer and the customer obtains control of the good or service. Most of the Group's operating income comes from the retail sale of goods or services that are paid for with cash or credit card and revenue is recognised at the time of sale. Online store sales and sales to franchising partners are recognised as revenue when all goods or services related to the order are delivered to the customer or the franchising partner and the customer obtains control over the goods or services.

When calculating revenue, indirect taxes and discounts granted have been deducted from the sales.

Customers have a right to return the products purchased from store or online store within a certain time frame. An accrual for the returns is calculated as an experience-based percentage of sales, and it is recognised as deduction of revenue and accrued liability. Cost of goods for anticipated returns are recognised as adjustment in materials and services and inventory value.

Income from credit card co-operation is recognised as revenue. For customer loyalty scheme the sales adjustment items include customer loyalty award points. An amount corresponding to estimated stand-alone selling price of unused bonus points accumulated by customers is recognised as deduction from revenue and short-term contract liability. The liability is recognised in the same financial period as the related revenue. When customer uses accumulated points as payment in a store, the value of the points used is recognised as revenue and reduction of short-term contract liability. If bonus points are not used by their expiry date, the value of unused points is recognised as revenue and a reduction of short-term contract liability.

Lease income from lease and sublease agreements classified as operating leases are recognised as revenue in even instalments over the lease term. Turnover based lease income is recognised based on actual revenue of the tenants.

2.2.1.1 Revenue

EUR mill.	**2022**	2021
Merchandise revenue	**952,8**	871,4
Rental income and service charges	**28,9**	27,6
Total	**981,7**	899,0

2.2.1.2 Disaggregated revenue information

1.1.-31.12.2022, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	661,0	291,8	952,8
Rental income and service charges	0,1	28,8	28,9
Total	661,1	320,6	981,7
Market areas			
Finland	75,5	245,5	321,1
Sweden	354,3		354,3
Norway	139,1		139,1
Baltic countries and other countries	92,2	75,1	167,3
Total	661,1	320,6	981,7

1.1.-31.12.2021, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	607,2	264,2	871,4
Rental income and service charges	0,2	27,4	27,6
Total	607,4	291,6	899,0
Market areas			
Finland	68,2	226,7	294,9
Sweden	343,4		343,4
Norway	122,7		122,7
Baltic countries and other countries	73,2	64,8	138,0
Total	607,4	291,6	899,0

2.2.1.3 Contract balances

EUR mill.	**2022**	2021
Receivables that are included in assets held for sale	**0,0**	0,1
Contract assets	**0,7**	0,6
Contract liabilities	**5,6**	7,1

No information is provided about remaining performance obligations that have an original expected duration of one year or less, as allowed by IFRS 15.

2.2.2 Other operating income

Accounting policies
Among items included in other operating income are both sale and sale-and-leaseback of property, plant and equipment as well as income received on the sale of a business. The gain on sale-and-leaseback of the department store properties deducted with the cost of sales are recognised as other operating income.

Grants from the governments or other similar public entities that become receivable as compensation for expenses already incurred are recognised as other operating income on the period on which the company complies with the attached conditions. During the previous period, the Stockmann Group received in its various operating countries government grants related to the COVID-19 situation.

The Helsinki District Court approved Stockmann Plc's restructuring programme on 9 February 2021. Pursuant to the programme the creditors of unsecured restructuring debt were entitled to convert 20 % of their receivables under the payment programme to Stockmann shares. The remainder of that part of the confirmed restructuring debt which would have been eligible for share conversion was cut in accordance with the restructuring programme. In previous period the aforesaid restructuring debt cut was included in other operating income.

EUR mill.	2022	2021
Gains on sales of non-current assets, total	**95,5**	21,8
COVID-19 support received	**3,8**	4,5
Refunds of health insurance premiums from years 2004-2008 in Sweden	**0,3**	3,0
Income from restructuring debt cut		2,6
Total	**99,6**	31,9

2.3 Gross margin

EUR mill.	2022	2021
Revenue	**981,7**	899,0
Materials and services	**413,4**	372,0
Gross profit	**568,3**	527,0
Gross margin, % of revenue	**57,9%**	58,6%

2.4 Inventories

Accounting policies
Inventories are measured at the lower of acquisition cost and net realisable value. In normal operations the net realisable value is the estimated obtainable selling price less the estimated costs incurred in bringing the product to a finished condition and the estimated necessary selling costs.

The inventories turnover rate and the potential decline of the net realisable value below the acquisition cost are estimated regularly and if necessary, an impairment is recognised for inventories. Lindex recognises a provision for obsolete inventories, which is based on consideration if the inventories are older than one year as well as parameters depending on inventory levels and uncertainties in the environment. Stockmann recognises a provision for obsolete inventories, which is a percentage of the acquisition price of the slow-moving goods in the central warehouse and department stores.

The value of inventories is determined using the weighted average cost method and it includes all the direct costs of the purchase.

EUR mill.	2022	2021
Materials and consumables	**174,2**	154,8
Total	**174,2**	154,8

The value of inventories has been written off by EUR 7.2 (6.4) million for obsolete assets.

2.5 Employee benefits

Accounting policies

Pension obligations
Pension plans are classified as defined benefit and defined contribution plans. In Stockmann Group's countries of operation, statutory and voluntary pension plans are defined contribution plans.

Payments for defined contribution plans are made to a pension insurance company. Payments made for defined contribution plans are recognised as expenses in the income statement for the financial period to which the debit relates.

Defined benefit pension plans are based on the calculations of authorised actuaries. The pension expenditure based on the work performance during the period and the net interest of the net debt of the defined benefit plan are recognised in the income statement and presented as expenses arising from employee benefits. The net debt of the defined benefit pension plan is entered in the statement of financial position. The Group had no defined benefit pension plans in the financial year 2022.

Other long-term employee benefits
The Stockmann Group operates a length of service reward system, which comes under other long-term employee benefits. Employees who complete the specified years of service are entitled to extra paid leave. The present value of the obligation arising from this long-term employee benefit at the close of the reporting period is recognised as a liability in the statement of financial position. Items arising from the definition of a liability are recognised in the income statement.

EUR mill.	2022	2021
Wages and salaries	**165,7**	149,3
Share-based payments	**0,1**	0,0
Pension expenses, defined contribution plans	**13,4**	14,1
Other employee benefits expenses	**32,9**	31,2
Total	**212,1**	194,6

Information on management's employee benefits is given in notes 5.5 Related party transactions and 5.6 Share-based incentives.

2.6 Other operating expenses

Accounting policies
Other operating expenses comprise expenses, which are not directly related to the actual sales of goods and services. They include, for example, site expenses, marketing expenses, goods handling expenses, ICT expenses, expenses for professional services and expenses for leased workforce. Also, expenses related to short-term leases, leases of low-value assets and variable lease payments not included in the measurement of lease liabilities are recognised in other operating expenses. In addition, sales losses of property, plant and equipment and valuation losses of assets classified as held for sale are recognised in other operating expenses.

EUR mill.	2022	2021
Site expenses	**59,9**	63,5
Marketing expenses	**36,6**	31,7
Goods handling expenses	**27,0**	24,0
ICT expenses	**20,8**	20,2
Professional services	**9,2**	10,5
Leased workforce	**6,9**	10,3
Bank and cash calculation expenses	**5,0**	5,5
Voluntary social security expenses	**4,3**	3,0
Credit losses	**0,8**	-0,2
Other expenses *)	**27,1**	11,0
Total	**197,7**	179,4

*) 2022 corporate restructuring related expenses EUR 18.1 million.

Fees to the auditors

EUR mill.	2022	2021
Auditing/EY	0,5	0,4
Auditing/KPMG and others	0,0	0,3
Tax advisory/EY	0,1	0,0
Tax advisory/KPMG and others	0,0	0,2
Other services/EY	0,1	0,0
Other services/KPMG and others	0,0	0,1
Total	**0,7**	1,0

2.7 Income taxes

Accounting policies
Tax expenses in the income statement comprise taxes based on taxable income for the period and deferred taxes. Taxes based on taxable income for the period are calculated on taxable income using the tax rate that is in force in the country in which the particular Group company is based. The amount of tax is adjusted for any taxes concerning previous periods. Income taxes are presented in the income statement unless the transaction relating to the taxes is presented directly in equity or in the statement of comprehensive income, in which case the tax effect is also stated in equity or in the statement of comprehensive income.

Deferred taxes are calculated on temporary differences between the carrying amount and the tax base. The largest temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, unused tax losses and the fair value measurement of derivative contracts.

Deferred taxes are not recognised on goodwill impairment, which is non-deductible in taxation. Deferred taxes have been calculated by applying the tax rates that are laid down by law or have been accepted in practice by the financial statements date.

Deferred tax liabilities are recognised in full, except on the profit made by the Estonian and Latvian subsidiaries and Stockmann plc’s branch in Estonia, because the Group is able to determine when a reversal of the temporary difference will occur, and no such reversal is expected to occur in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that taxable profit will arise in the future against which the deferred tax asset can be utilised.

The Group deducts deferred tax assets and liabilities from each other in the case it has a legally enforceable right to set off tax assets against tax liabilities, which are based on taxable income for the period. Furthermore, such tax assets and liabilities shall be associated with income taxes collected by the same tax authority, either from the same taxable entity or a different taxable entity, which is going to set off the tax assets against liabilities based on taxable income for the period or realise the receivables and pay the debts at the same time.

EUR mill.	**2022**	2021
Income taxes for the financial period	-50,5	-12,0
Income taxes from previous financial periods	2,1	2,1
Change in deferred tax liability/assets	20,9	-7,3
Total	**-27,5**	-17,3

Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate of 20%

EUR mill.	**2022**	2021
Profit before taxes	129,2	65,2
Income taxes at current tax rate	-25,8	-13,0
Income taxes from previous financial periods	2,1	2,1
Previous periods' confirmed losses	18,4	
Tax-exempt income	1,0	0,2
Differing tax rates of foreign subsidiaries	-0,5	-0,3
Non-deductible expenses	-3,2	-6,2
Previous periods' confirmed losses for which deferred tax assets has been booked	-12,4	-0,0
Effect of deferred taxes not recognised	-4,2	
Other taxes *)	-2,8	
Income taxes in the income statement	**-27,5**	-17,3

*) Other taxes consist taxes not directly based on taxable income.

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 Administrative Court of Appeal in Gothenburg gave its decision in September 2022, according to which it overturned the previous court decisions and approved Stockmann’s appeal. Stockmann Sverige AB was entitled to a deduction of interest expenses, which corresponds to a lower tax cost of approximately EUR 19 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. In November 2022, the ruling from the Administrative Court of Appeal was appealed by the Swedish Tax Agency to the Supreme Administrative

Court. In November 2022, the Swedish Tax Agency also appealed the ruling of the County Administrative Court to the Administrative Court of Appeal. See note 5.8 for further information.

The profits of Stockmann Plc's Branch in Estonia have been included in the taxable income of the parent office in Finland. The profits of the Branch will be income taxable in Estonia, at the time when the profits are distributed to the parent office in Finland. According to the tax treaty between Estonia and Finland, the income tax which will be paid in Estonia is deductible from the income tax in Finland under certain conditions. During the reporting period, it was resolved to distribute profits of EUR 52.4 million from the Branch in Estonia to the parent office in Finland, which resulted in tax payment of EUR 13.1 million in Estonia. According to the Finnish Tax Administration, EUR 2.8 million of the taxes payable in Estonia are not deductible from the taxes payable in Finland, because Stockmann Plc did not have sufficient taxable income in Finland during the fiscal years 2010-2016. Thus, the aforesaid amount would be double tax payment. After the profit sharing, the untaxed retained earnings of the Branch in Estonia including the profit of the reporting period are EUR 24.9 million and the calculated income tax in Estonia would be EUR 5.2 million.

2.8 Deferred tax assets and deferred tax liabilities

Changes in deferred tax assets

Changes in deferred tax assets, EUR mill.	**1.1.2022**	**Recognised in income statement**	**Translation difference**	**31.12.2022**
Confirmed losses	**12,4**	**-12,4**		**0,0**
Difference between carrying amounts and tax bases of property, plant and equipment	**1,5**		**-0,1**	**1,4**
Lease liability	**4,7**	**17,2**	**-0,3**	**21,6**
Other temporary differences	**5,2**	**2,9**	**-0,1**	**7,9**
Total	**23,8**	**7,6**	**-0,5**	**31,0**

Changes in deferred tax assets, EUR mill.	1.1.2021	Recognised in income statement	Translation difference	31.12.2021
Confirmed losses	16,6	-4,2		12,4
Difference between carrying amounts and tax bases of property, plant and equipment	1,6		-0,0	1,5
Lease liability	4,4	0,3	-0,1	4,7
Other temporary differences	5,2	0,1	-0,1	5,2
Total	27,8	-3,8	-0,2	23,8

More information on deferred tax assets is provided in note 1.5.

Changes in deferred tax liabilities

Changes in deferred tax liabilities, EUR mill.	**1.1.2022**	**Recognised in income statement**	**Translation difference**	**Liabilities related to assets classified as held for sale**	**31.12.2022**
Cumulative depreciation differences	**13,1**	**-10,0**	**-0,8**	**12,4**	**14,7**
Difference between carrying amount and tax bases of prop., plant and equip.	**4,9**	**-0,3**	**-0,4**		**4,3**
Measurement at fair value of intangible and tangible assets	**14,8**		**-1,2**		**13,6**
Other temporary differences	**7,7**	**-2,9**	**0,0**	**2,9**	**7,7**
Total	**40,6**	**-13,2**	**-2,3**	**15,3**	**40,3**

Changes in deferred tax liabilities, EUR mill.	1.1.2021	Recognised in income statement	Translation difference	Liabilities related to assets classified as held for sale	31.12.2021
Cumulative depreciation differences	7,2	4,4	-0,2	1,7	13,1
Difference between carrying amount and tax bases of prop., plant and equip.	5,1	-0,1	-0,1		4,9
Measurement at fair value of intangible and tangible assets	15,1		-0,3		14,8
Lease receivables	1,1	-1,1			
Other temporary differences	7,4	0,3	0,0		7,7
Total	35,9	3,5	-0,6	1,7	40,6

In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the accumulated distributable earnings, EUR 1.7 million (7.1), of the Estonian and Latvian subsidiaries. Neither has deferred tax liability been recorded on the undistributed accumulated distributable earnings of Stockmann Plc’s branch in Estonia, which amounted to EUR 24.9 million on 31 December 2022.

3 Intangible and tangible assets and leasing arrangements

3.1 Depreciation, amortisation and impairment losses

EUR mill.	2022	2021
Intangible assets	**11,3**	13,0
Machinery and equipment	**12,0**	13,3
Modification and renovation expenses for leased premises	**1,2**	1,6
Right of use assets	**78,7**	75,0
Depreciation and amortisation, total	**103,2**	102,9
Depreciation, amortisation and impairment losses, total	**103,2**	102,9

3.2 Goodwill and other intangible assets

Accounting policies

The Group’s goodwill is the difference between the consideration transferred, measured at fair value, and the identifiable net assets acquired, measured at fair value. Neither goodwill nor the Lindex brand are amortised. The brand is deemed to have an indefinite useful life due to high brand awareness. The goodwill and the brand are measured at original acquisition cost less impairment losses.

Other intangible assets include intangible rights and software that are measured at original acquisition cost. Other intangible assets are amortised on a straight-line basis over their estimated useful lives.

The amortisation periods of intangible assets are:

software	3–10 years
other intangible rights	5 years

Subsequent expenditure related to intangible assets is capitalised only if the economic benefits of the asset increase as a result of such expenditure. Otherwise, the costs are recorded as operating expenses when they are incurred.

In cloud computing (Software-as-a-Service or SaaS) arrangements service contracts are providing the Group with the right to access the cloud provider’s application software over the contract period. Implementation costs including costs to configure or customise the cloud provider’s application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement is applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised. Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Intangible assets, EUR mill. 2022	Goodwill	Trademark	Intangible rights	Other intangible assets	Advance payments and construction in progress	Intangible assets, total
Acquisition cost 1.1.	685,5	89,0	98,2	4,8	2,1	879,6
Translation difference +/-	-53,8	-7,0	-5,1	-0,0		-65,9
Increases during the period	0,9		9,3	0,0	3,9	14,1
Decreases during the period			-9,9	-0,8		-10,7
Transfers between items during the period			1,8	0,0	-1,8	-0,0
Acquisition cost 31.12.	632,7	82,0	94,2	4,1	4,2	817,2
Accumulated amortisation 1.1.	-414,0	-0,3	-70,6	-3,7		-488,5
Translation difference +/-	32,2	0,0	4,1	-0,0		36,3
Amortisation on reductions during the period			9,9	0,8		10,7
Amortisation and impairment losses during the period			-10,8	-0,5		-11,3
Accumulated amortisation 31.12.	-381,8	-0,3	-67,4	-3,4		-452,8
Carrying amount 1.1.	**271,5**	**88,7**	**27,6**	**1,1**	**2,1**	**391,1**
Carrying amount 31.12.	**250,9**	**81,8**	**26,8**	**0,7**	**4,2**	**364,4**

Intangible assets, EUR mill. 2021	Goodwill	Trademark	Intangible rights	Other intangible assets	Advance payments and construction in progress	Intangible assets, total
Acquisition cost 1.1.	700,3	90,9	90,7	10,6	1,6	894,1
Translation difference +/-	-14,8	-1,9	-1,3	0,0	-0,0	-18,0
Increases during the period			6,3		1,9	8,2
Decreases during the period			-4,8	-6,4	-0,0	-11,3
Transfers between items during the period			7,4	0,6	-1,4	6,6
Acquisition cost 31.12.	685,5	89,0	98,2	4,8	2,1	879,6
Accumulated amortisation 1.1.	-422,8	-0,3	-63,1	-9,2		-495,4
Translation difference +/-	8,8	0,0	0,3	-0,0		9,1
Amortisation on reductions during the period			4,7	6,4		11,2
Transfers between items during the period				-0,4		-0,4
Amortisation and impairment losses during the period			-12,5	-0,5		-13,0
Accumulated amortisation 31.12.	-414,0	-0,3	-70,6	-3,7		-488,5
Carrying amount 1.1.	**277,5**	**90,6**	**27,6**	**1,4**	**1,6**	**398,7**
Carrying amount 31.12.	**271,5**	**88,7**	**27,6**	**1,1**	**2,1**	**391,1**

Impairment testing

Accounting policies

The carrying amounts of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. If there are indications of impairment, the recoverable amount of the asset is determined. Goodwill and the brand are allocated to cash-generating units, and they are tested annually to determine any impairment. An impairment loss is recognised when the value of the asset item or cash-generating unit in the statement of financial position is greater than its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss on a cash-generating unit is allocated first as a reduction to the goodwill of the cash generating unit and thereafter it is allocated to reduce the unit’s other asset items on an equal percentage basis.

The recoverable amount of intangible and tangible assets is defined as the higher of its fair value less costs to sell and its value in use. In determining value in use, the estimated future cash flows are discounted to their present value based on discount rates that reflect the average capital costs before taxes of the cash generating unit in question.

An impairment loss on property, plant and equipment as well as other intangible assets, except for goodwill, is reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset item. An impairment loss is not, however, reversed beyond what the carrying amount of the asset would have been if no impairment loss had been recognised in previous years.

The Stockmann Group’s reportable segments under IFRS 8, fashion chain Lindex and Stockmann for department store business, are cash-generating units. Their accumulated cash flows are largely independent of the cash flows accumulated by the other classes or groups of assets. In Stockmann Group, asset items are tested for impairment when preparing the financial statements or if there are indications that assets may be impaired.

There are less uncertainties in the forecast period related to COVID-19 than a year ago but increased uncertainties due to high inflation and increase in interest rates. Impact of COVID-19 will still exist, but Stockmann assumes that no restrictions would be applied. At the same time the impact of inflation has been affecting the consumer confidence and we expect the lower consumer confidence to affect coming years revenue trend. As a result of consumer confidence impact in the impairment test concluded for Lindex's goodwill in connection with the financial statements, has been applied using lower growth assumptions for the revenue development than has been the revenue development in recent years. In longer term we see growth driven by the online channels and growth will be strongly supported by the new fully automated Lindex logistics center.

There are no indications for impairment need. On 31 December 2022 the goodwill of EUR 250.9 million is allocated to the Lindex segment.

The Lindex trademark of EUR 81.8 million is allocated in its entirety to the Lindex segment. The Lindex brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed more than 60 years and the Group will continue to use the brand both in its present markets and when the Lindex product range and business model are introduced into new markets with both online and physical store concepts.

Main assumptions and variables used in the calculation of the value-in-use of Lindex

In the impairment testing, the Revenue and Gross Margin per cent forecasts for Lindex are based on market-area forecasts and are approved by management.

Main variables used in the value-in-use calculation are:

1. **Volume growth**, which is based on an estimate of the sales growth at existing stores and online store. The revenue forecasts cover a five-year period with an average of 4.3 per cent growth and also have an effect on the terminal period. In last 2 years the average yearly revenue growth rate has been higher than 13 per cent yearly but management expects that due to high inflation and changes in consumer behavior similar growth rate will not continue in coming years and therefore lower expectation of 4.3 per cent growth has been estimated by the management. The long-term forecasts made by the management also take into account the changes in economy, market research, expansion plans in stores, online channels and third-party platforms. Also, introduction of new brand and business models have been taken into account with a conservative approach. Lindex new fully automatic logistics center will be operational from end of 2024 and will support strongly the growth, especially in the online channels. The Lindex’s revenues beyond this management-approved forecast period were extrapolated using a steady 2.5 per cent growth rate which is a conservative view from the management for the terminal growth.

2. **Gross profitability improvement** based on growth in gross margin ratio. Lindex's Gross profit per cent forecasts cover a 5-year period. The gross profit per cent was 64.1 in 2022 and the management forecasts that due to increase in raw material prices and changes in the sales mix, it will gradually decrease from current level over the forecast period ending at 58.0 per cent in the terminal period.

3. **Discount rate**, which is determined using the weighted average cost of capital, based on the optimal finance structure or the average finance structure of industry peers (reflects the total cost of equity and debt). The components of the discount rate are market-specific risk-free rate, market risk premium, business-specific beta, country risk premium, size risk premium, cost of debt and debt-to-equity ratio, which corresponds to the capital structure in retail industry. Lease liabilities have been taken into account in the calculation of the discount rate and correspondingly the right-of-use asset is included in the value of asset.

   Management has determined components of discount rate so that market-specific risk-free rate, market risk premium, business-specific beta, country risk premium and size risk premium are consistent with external sources of information and the cost of debt reflects the industry average.

   The discount rate determined is a pre-tax rate. The discount rate of Lindex is based on the market interest rate and country-specific risk pertaining to Sweden and Finland; the discount rate used for Lindex is 11.2% (11.5% in 2021).

Sensitivity in determining the recoverable amount

In the impairment testing the recoverable amount of Lindex is approximately 51.7 per cent higher than the carrying amount of the non-current assets and the working capital in the balance sheet. Due to the competition and general economic situation affecting consumers' purchasing behaviour and purchasing power, any changes in the variables used can lead to a situation in which the recoverable amount Lindex would be less than the segment's carrying amount which leads to a need for impairment.

A sensitivity analysis was carried out on Lindex using downside scenarios. The scenarios involved were:

- reducing the sales growth from the level given in the management's estimates for the cash flow period also reflecting to the sales value of the terminal period,
- reducing the Gross Margin per cent from the level given in the management estimates for the cash flow period also reflecting to the Gross Margin per cent value of the terminal period,
- or raising the discount rate.

A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below.

Change, percentage points	**2022**
Discount rate increase	4.6%
Decline in sales growth	7.8%
Decline in Gross Profit per cent	4.3 %

Based on the impairment testing carried out, there is headroom of EUR 362.0 million.

3.3 Property, plant and equipment

Accounting policies

Machinery and equipment comprise the bulk of property, plant and equipment. Property, plant and equipment also includes modification and renovation costs of leased premises that are due, for example, to the finishing work on the interiors of commercial premises located in leased buildings.

Property, plant and equipment are measured in the statement of financial position at their original acquisition cost less accumulated depreciation and any impairment losses. The acquisition cost of self-constructed assets includes materials and direct labour. If the item of property, plant and equipment is comprised of several components having useful lives of differing length, the components are treated as separate items. Subsequent costs concerning the item are recognised as a part of the acquisition cost when they increase the future useful life of the asset. Other costs, such as normal maintenance and repair measures, are recognised in the income statement as operating expenses when they are incurred.

On 9 February 2021, the District Court of Helsinki approved Stockmann plc's restructuring programme. As a part of the restructuring process, Stockmann was obliged to sell its real estate properties and negotiate leaseback arrangements. Real estate properties of Helsinki and Riga were classified as assets held for sale in the consolidated financial statements 31 December 2021.

Straight-line depreciation is recognised on property, plant and equipment in accordance with each item's useful life.

The depreciation periods for property, plant and equipment are:

- costs of leased premises 5–20 years
- machinery and equipment 4–10 years
- ICT equipment 3–5 years
- lightweight store fixtures and equipment 3–5 years

Tangible assets, EUR mill. 2022	Land and water	Buildings and constructions	Machinery and equipment	Modification and renovation expenses for leased premises	Right-of-use assets	Advance payments and construction in progress	Tangible assets, total
Acquisition cost 1.1.		-0,0	252,4	9,2	468,6	1,2	731,3
Translation difference +/-			-12,5		-34,5	-1,7	-48,6
Increases during the period			8,1	0,0	222,0	40,3	270,4
Decreases during the period			-5,9	-0,7	-19,5		-26,0
Transfers between items during the period			1,9	0,8		-2,7	-0,0
Acquisition cost 31.12.		-0,0	244,0	9,4	636,7	37,1	927,1
Accumulated depreciation 1.1.		0,0	-211,8	-4,4	-172,0		-388,2
Translation difference +/-			11,6		14,4		26,0
Depreciation on reductions during the period			5,7	0,7	18,9		25,3
Depreciation and impairment losses during the period		-0,0	-12,0	-1,2	-78,7		-91,9
Accumulated depreciation 31.12.		0,0	-206,4	-5,0	-217,5		-428,9
Carrying amount 1.1.		**-0,0**	**40,6**	**4,8**	**296,6**	**1,2**	**343,2**
Carrying amount 31.12.		**-0,0**	**37,6**	**4,4**	**419,2**	**37,1**	**498,2**
Tangible assets, EUR mill. 2021							
Acquisition cost 1.1.	-0,0	-0,0	254,1	8,5	476,9	11,6	751,1
Translation difference +/-			-0,1		-8,3	-0,1	-8,5
Increases during the period			2,3		47,9	6,4	56,6
Decreases during the period			-16,1	-1,0	-47,9		-65,0
Transfers to non-current assets classified as held for sale	0,0	0,0	-1,0	-0,7		-0,0	-1,7
Transfers between items during the period			13,3	2,3		-16,8	-1,2
Acquisition cost 31.12.	-0,0	-0,0	252,4	9,2	468,6	1,2	731,3
Accumulated depreciation 1.1.		0,0	-209,6	-4,4	-125,5		-339,5
Translation difference +/-			-0,4		2,9		2,5
Depreciation on reductions during the period			15,5	1,0	25,6		42,1
Accumulated depreciation on transfers to non-current assets classified as held for sale		-0,0	0,9	0,6			1,5
Transfers between items during the period			-5,0				-5,0
Depreciation and impairment losses during the period		0,0	-13,3	-1,6	-75,0		-89,8
Accumulated depreciation 31.12.		0,0	-211,8	-4,4	-172,0		-388,2
Carrying amount 1.1.	**-0,0**	**0,0**	**44,5**	**4,1**	**351,4**	**11,6**	**411,7**
Carrying amount 31.12.	**-0,0**	**0,0**	**40,6**	**4,8**	**296,6**	**1,2**	**343,2**

In 2022 and 2021 advance payments for plant, property and equipment and construction in progress included mainly store furniture as well as modification and renovation costs for business and real estate premises.

3.4 Investment property

Accounting policies

When the Group holds a land area or building for lease income and appreciation in value rather than using it for its own retail or administrative purposes, the property is classified as an investment property in accordance with IAS 40.

An investment property is initially valued at acquisition cost. The acquisition cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through income statement for the period during which they arise. Gains or losses arising from changes in the fair value of investment properties must be recognised separately in income statement.

Tapiolan Säästötammi property in Espoo, of which Stockmann owns 37.8 per cent, was classified as an investment property in accordance with IAS 40 on 31 December 2022.

EUR mill.	2022	2021
Fair value at 1.1.	**0,5**	0,5
Fair value at 31.12.	**0,5**	0,5

3.5 Leases

Group as lessee

Accounting policies
A right-of-use asset and a lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset in the Stockmann Group is composed of leased business premises, warehouses, cars, and other machinery and equipment.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for the amount of the remeasurement of the lease liability.

At the commencement date the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. The incremental borrowing rate is the average rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments
- variable lease payments that depend on an index, initially measured using the index as at the commencement date
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if it is reasonably certain that the option will be exercised
- payments of penalties for terminating the lease, if is reasonably certain that that option will be exercised

The lease liability is later measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or if there is a change in the estimate of the amount expected to be payable under a residual value guarantee or if the assessment of whether purchase, extension or termination option will be exercised. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to exercise that option. In the Stockmann Group Lindex uses a scoring system based on the operating profit to determine if prolongation of original rental period is included in the lease term. Operating profit is measured as a percentage compared to turnover and the higher the percentage the more likely the option to extend will be exercised.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in liabilities in the statement of financial position. When right-of-use assets are transferred to the lessee under a sublease agreement and are classified as a finance lease the right-of-use assets are derecognised and presented as a lease receivable in the balance sheet.

Based on the exemption provided by IFRS 16 the Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including IT-systems and office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale and leaseback

Accounting policies
The sale and leaseback agreement of Stockmann´s Riga department store property was signed on 29 December 2021 with the closure in January 2022. On 21 March 2022, Stockmann agreed on the sale of its department store property in Helsinki city centre, the closing took place in April 2022. The department store property in Tallinn was sold on 29 December 2021. Department store operations continue with long-term leaseback agreements with the new owners.

According to the Group's determination the transfers to the buyer-lessor are qualified as sales according to IFRS 15 and consequently the sale and leaseback rules in IFRS 16 are applied. In sale and leaseback transactions Stockmann measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, Stockmann recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

The impact of the sales of department store properties on financial statements is described in note 1.5.

Right-of use assets

2022, EUR mill.	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1.1.	466,7	1,8	468,6
Translation difference +/-	-34,4	0,0	-34,5
Increases during the period	104,8	0,3	105,1
Increase relating to sale and leaseback arrangements	116,9		116,9
Decreases during the period	-18,7	-0,8	-19,5
Acquisition cost 31.12.	635,4	1,3	636,7
Accumulated depreciation and impairment losses 1.1.	-170,9	-1,0	-172,0
Translation difference +/-	14,3	0,0	14,4
Depreciation on reductions during the period	18,2	0,6	18,9
Depreciation, amortisation and impairment losses during the period	-78,3	-0,5	-78,7
Accumulated depreciation and impairment losses 31.12.	-216,7	-0,8	-217,5
Carrying amount 1.1.	**295,8**	**0,8**	**296,6**
Carrying amount 31.12.	**418,7**	**0,5**	**419,2**

Decreases of right-of use assets are mainly due to changes in terms of lease agreements for business premises.

2021, EUR mill.	**Buildings**	**Machinery and equipment**	**Total**
Right-of-use assets 1.1.	475,0	1,9	476,9
Translation difference +/-	-8,2	0,0	-8,3
Increases during the period	43,7	0,6	44,2
Increase relating to sale and leaseback arrangement	3,6		3,6
Decreases during the period	-47,3	-0,6	-47,9
Acquisition cost at the end of the period	466,7	1,8	468,6
Accumulated depreciation and impairment losses at the beginning of the period	-124,6	-0,9	-125,5
Translation difference +/-	2,9	0,0	2,9
Depreciation on reductions during the period	25,2	0,5	25,6
Depreciation, amortisation and impairment losses during the period	-74,4	-0,6	-75,0
Accumulated depreciation and impairment losses at the end of the period	-170,9	-1,0	-172,0
Carrying amount at the beginning of the period	**350,5**	**1,0**	**351,4**
Carrying amount at the end of the period	**295,8**	**0,8**	**296,6**

Carrying amount 31.12. by operating segments

EUR mill.	**2022**	2021
Lindex	**252,0**	236,7
Stockmann	**167,2**	60,0
Total	**419,2**	296,6

Leases recognised in profit and loss

EUR mill.	**2022**	2021
Interest expenses on lease liabilities	**-24,7**	-12,2
Expenses relating to leases of low-value assets	**-0,1**	-1,1
Expenses relating to short-term leases		-0,1
Expense relating to variable lease payments not included in lease liabilities	**-5,7**	-5,1
Total	**-30,5**	-18,5

Total cash outflow for leases in 2022 was EUR 98.4 million (78.5).

Group as lessor

Accounting policies
When the Group acts as a lessor, each lease is it determined at lease inception whether a finance lease or an operating lease. The lease is a finance lease if substantially all of the risks and rewards incidental to ownership of the underlying asset are transferred to lessee, if not, then it is an operating lease. All leases in which Stockmann Group acts as a lessor on 31 December 2022 are operating leases. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

4 Capital structure

4.1 Financial income and expenses

Financial income

EUR mill.	2022	2021
Interest income on bank deposits, other investments and currency derivatives	**1,3**	1,0
Other financial income	**1,3**	1,7
Total	**2,6**	2,7

Financial expenses

EUR mill.	2022	2021
Interest expenses on financial liabilities measured at amortised cost derivatives	**-2,8**	-7,2
Interest expenses from lease contracts	**-24,7**	-12,2
Foreign exchange differences	**-0,7**	-0,2
Total	**-28,3**	-19,6

EUR mill.	2022	2021
Financial income and expenses, total	**-25,7**	-16,9

2021 includes EUR 1.7 mill. gain on the change in the lease agreements and EUR 0.9 mill. interest due to tax return.

4.2 Financial instruments

Accounting policies

Financial instruments are classified under IFRS 9 into the following groups: financial assets and liabilities at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss and other investments. The classification is made at the time of the original acquisition based on the objective of the business model and the characteristics of contractual cash flows of the investment. At reporting date, Stockmann Group did not hold any financial assets classified at fair value through other comprehensive income.

Trade receivables and other receivables which are not derivatives are measured at amortised cost. They are included in either current or non-current assets in the statement of financial position, as appropriate. Receivables are deemed non-current assets if they mature after more than 12 months. Trade receivables are recognised at their fair value in the statement of financial position on initial recognition. Stockmann Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, customer contract assets and lease receivables. The amount of future credit losses is estimated on the basis of experience and recognised in profit or loss as a percentage of all outstanding trade and lease receivables.

Other investments include the Group's investments in shares, and they are measured at fair value through profit or loss. The fair value of publicly quoted shares is the market price at the financial statements date. Unlisted shares are stated at cost less any impairment loss, if their fair values cannot be measured reliably.

Purchases and sales of financial assets are recognised at the trade date, which is the day when the company made a commitment to purchase or sell the asset item. An item belonging to financial assets is derecognised from the statement of financial position when the company relinquishes the contractual rights to the item, the rights expire, or the company loses control over the item.

Liabilities that are not derivatives are classified at amortised cost and are recognised at their fair value in the statement of financial position on initial recognition. Transaction costs are included in the original carrying amount of interest-bearing liabilities. Subsequently, interest-bearing liabilities are measured at amortised cost using the effective interest method. Non-current liabilities fall due in 12 or more months and current liabilities have a maturity of less than 12 months.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss, and changes in their fair value are recognised through profit or loss, except for derivatives to which hedge accounting for cash flow hedges or for hedges of net investments are applied and which meet the criteria for hedge accounting defined in IFRS 9.

Hedge accounting is applied to certain currency derivatives that are used in hedging forecasted foreign currency denominated sales and purchases and which meet the hedge accounting requirements of IFRS 9. The hedged cash flow must be highly probable and ultimately affect profit or loss. Changes in the fair value of derivative contracts taken out to hedge cash flows are recognised in the statement of comprehensive income and presented in the fair value reserve under equity, and any ineffective component is recognised through profit or loss. Cumulative changes in fair value in equity are recognised in items adjusting sales or purchases through profit or loss in the same period as that in which the forecast transactions covered by hedge accounting are recognised in the income statement. If a hedged cash flow is no longer expected to be realised, the related fair value change that has been recognised for the hedging instrument directly to equity is transferred to the income statement.

Hedge accounting is also applied to certain currency derivatives that hedge foreign currency denominated net investments in foreign operations. Changes in the fair value of the hedging instrument are recognised in the statement of comprehensive income and presented in the translation difference in shareholders' equity. Gains and losses from the hedging of net investments that are recognised in translation differences are transferred to the income statement when the net investment is disposed of in full or in part. Realised foreign exchange rate gain on the hedge of a net investment in a foreign operations and internal loans are included in a cash flow from investment activities in the consolidated cash flow statement.

The hedging relationship between the hedged item and the hedging instrument is documented at the inception of the hedge. The documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged, the objectives of risk management and calculations of hedge effectiveness. The hedging relationship must be effective, and the effectiveness is reviewed both at the inception of the hedge and subsequently. Effectiveness testing is carried out at each financial statements date.

The fair value of interest rate swaps is defined on the basis of the present value of future cash flows, applying market prices at the financial statements date. Changes in the fair value of interest rate swaps are recognised in financial income and expenses in the income statement. At the financial statements date, the Group did not have any outstanding interest rate swaps.

The fair value of currency forwards and currency swaps is calculated by measuring them at their market prices at the financial statements date. The fair value of currency options is calculated using the Black-Scholes model. The results of the measurement of currency derivatives are recognised through profit or loss, except for currency derivatives to which hedge accounting for cash flow hedges or hedges of net investments as defined in IFRS 9.

4.3 Current receivables

EUR mill.	2022	2021
Non-interest-bearing trade receivables	**15,1**	11,9
Receivables based on derivative contracts	**0,1**	1,6
Other receivables	**0,7**	2,4
Prepayments and accrued income	**27,3**	29,7
Income tax receivables	**0,2**	0,1
Current receivables, total	**43,5**	45,8

The carrying amount of trade receivables corresponds to their fair value. The maximum amount of the credit risk for trade receivables and other current receivables is their carrying amount.

Prepayments and accrued income

EUR mill.	2022	2021
Prepaid rents	**15,0**	15,0
Merchandise prepayments	**5,2**	4,4
Periodised ICT expenses	**2,5**	2,7
Receivable from credit card co-operation	**1,9**	2,0
Periodised indirect employee expenses	**1,3**	0,2
Periodised restructuring expenses	**0,1**	1,9
Receivable from trademark co-operation		0,8
Others	**1,4**	2,8
Total	**27,3**	29,7

4.4 Cash and cash equivalents

Accounting policies

Cash and cash equivalents consist of cash on hand, current bank deposits as well as other current, highly liquid investments with a maturity of no more than three months at the date of acquisition. The fair values of cash and cash equivalents are assumed to approximate to their carrying amounts because of their short maturities.

EUR mill.	**2022**	2021
Cash and cash equivalents	**167,9**	213,7
Total	**167,9**	213,7

Restricted cash on 31 December 2022 EUR 0.6 million.

4.5 Non-current liabilities, interest-bearing

EUR mill.	**Carrying amount 2022**	Carrying amount 2021
Bond issues	**67,6**	66,1
Periodised loan arrangement expenses	**-0,1**	-0,2
Lease liabilities	**477,5**	264,3
Total	**545,0**	330,3

The carrying amount of bond issues and other liabilities have been calculated using the effective interest method, and fair value has been defined using the discounted cash flow method by discounting at the market interest rate at the reporting date.

In May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring programme. Pursuant to the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66.1 million. Accordingly, Stockmann issued bonds to the aggregate principal amount of EUR 66.1 million.

In January 2022, the Company announced that it had received and verified three subscription forms from entitled persons whose previously conditional or disputed receivables subject to the payment programme of the Restructuring Programme had been clarified and the final amounts of such receivables had been confirmed. The subsequent bonds duly subscribed for by such Entitled Persons amounted to the aggregate principal amount of EUR 0.1 million. The receivables of the entitled persons were converted, by way of set-off, to subsequent bonds.

In July 2022, the Company announced that it had received and verified one subscription form from an entitled person whose previously conditional receivable subject to the payment programme of the restructuring programme had been clarified and the final amounts of such receivable had been confirmed. The aggregate principal amount by which the entitled person was entitled to subscribe for subsequent bonds amounted to EUR 1.4 million. The receivables of the entitled person were converted, by way of set-off, into subsequent bonds.

The bonds are presented as non-current interest-bearing financing liabilities in the Consolidated Statement of Financial Position on 31 December 2022.

4.6 Current liabilities

EUR mill.	**Carrying amount 2022**	Carrying amount 2021
Loans from financial institutions	**0,0**	381,5
Lease liabilities	**77,3**	72,9
Trade payables	**67,0**	61,8
Other current liabilities	**32,5**	77,7
Accruals and prepaid income	**78,5**	83,5
Derivative contract liabilities	**1,2**	0,1
Income tax liability	**73,7**	46,4
Current provisions	**31,2**	0,0
Total	**361,3**	724,0
of which interest-bearing	**77,3**	454,4

Restructuring debt

EUR mill.	31.12.2022	31.12.2021
Non-current non-interest-bearing restructuring debt, unsecured	**0,0**	19,8
Current interest-bearing restructuring debt, secured	**0,0**	381,5
Current non-interest-bearing restructuring debt, unsecured	**0,2**	2,0
Restructuring debt total	**0,2**	403,3
Restructuring debt related to non-current provisions	**0,0**	17,5
Restructuring debt related to current provisions	**31,2**	0,0
Provisions related to restructuring debt *)	**31,2**	17,5
Total	**31,3**	420,8

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

Accruals and prepaid income

EUR mill.	2022	2021
Personnel expenses	**41,4**	35,2
Periodised purchases	**11,7**	19,4
Customer loyalty programme MORE	**5,6**	7,1
Accrued site expenses	**3,2**	0,3
Reserve for returns and periodisation of sales	**2,9**	3,1
Accrued freight, customs and delivery expenses	**1,3**	
Derivative liabilities	**1,2**	0,1
Accrued professional service expenses	**0,7**	0,9
Other accruals and prepaid income	**10,3**	16,6
Total	**78,5**	82,6

4.7 Reconciliation of liabilities arising from financing activities

EUR mill.	1.1.2022	Cash flows from liabilities	Non-cash changes from liabilities		Non-cash changes from loans	31.12.2022
			Changes in leases	The effect of changes in foreign exchange rates		
Non-current liabilities, interest-bearing	66,0				1,5	67,5
Current liabilities, interest-bearing	381,5	-381,5				0,0
Lease liabilities	337,2	-73,8	312,7			576,2
Cheque account with overdraft facility	0,0			-21,3		-21,3
Total liabilities from financing activities	**784,7**	**-455,2**	**312,7**	**-21,3**	**1,5**	**622,3**

Loan arrangement expenses are included in cash flows from financing activities in the cash flow statement.

EUR mill.	1.1.2021	Cash flows from liabilities	Non-cash changes from liabilities		Non-cash chamges from loan arrangement expenses	31.12.2021
			Changes in leases	The effect of changes in foreign exchange rates		
Non-current liabilities, interest-bearing		-0,2			66,2	66,0
Current liabilities, interest-bearing	488,1	-48,5			-58,2	381,5
Lease liabilities	371,2	-66,3	37,9	-5,6		337,2
Total liabilities from financing activities	**859,3**	**-114,9**	**37,9**	**-5,6**	**8,0**	**784,7**

Loan arrangement expenses are included in cash flows from financing activities in the cash flow statement.

4.8 Financial risk management

The Group's financing and the management of financial risks are handled on a centralised basis within Stockmann plc's Treasury function in accordance with the policy adopted by the Board of Directors.

The Board of Directors of Stockmann filed for corporate restructuring of the parent company Stockmann plc on 6 April 2020 and corporate restructuring proceedings were initiated on 8 April 2020. As a result of the filing for restructuring the District Court of Helsinki ruled a temporary prohibition of collection for Stockmann plc and the company's external debts were subject to restructuring. The banks closed all derivative positions on 6 April 2020 and cancelled all hedging facilities. In a decision on 9 February 2021, the Helsinki District Court approved Stockmann Plc's restructuring programme and the restructuring proceedings have ended. However, since the restructuring proceedings were initiated, Stockmann has had limited possibilities to manage financial risks according to its financial policy. This note mainly describes the management of financial risks in a situation where Stockmann has standard hedging instruments available. The implications of the restructuring programme for financial risk management are described more in detail below.

The objective of financial risk management is to ensure reasonable financing for the Group in all circumstances and to reduce the effects of market risks on the Group's profit and balance sheet. Group Treasury, which reports to the Chief Financial Officer of Stockmann plc, manages financial exposures and executes hedging strategies at Group level. Treasury acts in accordance with more detailed guidelines setting out the principles of managing financial risks as well as the management of liquidity and financing. In addition, the divisions may have additional instructions for hedging their foreign exchange exposure.

The Group's main financial risks are currency risk, interest rate risk, financing and liquidity risk, credit and counterparty risk and electricity price risk.

Currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and also foreign-currency-denominated net investments in units abroad.

Transaction risk

Stockmann's transaction risk derives from the currency flows connected with sales and purchases of the Group's divisions as well as from loans and receivables denominated in foreign currency. The most important sales currencies during 2022 were the euro, the Swedish krona, and the Norwegian krone. The primary purchasing currencies were the United States dollar, the euro and the Swedish krona. In 2022, non-EUR sales accounted for 54 per cent of the Group's entire sales (2021: 56 per cent). Purchases with a transaction risk made up 56 per cent of the Group's purchases (2021: 53 per cent). In addition, the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Sweden. In 2022 these purchases accounted for 4 per cent of the Group's total purchases (2021: 4 per cent).

The divisions are responsible for forecasting future net cash flows denominated in foreign currency and for managing the currency risk connected with them. The management of currency risk related to operational cash flows is based on cash flow forecasts for the coming 6 months. The hedging period is generally a maximum of 6 months and the degree of hedging for individual currencies can vary in the range of 0–100%. Contracted cash flows can be hedged for longer periods. During the restructuring proceedings, the Group had no possibilities to hedge its foreign exchange positions. Lindex obtained hedging facilities in September 2021 and is now hedging its transaction exposure in accordance with the treasury policy. Stockmann plc currently has no hedging facilities.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges. The main transaction risks arise in Lindex. Stockmann division operates mainly in local currency and its transaction exposure is limited. The outstanding cash flow hedges are hedging Lindex's purchases in US-dollar and sales in Swedish Krona, Norwegian Krona and euro and will mature during the first 6 months of 2023. The gain/loss of these hedge instruments will affect the Group's operating profit in the same period during which the forecasted hedged items affect profit, which is on average 4 months after maturity. Information about the fair value of these hedges is provided in Note 4.9. The table below shows the distribution of currency for outstanding derivatives hedging cash flows. For each derivative, the amounts are shown for both the bought and the sold currency. No ineffectiveness arose on cash flow hedges during the year 2022.

Foreign exchange derivatives hedging cash flows

EUR Mill.	2022	2021
USD	45,9	47,1
SEK	-18,1	-21,2
NOK	-16,2	-14,9
EUR	-12,5	-9,8

Sensitivity Analysis, cash flow hedges, effect on equity after tax

2022, EUR Mill.	USD	SEK	NOK
Change + 10 %	-3,3	-0,9	1,2
Change - 10 %	4,1	1,1	-1,4

2021, EUR Mill.	USD	SEK	NOK
Change + 10 %	-3,4	-0,7	1,1
Change - 10 %	4,2	0,9	-1,3

All outstanding derivatives hedging cash flows relate to Lindex. The functional currency of Lindex is the Swedish Krona. At year-end, the outstanding cash flow hedges in US-dollars covered approximately 70 % of the Stockmann Group's estimated net USD flows for the coming 6 months.

Foreign subsidiaries are financed primarily in local currency, whereby the foreign subsidiary does not incur significant transaction risk other than from sales and purchases in foreign currency. Group Treasury is managing the currency risk of the foreign-currency-denominated receivables and liabilities in Stockmann's balance sheet. The degree of hedging can vary in the range of 0 – 100%.

The following table shows the Group's transaction exposure including foreign-currency-denominated assets and liabilities as well as outstanding derivatives hedging these items. Future forecasted cash flows and derivatives hedging forecasted cash flows are not included.

The Group's transaction exposure

2022, EUR Mill.	**SEK**	**GBP**	**NOK**	**CZK**	**USD**
Receivables	8,5	3,9	24,7	12,1	18,7
Trade payables and other current liabilities	-10,0		-14,1		-20,6
Foreign currency exposure in the balance sheet	**-1,5**	**3,9**	**10,6**	**12,1**	**-1,9**
Foreign exchange derivatives hedging balance sheet items					12,0
Net position in the balance sheet	**-1,5**	**3,9**	**10,6**	**12,1**	**10,1**

2021, EUR Mill.	SEK	GBP	NOK	CZK	USD
Receivables	12,9	4,8	23,9	9,2	6,7
Trade payables and other current liabilities	-9,5	0,0	-10,8	-0,5	-23,2
Foreign currency exposure in the balance sheet	3,4	4,7	13,2	8,7	-16,5
Foreign exchange derivatives hedging balance sheet items					22,8
Net position in the balance sheet	3,4	4,7	13,2	8,7	6,3

A 10 % strengthening or weakening of the euro against other currencies would create the following effect in profit after tax. The sensitivity analysis is based on the exposures in the table above.

Sensitivity Analysis, effect on income statement after tax

2022, EUR Mill.	**SEK**	**GBP**	**NOK**	**CZK**	**USD**
Change + 10 %	0,1	-0,3	-0,8	-0,9	-0,7
Change - 10 %	-0,1	0,3	0,9	1,1	0,9

2021, EUR Mill.	SEK	GBP	NOK	CZK	USD
Change + 10 %	-0,2	-0,3	-1,0	-0,6	-0,4
Change - 10 %	0,3	0,4	1,2	0,8	0,5

Translation risk

The Stockmann Group incurs translation risk when the financial statements of foreign subsidiaries are translated into euro amounts in the consolidated financial statements.

For foreign-currency-denominated net investments, the effects of changes in foreign exchange rates appear as the translation difference in the Group's equity. Under normal circumstances Stockmann hedges translation risk for net investments selectively by means of loans in foreign currency or with derivatives. When making hedging decisions any effect the hedging measure may have on the Group's earnings, balance sheet and cash flows as well as hedging costs are taken into account.

During 2018 Stockmann reclassified a major part of the Swedish krona denominated intra-group loan, granted for the acquisition of the shares in Lindex, as part of its net investment to a foreign subsidiary. The net investment has been designated in a net investment hedge and was hedged to 50% by currency derivatives until 6 April 2020 when outstanding derivatives were closed by the banks. The degree of hedging can vary from 0 to 100% according to the policy approved by the Board. The objective of the hedge is to reduce the effect of EUR/SEK currency rate changes to translation difference. At the end of 2022 the translation risk was not hedged since Stockmann plc didn't have any hedging facilities.

The following table shows how a 10% change of the euro against the Group companies' functional currencies would affect the Group's equity. The sensitivity analysis includes effects from the translation of foreign-currency-denominated net investments into euro.

Sensitivity Analysis, effect on equity

2022, EUR Mill.	**SEK**
Change + 10 %	-52,7
Change - 10 %	64,4

2021, EUR Mill.	SEK
Change + 10 %	-49,0
Change - 10 %	59,8

Interest rate risk

Fluctuations in the level of interest rates affect the Group’s interest expenses and interest income. The objective of the Group’s management of interest rate risk is to reduce the uncertainty to which Stockmann’s earnings may be subject due to changes in the level of interest rates. The duration of the loan and investment portfolio is a maximum of five years. Interest rate derivatives can be used in managing interest rate risk but were not in use at the end of 2022.

Interest-bearing liabilities consist of a five-year bullet bond (excl. IFRS16 leases) issued to certain unsecured creditors who were entitled to convert their receivables to senior secured bonds. The bond matures in July 2026 and the interest of the bond is 0,10 % per annum.

Interest-bearing receivables consist mainly of bank receivables in different currencies, with a maturity less than 1 month.

Interest terms of the Group's interest-bearing liabilities and bank receivables on 31 December 2022:

Interest rate adjustment, period, EUR mill	**< 12 months**	**1–3 years**	**3–5 years**	**Total**
Bond Issues			**67,6**	**67,6**
Total	**0,0**	**0,0**	**67,6**	**67,6**
Cash and bank receivables	**-167,9**			**-167,9**
Total	**-167,9**	**0,0**	**67,6**	**-100,2**

Interest terms of the Group's interest-bearing liabilities and bank receivables on 31 December 2021:

Interest rate adjustment, period, EUR mill	**< 12 months**	**1–3 years**	**3–5 years**	**Total**
Bond Issues			66,0	66,0
Loans from financial institutions	381,5			381,5
Total	381,5	0,0	66,0	447,5
Cash and bank receivables	-213,8			-213,8
Total	167,7	0,0	66,0	233,7

Electricity price risk

Stockmann Group normally hedges the price risk affecting future electricity procurements. In accordance with the financial policy, the degree of hedging of future electricity prices is a maximum of 70 % for years 2022-2023, and a maximum of 50 % for the following two years. Lindex continues to hedge for electricity price risk, but Stockmann division has had no access to new hedges since first half of 2021, but from 2023 onwards 50% of expected consumption has been hedged. Due to the increased electricity prices during 2022, this has meant an increase of electricity costs with approx. EUR 3.6 million compared to 2021, which is equal to approx. 51% increase of prices from previous year. As both divisions are now able to hedge the main part of their electricity consumption, Stockmann Group does not expect such an increase in electricity costs as for 2022 compared to 2021, and therefore further electricity cost increases would not have such high impact on the Group’s net result in 2023 as it had in the net result in 2022.

Financing and liquidity risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds, breaking the terms of the financing facilities or difficulties in finding financing. In order to minimise financing risk, the Group's financing need for the coming years should be covered by long-term committed credit facilities. The Group also has to maintain a sufficiently large liquidity reserve. The liquidity reserve must be at least an amount corresponding to an average month's operational cash disbursements. Cash and cash equivalents as well as unused committed and uncommitted credit facilities may be included in the liquidity reserve.

Stockmann plc’s restructuring programme was approved by the District Court on 9 February 2021, where the Company’s confirmed debts were classified as secured restructuring debt or unsecured restructuring debt. The unsecured restructuring debts were subject to 20% cut or 20% conversion to Stockmann plc’s shares. The remaining 80 % was either converted to a secured 5-year bullet bond or subject to a repayment schedule during years 2022-2028. According to the restructuring programme Stockmann would sell and lease back the real estate properties of Helsinki, Tallinn and

Riga department stores. Funds received from these sales would primarily be used for repayment of secured restructuring debt.

In December 2021, the sale and leaseback transactions for Tallinn and Riga department store properties were signed, where the proceeds from Tallinn transaction were used for secured debt repayment in December 2021, and the proceeds from Riga in January 2022. In April 2022 the sale and leaseback transaction for Helsinki department store property was signed, which meant that all secured and undisputed unsecured debt could be repaid.

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 in notes 1.4 and 1.5.

Stockmann Group's scope for arranging new financing is limited during the execution of the restructuring programme. This may have an effect on the sufficiency of liquidity and on the financial position.

Stockmann Group does not expect to have any need to acquire new equity or interest-bearing debt during the restructuring programme with the exception of possible need to take seasonal working capital and financing for a significant investment for Lindex new Omnichannel Distribution Center. The investment is EUR 110 million and it will be ready in 2024. Different financing possibilities for that investment are under investigation.

Stockmann plc has covered all new payment obligations that have arisen since the restructuring proceedings started. Positive cash flows from operations and selling real estates have been used for investments and repaying debts.

At the end of the year Stockmann Group had EUR 167.9 million (EUR 213.8 million) in cash assets.

Cash flows based on agreements in financial liabilities, including financing costs, on 31 December 2022

EUR Mill.	Carrying amount	2023	2024	2025	2026	2027-	Total
Current restructuring debts	0,2	-0,2					-0,2
Restructuring debts total	0,2	-0,2	0,0	0,0	0,0	0,0	-0,2
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	99,3	-99,3					-99,3
Non-current lease liabilities	477,5		-92,8	-85,3	-77,3	-406,4	-661,8
Current lease liabilities	77,3	-96,8					-96,8
Lease liabilities, total	554,8	-96,8	-92,8	-85,3	-77,3	-406,4	-758,7
Total	721,8	-196,4	-92,9	-85,4	-145,0	-406,4	-926,0
Currency derivatives	1,2						
Assets		36,6					36,6
Liabilities		-37,6					-37,6
Total	1,2	-1,1	0,0	0,0	0,0	0,0	-1,1

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 0,2 mill. EUR will be paid according to the restructuring 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.

Cash flows based on agreements in financial liabilities, including financing costs, on 31 December 2021

EUR Mill.	Carrying amount	2022	2023	2024	2025	2026-	Total
Non-current restructuring debts	-19,8		-2,0	-2,0	-2,0	-13,9	-19,8
Current restructuring debts	-383,5	-384,7					-384,7
Restructuring debts total	-403,3	-384,7	-2,0	-2,0	-2,0	-13,9	-404,5
Non-current bond (5-y bullet)	-66,1	-0,1	-0,1	-0,1	-0,1	-66,2	-66,5
Current trade payables and other current liabilities	-137,9	-137,9					-137,9
Non-current lease liabilities	-264,3		-66,8	-57,3	-48,5	-121,4	-293,9
Current lease liabilities	-72,9	-74,0					-74,0
Lease liabilities, total	-337,2	-74,0	-66,8	-57,3	-48,5	-121,4	-368,0
Total	-944,6	-596,7	-68,8	-59,3	-50,5	-201,5	-976,9
Currency derivatives	0,1						
Assets		14,1					14,1
Liabilities		-14,3					-14,3
Total	0,1	-0,1	0,0	0,0	0,0	0,0	-0,1

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.
According to restructuring programme, the real estate properties will be realized and the secured restructuring debt will be paid by the end of Q1 2022.
At the end of June 2021 Restructuring debts amounted to EUR 539.9 mill. In July 2021 EUR 66.1 mill. 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. EUR 19.1 mill. was converted into equity in July 2021 and EUR 2.7 mill. was cut. EUR 381,5 mill. presented in current financing liabilities will be repaid during Q1 2022 together with interest. Secured restructuring debt was reduced in January 2022 by EUR 38,7 mill. with proceeds from sales of Riga real estate. The remaining unsecured restructuring debt EUR 21.8 mill. will be paid according to restructuring programme during 2022-2028. Provisions regarding disputed landlords' claims are not included in the cash flows.

Credit and counterparty risk

Trade receivables as well as receivables based on investments and derivative contracts expose the Group to credit risk. The counterparty risk associated with investments is managed by means of counterparty limits approved by the Board of Directors. Derivative contracts are entered into only with counterparties that are judged to be highly creditworthy and financially solid. Cash assets are invested in financial instruments that are judged to be liquid and to have a low risk. At the balance sheet date, 31 December 2022, the Group's liquid assets consisted mainly of deposits in banks, with a very short maturity. The Group does not incur major credit risk relating to commercial trade receivables because its outstanding receivables consist of a large amount of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

In response to the war in Ukraine Stockmann discontinued selling merchandise to the Russian partner Debruss. All receivables from Debruss, EUR 0.5 million in total, have been written off.

Aging of trade and lease receivables
31.12.2022

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	**13,9**	**0,1**
Trade receivables fallen due in 1–30 days	**0,9**	**0,0**
Trade receivables fallen due in 31–60 days	**0,1**	
Trade receivables fallen due in 61–90 days	**0,2**	**0,1**
Trade receivables fallen due in 91–120 days	**0,1**	**0,0**
Trade receivables fallen due in over 120 days	**0,8**	**0,7**
Total	**16,0**	**0,8**

31.12.2021

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	10,6	0,0
Trade receivables fallen due in 1–30 days	0,7	
Trade receivables fallen due in 31–60 days	0,3	0,0
Trade receivables fallen due in over 120 days	0,2	0,0
Total	11,9	0,0

Stockmann Group recognises impairment provisions based on lifetime expected credit losses from trade and lease receivables in accordance with IFRS 9. Stockmann applies a simplified credit loss matrix for trade and lease receivables. Accordingly, the credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables in each aging bucket and an expected default rate. The changes in expected credit losses are recognised in other operating expenses.

4.9 Derivative contracts

Nominal values of derivative contracts

Derivative contracts, hedge accounting applied

EUR mill.	**2022**	2021
Cash flow hedges, currency forwards	**46,9**	45,9
Total	**46,9**	45,9

Derivative contracts, hedge accounting not applied

EUR mill.	**2022**	2021
Electricity forwards		1,1
Total		1,1

Fair value of derivative contracts 2022

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Cash flow hedges, currency forwards	0,1	-1,2	-1,1
Total	0,1	-1,2	-1,1

Fair value of derivative contracts 2021

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Cash flow hedges, currency forwards	1,3	-0,1	1,1
Total	1,3	-0,1	1,1

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Electricity forwards	0,4		0,4
Total	0,4		0,4

Currency swaps and forwards have been measured at fair value using market prices on the balance sheet date. Changes in the fair values of currency derivatives are recognised either in equity or in the profit and loss depending on whether hedge accounting has been applied to them. Currency derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit and loss in 2022. The fair values of electricity derivatives are based on market prices on the balance sheet date and the changes in the fair values are recognised in the profit and loss.

4.10 Financial assets and liabilities by measurement category and hierarchical classification of fair values

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2: The valuation techniques use as input data quoted market prices which are regularly available from stock exchanges, brokers or pricing services. Level 2 financial instruments are: over-the-counter derivative contracts which are classified either for recognition at fair value on the income statement or as hedging instruments.

Level 3: Techniques, which require most management's judgment.

There were no transfers between the levels during the financial year.

Financial assets, EUR mill.	Level	**Carrying amount 2022**	**Fair value 2022**	Carrying amount 2021	Fair value 2021
Derivative contracts, hedge accounting applied	2	**0,1**	**0,1**	1,3	1,3
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Electricity derivatives	1	**0,0**	**0,0**	0,4	0,4
Financial assets at amortised cost					
Non-current receivables		**3,1**	**3,1**	3,8	3,8
Current receivables, non-interest-bearing		**43,1**	**43,1**	44,1	44,1
Cash and cash equivalents		**167,9**	**167,9**	213,7	213,7
Other investments	3	**0,2**	**0,2**	0,2	0,2
Financial assets, total		**214,4**	**214,4**	263,4	263,4

Financial liabilities, EUR mill.	Level	**Carrying amount 2022**	**Fair value 2022**	Carrying amount 2021	Fair value 2021
Derivative contracts, hedge accounting applied	2	**1,2**	**1,2**	-0,1	-0,1
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	**67,5**	**55,8**	66,0	55,1
Non-current lease liabilities	2	**477,5**	**477,5**	264,3	264,3
Non-current non-interest-bearing liabilities		**0,7**	**0,7**	20,3	20,3
Current liabilities, interest-bearing	2	**0,0**	**0,0**	381,5	381,5
Current lease liabilities	2	**77,3**	**77,3**	72,9	72,9
Current liabilities, non-interest-bearing		**177,9**	**177,9**	223,0	223,0
Financial liabilities, total		**802,1**	**790,4**	1 027,8	1 016,9

In the balance sheet, derivative contracts are included in the following categories: Non-current and current receivables, non-interest-bearing and non-current and current liabilities, non-interest-bearing.

Financial assets on level 3 are investments to shares of unlisted companies. The fair value of the shares is determined by techniques based on the managements' judgment. Profits or losses from the investments are recorded to other operating income or expenses in the income statement, because acquisition and divestment decisions on the investments are made for business reasons. The following calculation illustrates changes in financial assets valuated at fair value during the reporting period.

Change in fair value of other investments, EUR mill.	2022	2021
Carrying amount 1.1.	**0,2**	0,2
Carrying amount 31.12.	**0,2**	0,2

4.11 Financial instruments subject to netting arrangements

The Group has entered into derivative transactions under agreements that include a master netting arrangement. The agreements stipulate that in certain circumstances, e.g., when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated and only a single net amount is payable in settlement of all transactions.

The agreements do not meet the criteria for offsetting in the statement of financial position.

The following table sets out the amounts of recognised financial instruments that are subject to the above agreements.

31.12.2022

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	0,1	-0,1	0,0
Financial assets, total	0,1	-0,1	0,0

Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied	-1,2	0,1	-1,1
Financial liabilities, total	-1,2	0,1	-1,1

31.12.2021

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	1,3	-0,1	1,1
Electricity derivatives, hedge accounting not applied	0,4		0,4
Financial assets, total	1,6	-0,1	1,5

Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied	-0,1	0,1	0,0
Financial liabilities, total	-0,1	0,1	0,0

4.12 Shareholders' equity

EUR mill.	Entered in trade register	Number of shares, A	Number of shares, B	Total	Share capital	Share premium fund	Invested unrestricted equity fund	Total
31.12.2020		30 530 868	41 517 815	72 048 683	144,1	186,1	250,4	580,6
Combination of share classes	9.4.2021	-30 530 868	33 583 954	3 053 086				
Share issue	6.7.2021		79 335 175	79 335 175				
31.12.2021		0	154 436 944	154 436 944	77,6	0,0	72,0	149,6
Share issue	27.1.2022		28 139	28 139				
Share issue	23.3.2022		284 337	284 337				
Share issue	22.7.2022		1 130 786	1 130 786				
31.12.2022		0	155 880 206	155 880 206	77,6	0,0	73,3	150,9

Share capital

On 7 April 2021 the Stockmann Plc's Annual General Meeting approved the proposal by the Board of Directors to combine the A and B share classes without increasing the share capital so that following the combination, the company has only a single class of a shares, all shares of which carry one (1) vote per share and have equal rights also in all other respects. In accordance with the AGM resolution, the company's A and B series were combined as of 12 April 2021 so that each one (1) A share was entitled to receive 1.1 B shares.

In connection with the combination of the share classes, the Annual General Meeting resolved to remove the provisions concerning the maximum and minimum amount of share capital, the par value of the shares as well as the different share classes, their associated voting rights and conversion procedures in the Articles of Association.

In May 2021, Stockmann Plc's Board of Directors resolved, pursuant to the authorisation granted by the Annual General Meeting, on a directed share issue of at most 100 000 000 new shares of the company to the unsecured and hybrid bond creditors of the company's restructuring debt, carried out in deviation from the shareholders' pre-emptive subscription rights. A total of 79 335 175 conversion shares were subscribed for in the share issue, and the total number of Stockmann shares increased to a total of 154 436 944 shares. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares.

In January 2022, the Company's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 28,139 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 1 December 2021 and approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In March 2022, the Company's Board of Directors, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 284,337 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to a creditor whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 21 January 2022 and approved the subscription made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In July 2022, The Company's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 1,130,786 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 14 July 2022 and has approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

As a result of the Share Issues in January, March and July 2022, the total number of shares in the Company has increased to a total of 155,880,206 shares.

On 31 December 2022 Stockmann Plc's share capital was EUR 77.6 million. All the shares issued have been fully paid in.

Redemption obligation

A shareholder whose proportion of all the company's shares or the number of votes conferred by the shares either alone or together with other shareholders reaches or exceeds 33 1/3 per cent or 50 per cent is liable, at the demand of the other shareholders, to redeem their shares in the manner specified in the Articles of Association.

Share premium fund

On 31 December 2020 the share premium fund contained cash payments in excess of the nominal value that were received from share subscriptions, less the transaction costs. During 2021, the fund was used to cover losses of the previous years.

Invested unrestricted equity fund

The invested unrestricted equity fund contains other equity-like investments and the share subscription price, less transaction costs, to the extent that this is not entered in share capital under a specific decision. The balance of the fund reported on 31 December 2020 was used to cover losses. The previously mentioned share issues in 2021 and 2022 have been recognised as invested unrestricted equity fund.

Translation differences

The translation differences reserve comprises the translation differences on equity that have arisen in consolidating the financial statements of foreign subsidiaries and translation differences arisen in consolidating net investment in foreign currencies.

Other funds

EUR mill.	2022	2021
Reserve fund	**0,1**	0,1
Hedging reserve	**-1,1**	1,1
Total	**-1,0**	1,2

Other funds comprise:

- reserve fund, which contains an amount transferred from unrestricted shareholders' equity based on local regulations
- hedging reserve, which contains changes in fair value of derivatives that are used to hedge cash flows, less the deferred tax liability.

Dividends

The dividend payout proposed by the Board of Directors has not been recognised in the financial statements. Dividends are recognised on the basis of a resolution passed by a General Meeting of the shareholders.

According to the Finnish Companies Act, distributions to shareholders during the three years following the registration of the reduction of share capital in order to cover losses can only be made by following the creditor protection procedure. During the restructuring programme Stockman Plc is not allowed to distribute funds either.

4.13 Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. Diluted earnings per share are calculated by adjusting the weighted average number of shares by the effect of potential diluting shares such as shares from share-based payments. As of 31 December 2022, the dilutive effect was not significant.

EUR mill.	2022	2021
Profit/loss for the period attributable to the equity holders of the parent company	**101,6**	47,9
	101,6	47,9
Share issue-adjusted number of outstanding shares, weighted average	**155 189 297**	114 008 608
From continuing operations (undiluted and diluted)	**0,65**	0,42
From the period result (undiluted and diluted)	**0,65**	0,42

5 Other notes

5.1 Non-current assets classified as held for sale

Accounting policies
Asset items under the heading 'Non-current assets classified as held for sale' are measured in accordance with IFRS 5 at the lower of their carrying amount and fair value less estimated selling costs. When an asset item is classified within non-current assets as held for sale, it is not depreciated. A non-current asset held for sale is presented in the statement of financial position separately from other asset items. Likewise, liabilities connected with an asset classified as held for sale are presented as a separate item in the statement of financial position.

By a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme. As part of the restructuring process, Stockmann was obliged to sell its real estate properties and negotiate leaseback arrangements. In December 2021 Stockmann entered into sales agreement regarding its department store properties in Tallinn and Riga with long-term leaseback agreements made with the new owner. According to the terms of the agreements, the sale-and-leaseback transaction for the Tallinn property was recognised in the reporting period, whereas the corresponding transaction for the Riga property was realised in January 2022. In the consolidated financial statements of 2021, the Helsinki and Riga department store properties were classified as assets held for sale.

In April 2022, Stockmann sold its department store property in Helsinki city center and made a long leaseback agreement with the new owner.

Assets classified as held for sale and the relating liabilities

EUR mill.	2022	2021
Intangible assets and property, plant and equipment	**0,0**	239,3
Other receivables	**0,0**	0,1
Cash and cash equivalents	**0,0**	0,1
Deferred tax liabilities	**0,0**	15,3
Other liabilities	**0,0**	0,4
Net assets	**0,0**	223,8

5.2 Joint arrangements

Joint operations

The Group has a 37.8% shareholding in Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab. The real estate company is based in Espoo, Finland. The joint operation is not essential for Stockmann.

In 2021, the Group had a 63% shareholding in real estate company SIA Stockmann Centrs, which entitled the company to 63% control of the real estate company's premises, so the Group had a 63% involvement in the joint operation. SIA Stockmann Centrs owns a shopping center property in Latvia. Stockmann's share of the joint operation covered the commercial premises of Stockmann's department store in Riga, Latvia. The joint operation was essential for Stockmann. On 29 December 2021 Stockmann entered into sales agreement to sell its ownership of SIA Stockmann Centrs with a long-term leaseback agreement with the new owner. According to the terms of the sale agreement the ownership of the shares was transferred to the buyer in January 2022.

The share corresponding to the Group's ownership of both the assets and liabilities and income and expenses of the joint operation is included in the Group's consolidated financial statements.

Assets and liabilities of joint operations

EUR mill.	2022	2021
Non-current assets	**1,3**	13,2
Current assets	**0,6**	0,6
Current liabilities	**0,1**	0,2

Income and expenses of joint operations

EUR mill.	2022	2021
Income	**0,5**	2,6
Expenses	**0,2**	1,4

5.3 Provisions

Accounting policies
A provision is recognised when the Group has a legal or factual obligation as a result of a past event and it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably. Provision for onerous contract is recognised, when the unavoidable costs under the contract exceed the expected economic benefits. A restructuring provision is recognised if the Group is committed to a sale or a termination of the significant line of business or a closure of business in a geographical area. Provision amounts are reviewed on each balance sheet date and adjusted to reflect the current management's estimate. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised.

Non-current provisions

Other provisions

EUR mill.	2022	2021
Carrying amount 1.1.	**17,5**	
Transfer between items	**-17,5**	17,0
Increase in provisions		1,4
Used provisions		-1,0
Carrying amount 31.12.	**0,0**	17,5
Non-current provisions total	**0,0**	17,5

Current provisions

Restructuring provision

EUR mill.	2022	2021
Increase in provisions	**0,1**	
Carrying amount 31.12.	**0,1**	0,0

Other provisions

EUR mill.	2022	2021
Carrying amount 1.1.	**0,0**	17,0
Transfer between items	**17,5**	-17,0
Increase in provisions	**19,0**	
Used provisions	**-4,5**	
Reversal of unused provisions	**-0,7**	
Carrying amount 31.12.	**31,2**	0,0
Current provisions total	**31,2**	0,0

Provision for landlords' claims related to terminated lease contracts amounted to EUR 30.8 million.

5.4 Contingent liabilities

Mortgages given as collateral for liabilities and commitments

EUR mill.	2022 Debt at the year end	2022 Collaterals	2022 Book value of the assets *)	2021 Debt at the year end	2021 Collaterals	2021 Book value of the assets *)
Loans from credit institutions				381,5	1 500,0	
Other commitments					1,7	
Total	**0,0**	**0,0**	**0,0**	381,5	1 501,7	**238,9**

*) Cost method applied

Other collaterals given for own liabilities

EUR mill.	2022	2021
Guarantees	**0,1**	0,1
Electricity commitments	**2,7**	0,3
Liabilities of adjustments of VAT deductions made on investments to immovable property		2,5
Total	**2,8**	2,9

Contingent liabilities, total

EUR mill.	2022	2021
Mortgages		1 501,7
Guarantees	**0,1**	0,1
Electricity commitments	**2,7**	0,3
Liabilities of adjustments of VAT deductions made on investments to immovable property		2,5
Total	**2,8**	1 504,6

Electricity commitments relate to agreements to buy electricity for certain price in years 2023-2024.

Investments in real estate

After Stockmann sold its department store properties, the responsibility for checking the VAT on real estate investments was transferred to the buyer in 2022.

Landlords' disputed claims

Some landlords have presented Stockmann Plc with claims for damages related to termination of long-term lease agreements. Stockmann has recognised a provision for the claims corresponding to 18 months’ rents, which is in accordance with the restructuring programme. The amount of the claims exceeding the provision, EUR 41 million (EUR 85 million in 2021), is presented as a contingent liability. More information on the claims is provided in note 1.4.

5.5 Related party transactions

Members of the Board of Directors and Management Team belong to the Group's related party, as well as the parent company, subsidiaries and joint operations.

Members of the Board of Directors and Management Team belonging to the Group's related party during financial year 2022:

- Roland Neuwald, Chairman of the Board of Directors
- Stefan Björkman, Member of the Board of Directors, Vice Chairman of the Board of Directors as of 23 March 2022
- Timo Karppinen, Member of the Board of Directors as of 23 March 2022
- Anne Kuittinen, Member of the Board of Directors
- Esa Lager, Member of the Board of Directors until 23 March 2022
- Leena Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors until 23 March 2022
- Sari Pohjonen, Member of the Board of Directors as of 23 March 2022
- Tracy Stone, Member of the Board of Directors
- Harriet Williams, Member of the Board of Directors
- Jari Latvanen, CEO
- Susanne Ehnbåge, CEO, Lindex
- Annelie Forsberg, CFO, Group as of 1 April 2022 and CFO, Lindex
- Jukka Naulapää, Chief Legal Officer
- Pekka Vähähyyppä, CFO until 31 March 2022
- Tove Westermarck, Chief Operating Officer

Members of the Board of Directors and Management Team belonging to the Group's related party during financial year 2021:

- Roland Neuwald, Chairman of the Board of Directors as of 7 April 2021
- Lauri Ratia, Chairman of the Board of Directors until 7 April 2021
- Stefan Björkman, Member of the Board of Directors
- Anne Kuittinen, Member of the Board of Directors as of 7 April 2021
- Esa Lager, Member of the Board of Directors
- Leena Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Tracy Stone, Member of the Board of Directors
- Dag Wallgren, Member of the Board of Directors until 7 April 2021
- Harriet Williams, Member of the Board of Directors as of 7 April 2021
- Jari Latvanen, CEO
- Susanne Ehnbåge, CEO, Lindex
- Annelie Forsberg, CFO, Lindex
- Jukka Naulapää, Chief Legal Officer
- Pekka Vähähyyppä, CFO
- Tove Westermarck, Chief Operating Officer

The relationships between the company's parent company and subsidiaries are shown in notes to the parent company's financial statements, under the header "Shares and participation".

The following transactions were carried out with related parties:

Management's employee benefits

Emoluments

Employee benefits of the Chief Executive Officer and other members of the Management Committee 2022, EUR	**Chief Executive Officer**	**Other members of the Management Committee**	**Total**
Short-term employee benefits	**604 315**	**1 935 140**	**2 539 455**
Other long-term employee benefits		**303 670**	**303 670**
Share-based payments	**11 067**	**23 909**	**34 976**
Employee benefits total	**615 382**	**2 262 719**	**2 878 101**

Remunerations to the Board of Directors 2022, EUR	Fixed annual remuneration *)	Remuneration based on participation	Total
Neuwald Roland	**80 000**	**16 000**	**96 000**
Björkman Stefan	**50 000**	**12 200**	**62 200**
Karppinen Timo	**40 000**	**10 400**	**50 400**
Kuittinen Anne	**40 000**	**7 800**	**47 800**
Lager Esa **)		**2 900**	**2 900**
Niemistö Leena **)		**3 800**	**3 800**
Pohjonen Sari	**40 000**	**11 000**	**51 000**
Stone Tracy	**40 000**	**7 200**	**47 200**
Williams Harriet	**40 000**	**9 000**	**49 000**
Remunerations to the Board of Directors total	**330 000**	**80 300**	**410 300**
Fees and remunerations to key personnel total, EUR			**3 288 401**

*) paid in 60 134 company shares and cash

**) resigned from the Board of Directors on 23 March 2022

Employee benefits of the Chief Executive Officer and other members of the Management Committee 2021, EUR	Chief Executive Officer	Other members of the Management Committee	Total
Short-term employee benefits	604 252	1 607 896	2 212 148
Other long-term employee benefits		160 912	160 912
Employee benefits total	**604 252**	**1 768 808**	**2 373 060**

Remunerations to the Board of Directors 2021, EUR	Fixed annual remuneration *)	Remuneration based on participation	Total
Neuwald Roland	80 000	16 100	96 100
Niemistö Leena	50 000	16 400	66 400
Björkman Stefan	40 000	17 200	57 200
Kuittinen Anne	40 000	7 800	47 800
Lager Esa	40 000	17 400	57 400
Ratia Lauri **)		6 100	6 100
Stone Tracy	40 000	10 200	50 200
Wallgren Dag **)		4 600	4 600
Williams Harriet	40 000	7 800	47 800
Remunerations to the Board of Directors total	**330 000**	**103 600**	**433 600**
Fees and remunerations to key personnel total, EUR			**2 806 660**

*) paid in 91 791 company shares and cash

**) resigned from the Board of Directors on 7 April 2021

Management's share-based incentives

Information of management's share-based incentive plan is disclosed in note 5.6.

Management's pension commitments

The CEO Jari Latvanen's retirement age is determined in accordance with Finnish employment pension legislation. The CEO's pension will accrue on the basis of the Employees' Pensions Act. A separate voluntary pension is not paid.

The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. In 2022 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2022 amounted to EUR 303 670 (EUR 160 912 in 2021).

Other related party transactions

In 2022 the Board members were paid no other compensations.

5.6 Share-based incentives

Accounting policies
Stockmann group offers performance shares as a long-term equity-settled share-based incentive plan for key employees.

Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments as of the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive.

Stockmann reviews the assumptions made on a regular basis and, where necessary, revises its estimates of the number of performance shares that are expected to be settled. Share-based compensation is recognised as an expense in the consolidated income statement over the vesting and commitment period of the plan on a straight-line basis and an increase corresponding to the expensed amount is recorded in equity. Social security expenses related to the share-based compensation is recognised as an expense in the consolidated income statement over the vesting and commitment period of the plan based on the actual share price at the end of reporting period and an increase corresponding to the expensed amount is recorded as a liability in the consolidated statement of financial position.

Share-based incentives during the period 1.1.2022 – 31.12.2022

During the financial year 2022 Stockmann Plc's Board of Directors decided on the establishment of a share-based long-term incentive scheme for the company's management and key personnel. The Performance Share Plan (PSP) consists of three individual performance periods. The Board of Directors decides separately the performance criteria, persons authorised to participate and the amount of the threshold, target and maximum reward for each performance period. The objective of the Performance Share Plan is to support the implementation of the Company's strategy, to align the interest of the key personnel with those of the Company's shareholders and to retain management and key personnel. The Board of Director's approved the commencement of the first performance period (PSP 2022-2024) and decided on the performance criteria in 2022. The performance criteria include total shareholder return, revenue, EBIT and climate neutrality. The potential reward will be paid during H1 2025, depending on the achievement of the performance criteria and the service condition. Any reward earned for the PSP 2022-2024 will be paid partly in company shares and partly in cash. The purpose of the cash contribution is to cover taxes and tax-like payments incurred by the management and key personnel from the remuneration.

	Performance period 2022-2024
Initial amount, pcs *)	1 478 000
Initial allocation date	23.11.2022
Vesting date	30.04.2025
Maximum contractual life, years	2,4
Remaining contractual life, years	2,3
Number of participants in the plan	21
Payment method	Equity and cash, net settlement

*) The amounts are presented in gross terms, i.e. the share reward figures both the reward paid in share and a number of shares corresponding to the amount of the reward paid in cash.

Changes in Share awards during the financial year

Number of shares	**Performance period 2022-2024**
Granted during the year	1 478 000
Outstanding 31.12.	**1 478 000**

Fair value determination

The fair value of share-based incentives has been determined at grant date and the fair value is expensed until vesting. Market condition, in this case total shareholder return has been taken into account when determining the fair value at grant and it will not be changed during the plan. The pricing of the share-based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period 2022	Performance period 2022-2024
Share price at grant, EUR	1,93
Share price at the end of the period, EUR	1,97
Expected volatility, % *)	53,40%
Maturity, years	2,1
Risk-free interest rate, %	2,13%
Expected dividends, EUR	
Valuation model	Monte Carlo
Fair value per share, EUR	0,8769

*) Expected volatility was determined by calculating the historical volatility of Stockmann's share using monthly observations over corresponding maturity.

Effect of Share-based Incentives on the result and financial position

EUR mill.	2022
Expenses for the financial year, share-based payments	0,1
Expenses for the financial year, share-based payments, equity-settled	0,1
Estimated future cash payment related to withholding taxes	0,6

5.7 EU Taxonomy Key Performance Indicators

Stockmann Group's accounting policies for taxonomy-eligible and taxonomy-alignment calculations are based on our best interpretation of the EU Taxonomy Regulation and delegated acts and the currently available guidelines from the European Commission.

Taxonomy-eligible and non-eligible activities
The primary activity which has been identified as eligible in the taxonomy that is currently relevant for Stockmann Group is activity 7.7 Acquisition and ownership of buildings (Renting and operating of own or leased real estate). Financial numbers associated to taxonomy activity 6.5 transport by motorbikes, passenger cars and light commercial vehicles are currently below certain materiality thresholds that Stockmann Group has defined and therefore the activity has been categorized as non-eligible.

Taxonomy-aligned activities
The EU Taxonomy Regulation establishes the basis for the EU taxonomy by setting out conditions that an economic activity must meet to qualify as environmentally sustainable.

Stockmann Group has assessed how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council. In the assessment, Stockmann Group has determined, whether its taxonomy-eligible economic activities fulfill the substantial contribution criteria, do no significant harm criteria and minimum social safeguards criteria in the EU Taxonomy Regulation. Taxonomy-eligible economic activity which meets all criteria is recognised as environmentally sustainable and Taxonomy-aligned.

Taxonomy-aligned turnover
The share of Stockmann Group's taxonomy-aligned turnover is calculated as turnover from sublease and concession agreements associated with economic activities that qualify as environmentally sustainable as a proportion of Stockmann Group's total revenue, see note 2.2.1.1.

Taxonomy-aligned CAPEX
The share of Stockmann Group's taxonomy-aligned CAPEX is calculated as the CAPEX related to assets associated with economic activities that qualify as environmentally sustainable as a proportion of Stockmann Group's total CAPEX that is accounted for based on IFRS 16 (53: 8h)) and IAS 16 (73: (e) (i)) and thereby included in Increases during the period, see notes 3.3 and 3.5.

Taxonomy-aligned OPEX
The share of Stockmann Group's taxonomy-aligned OPEX is calculated as OPEX related to assets associated with economic activities that qualify as environmentally sustainable as a proportion of Stockmann Group's total OPEX that is a part of 'Other operating expenses', see note 2.6. According to EU taxonomy definition of OPEX KPI, the total OPEX includes building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. For Stockmann Group OPEX does not include ICT expenses as it is not possible to separate ICT expenses related to maintenance from other ICT expenses.

The EU taxonomy Key Performance Indicators are disclosed as part of the non-financial information in Stockmann's Financial Review.

5.8 Events after the reporting period

The Supreme Administrative Court in Sweden decided on 27 January 2023 that it does not grant a leave to appeal to the Swedish Tax Agency for the decision made by Administrative Court of Appeal on Stockmann's subsidiary Stockmann Sverige AB's right to deduct interest expenses during the years 2013-2016 for the loan it raised for the acquisition of AB Lindex. Consequently, on 3 February 2023 the Administrative Court of Appeal informed that the Swedish Tax Agency withdrew their appeal against the decision made by the County Administrative Court on the right to deduct interest expenses during the years 2017-2019. Based on the decisions, Stockmann Group will recognise a decrease of approx. EUR 30 million in tax liability on statement of financial position and income taxes in the income statement during the first quarter of 2023.

Stockmann plc
Income Statement, FAS

EUR	Note	**1.1.-31.12.2022**	**% of Rev.**	1.1.-31.12.2021	% of Rev.
REVENUE		**245 095 279,40**	**100,0**	230 776 429,50	100,0
Other operating income	2	**192 697 041,91**	**78,6**	106 329 155,56	46,1
Materials and services					
Materials and consumables:					
Purchases during the financial year		**-139 508 885,07**		-125 323 282,22	
Change in inventories, increase (+), decrease (-)		**9 593 840,51**		3 854 681,68	
Materials and services, total		**-129 915 044,56**	**53,0**	-121 468 600,54	52,6
Wages, salaries and employee benefits	3	**-45 178 701,91**	**18,4**	-43 906 349,86	19,0
Depreciation, amortisation and impairment losses	4	**-12 100 924,31**	**4,9**	-20 932 572,46	9,1
Other operating expenses	5	**-107 449 439,60**	**43,8**	-73 504 984,89	31,9
		-294 644 110,38	**120,2**	-259 812 507,75	112,6
OPERATING PROFIT (LOSS)		**143 148 210,93**	**58,4**	77 293 077,31	33,5
Financial income and expenses	6	**42 275 552,43**	**17,2**	12 839 440,12	5,6
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**185 423 763,36**	**75,7**	90 132 517,43	39,1
Appropriations	7	**35 255 625,83**	**14,4**	-11 800 629,46	-5,1
Income taxes	8	**-46 842 369,66**	**-19,1**	-2 094 785,69	-0,9
PROFIT (LOSS) FOR THE PERIOD		**173 837 019,53**	**70,9**	76 237 102,28	33,0

Stockmann plc
Balance sheet, FAS

EUR	Note	31.12.2022	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		**5 827 390,87**	9 558 379,05
Other intangible assets		**70 884,14**	141 460,91
Advance payments and construction in progress		**3 945 813,28**	1 896 103,53
Intangible assets, total		**9 844 088,29**	11 595 943,49
Property, plant, equipment	10		
Land and water			9 214 458,59
Buildings and constructions			226 796 621,18
Machinery and equipment		**18 717 395,94**	21 993 784,40
Modification and renovation expenses for leased premises		**3 027 478,91**	3 602 672,26
Other tangible assets		**54 601,65**	54 601,65
Advance payments and construction in progress		**1 192 370,67**	138 155,89
Property, plant, equipment, total		**22 991 847,17**	261 800 293,97
Investments	11		
Shares in Group companies		**309 936 627,98**	286 641 335,62
Other shares and participations		**748 761,86**	748 761,86
Investments, total		**310 685 389,84**	287 390 097,48
NON-CURRENT ASSETS, TOTAL		**343 521 325,30**	560 786 334,94
CURRENT ASSETS			
Inventories			
Materials and consumables		**52 663 049,58**	43 069 209,07
Inventories, total		**52 663 049,58**	43 069 209,07
Non-current receivables			
Loan receivables from Group companies		**208 567 698,92**	226 499 865,68
Other receivables		**6 718 529,28**	16 289 254,72
Non-current receivables, total		**215 286 228,20**	242 789 120,40
Current receivables	12		
Trade receivables		**2 495 382,50**	1 593 227,75
Receivables from Group companies		**8 805 716,71**	6 325 525,93
Other receivables		**507 318,28**	453 199,05
Prepayments and accrued income		**9 577 997,87**	13 478 058,43
Current receivables, total		**21 386 415,36**	21 850 011,16
Cash in hand and at banks	13	**35 084 492,56**	40 426 083,02
CURRENT ASSETS, TOTAL		**324 420 185,70**	348 134 423,65
ASSETS, TOTAL		**667 941 511,00**	908 920 758,59

Stockmann plc
Balance sheet, FAS

EUR	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14-15	**77 556 538,26**	77 556 538,26
Invested unrestricted equity fund		**73 556 844,86**	72 242 609,96
Retained earnings		**45 489 921,36**	
Net profit (loss) for the financial year		**173 837 019,53**	76 237 102,28
EQUITY, TOTAL		**370 440 324,01**	226 036 250,50
ACCUMULATED APPROPRIATIONS	16	**21 019 383,95**	82 475 009,78
PROVISIONS	17	**31 225 567,27**	17 487 554,57
LIABILITIES			
Non-current liabilities	18		
Bonds		**67 629 243,00**	66 149 032,00
Trade payables			19 790 499,18
Liabilities to Group companies		**66 674 746,33**	66 674 746,33
Non-current liabilities, total		**134 303 989,33**	152 614 277,51
Current liabilities	19		
Loans from credit institutions			381 490 180,00
Advances received		**807 740,31**	892 626,94
Trade payables		**16 717 966,13**	18 332 408,96
Liabilities to Group companies		**27 959 627,24**	1 493 926,81
Other payables		**12 025 930,75**	11 922 078,00
Accrued expenses and prepaid income	20	**53 440 982,01**	16 176 445,52
Current liabilities, total		**110 952 246,44**	430 307 666,23
LIABILITIES, TOTAL		**245 256 235,77**	582 921 943,74
EQUITY AND LIABILITIES, TOTAL		**667 941 511,00**	908 920 758,59

Stockmann plc
Cash flow statement

EUR	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	**173 837 019,53**	76 237 102,28
Adjustments for:		
Depreciation and amortisation according to plan	**12 100 924,31**	20 932 572,46
Gains of disposals of fixed assets	**-185 437 307,11**	
Other non-cash income and expenses	**14 392 734,19**	-99 265 308,09
Financial income and expenses	**-42 252 335,98**	-12 638 312,99
Appropriations	**-35 255 625,83**	11 800 629,46
Taxes	**37 174 545,93**	-2 014 028,19
Deferred taxes	**9 667 823,73**	4 108 813,88
Changes in working capital:		
Increase (-) / decrease (+) of current receivables	**-1 790 504,94**	-6 401 002,39
Increase (-) / decrease (+) of inventories	**-9 593 840,51**	-3 854 681,68
Increase (+) / decrease (-) of non-interest-bearing liabilities	**-16 165 579,23**	12 016 301,92
Interest and other financial expenses paid from operating activities	**-4 339 424,28**	-16 291 225,65
Interest received from operating activities	**2 939 031,70**	981 047,54
Taxes	**-1 165 363,47**	2 014 028,19
CASH FLOW FROM OPERATING ACTIVITIES	**-45 887 901,96**	-12 374 063,26
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	**-6 923 098,07**	-2 663 824,80
Proceeds from disposal of tangible and intangible assets	**390 632 479,61**	48 182 874,02
Proceeds from disposal of subsidiary shares	**38 419 875,94**	
Increase (-)/decrease (+) of loan receivables	**-92 855,98**	-2 513 397,66
Dividends received/return of equity	**90,00**	2 553 690,00
NET CASH FROM INVESTING ACTIVITIES	**422 036 491,50**	45 559 341,56
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (+)/ repayments of (-) current liabilities	**-381 490 180,00**	-48 509 820,00
Loan conversion costs		-400 763,56
NET CASH FROM FINANCING ACTIVITIES	**-381 490 180,00**	-48 910 583,56
Change in cash in hand and at banks, increase (+) / decrease (-)	**-5 341 590,46**	-15 725 305,26
Cash in hand and at banks in the beginning of the financial year	**40 426 083,02**	56 151 388,28
Cash in hand and at banks at the end of the financial year	**35 084 492,56**	40 426 083,02

The proceeds from sales of real estate properties and subsidiary shares were paid directly to the secured creditors of the restructuring programme. The transactions are presented as proceeds from disposal of tangible assets and subsidiary shares, and repayment of current liabilities.

Notes to the parent company financial statements

1. Accounting principles

The financial statements of Stockmann Oyj have been prepared according to Finnish Accounting Standards (FAS).

Corporate restructuring proceedings
District Court of Helsinki has approved Stockmann plc's restructuring programme on 9 February 2021. The key content of the restructuring programme and its effects on financial statements are described as notes to consolidated financial statements, note 1.3., 1.4. and 4.6.

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the rates prevailing on the transaction date.

Gains and losses on foreign exchange in financial operations are entered as net amounts under other financial income or other financial expenses.

Revenue
Revenue comprises sales income excluding indirect taxes, discounts granted and foreign exchange rate differences.

Other operating income
The items stated as other operating income are capital gains on the sale of non-current assets connected with business operations, compensation obtained from the sale of businesses and charges for services rendered to subsidiaries.

The cut of the restructuring debt in 2021 was presented as other operating income.

Other operating income included in 2021 Covid-19 cost support received.

Income taxes
The direct taxes entered in the profit and loss account are the taxes corresponding to net profit for the financial year as well as taxes payable for prior periods or tax refunds. Deferred tax asset has been recognised for the expenses deductible in taxation in the future periods.

The profits of Stockmann Plc's Branch in Estonia have been included in the taxable income of the parent office in Finland. The profits of the Branch will be income taxable in Estonia, at the time when the profits are distributed to the parent office in Finland. According to the tax treaty between Estonia and Finland, the income tax which will be paid in Estonia is deductible from the income tax in Finland under certain conditions. During the reporting period, it was resolved to distribute profits of EUR 52.4 million from the Branch in Estonia to the parent office in Finland, which resulted in tax payment of EUR 13.1 million in Estonia. According to the Finnish Tax Administration, EUR 2.8 million of the taxes payable in Estonia are not deductible from the taxes payable in Finland, because Stockmann Plc did not have sufficient taxable income in Finland during the fiscal years 2010-2016. Thus, the aforesaid amount would be double tax payment. After the profit sharing, the untaxed retained earnings of the Branch in Estonia including the profit of the reporting period are EUR 24.9 million and the calculated income tax in Estonia would be EUR 5.2 million.

Intangible and tangible assets
Tangible and intangible assets are valued according to the original cost less accumulated depreciation according to plan. The balance sheet values in 2021 included revaluations of land areas and buildings. These revaluations have been demolished while the sales of real-estate in 2022. The revaluations had been made during the period from 1950 to 1984 and were based on the estimates of real estate valuers at the time. Revaluations were not depreciated.

Depreciation according to plan is based on the original cost and the estimated useful life of intangible and tangible assets as follows:

Intangible assets	3 – 10 years
Buildings	20 – 50 years
Machinery and equipment	3 – 10 years
Modification and renovation expenses of leased premises	5 – 10 years

Investments in non-current assets
Securities included in non-current assets are valued at acquisition cost or, if their fair value is lower, at this lower value.

Based on impairment testing on the valuation of Lindex there has not been recognised a reason for impairments. Principles of impairment testing are described as notes to consolidated financial statements.

Inventories
In the valuation of inventories, the principle of lowest value has been used, i.e., the inventories have been entered in the balance sheet at the lowest of acquisition cost or a lower repurchase price or the probable market price. The value of inventories is determined using the weighted average cost method and it includes all the direct costs of the purchase.

Non-current liabilities
Loans payable are recognised at nominal value. Transaction costs are initially recognised as accruals and amortized over the life of the instrument. Transaction cost and loan interest are recognised in the income statement as financial expenses over the life of the instrument.

Based on the restructuring programme half of the hybrid bond was converted to a bond in 2021.

In accordance with the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 67 629 243.

Interest bearing liabilities included in restructuring debt are as total classified as current liability.

Appropriations
The difference between total and planned depreciation is shown as accumulated appropriations in the balance sheet and the change during the financial year in the income statement. Appropriations contain also given and received group contributions.

Provisions
A provision is recognised when the company has a legal or factual obligation as a result of a past event and it is

probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably.

As provision has been recognised conditional debts, which are mainly based on the early termination of the agreements with landlords. Early terminated agreements have raised claims for damages which are considerable.

2. Other operating income

EUR	2022	2021
Cut of the hybrid bond		55 027 997,12
Cut of the restructuring debt		2 660 303,98
Capital gain of the real estates and shares	**185 584 784,11**	40 955 157,09
Compensation for services to Group companies	**7 222 583,43**	6 110 601,00
Covid-19 cost support		1 000 000,00
Merger profit		575 096,37
Other operating income	**37 151,37**	
Total	**192 844 518,91**	106 329 155,56

3. Wages, salaries and employee benefits expenses

EUR	2022	2021
Salaries and remuneration paid to the CEO	**604 315,00**	604 252,00
Salaries and remuneration paid to the Board of Directors	**410 300,00**	433 600,00
Other wages and salaries	**36 046 866,24**	34 333 525,56
Wages during sick leave	**1 754 352,28**	1 143 365,43
Pension expenses	**4 422 366,02**	6 182 173,39
Other employee benefits expenses	**1 940 502,37**	1 209 433,48
Total	**45 178 701,91**	43 906 349,86
Personnel, average	**1 048**	1 060

Management pension liabilities

CEO Jari Latvanen’s retirement age is determined in accordance with Finnish employment pension legislation. The CEO's pension will accrue on the basis of the Employees’ Pensions Act. A separate voluntary pension is not paid. The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. In 2021 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2022 amounted to EUR 303 670 (EUR 160 912 in 2021).

4. Depreciation, amortisation and impairment losses

EUR	2022	2021
Intangible rights	**5 497 574,18**	6 744 911,43
Buildings and constructions	**2 029 393,14**	8 867 195,76
Machinery and equipment	**3 490 110,12**	3 821 710,00
Modification and renovation expenses for leased premises	**1 083 846,87**	1 498 755,27
Total	**12 100 924,31**	20 932 572,46

5. Other operating expenses

EUR	2022	2021
Site expenses	**41 559 290,89**	28 773 810,11
ICT expenses	**14 417 157,88**	14 468 081,71
Marketing expenses	**8 170 983,53**	8 120 619,32
Staff leasing expenses	**5 109 060,33**	3 456 207,27
Goods handling expenses	**4 583 260,51**	4 437 122,14
Professional services expenses	**4 353 232,17**	3 881 913,23
Voluntary indirect employee expenses	**1 616 227,06**	839 922,27
Rental expenses	**683 674,94**	733 457,31
Credit losses	**654 721,48**	-86 728,78
Other expenses *)	**26 301 830,81**	8 880 580,31
Total	**107 449 439,60**	73 504 984,89

*) 2022 corporate restructuring related expenses EUR 18.1 million.

Auditors' fees

EUR	2022	2021
Auditing/EY	**272 613,10**	167 000,00
TTL 1.1,2 § services/EY	**4 580,00**	18 600,00
Auditing/KPMG		132 100,00
Tax advisory /EY	**17 576,00**	16 460,00
Tax advisory /KPMG		16 388,00
Other services/EY	**19 726,00**	96 840,00
Total	**314 495,10**	447 388,00

6. Financial income and expenses

EUR	2022	2021
Capital gain of Group company shares	**38 304 298,16**	
Interest income from Group companies	**24 947 961,16**	22 217 357,10
Dividend from Group companies		2 551 500,00
Other dividend income	**90,00**	2 190,00
Interest income from parties outside the Group	**29 417,09**	1 006 649,72
Interest expenses to Group companies	**-2 950 418,96**	-65 913,23
Interest and other financial expenses to parties outside the Group	**-1 429 657,65**	-7 249 897,12
Foreign exchange gains and losses (net)	**-16 626 137,37**	-5 622 446,35
Total	**42 275 552,43**	12 839 440,12

7. Appropriations

EUR	2022	2021
Difference between depreciation according to plan and depreciation in taxation	**61 455 625,80**	-12 130 629,46
Received Group contributions		330 000,00
Given Group contributions	**-26 200 000,00**	
Total	**35 255 625,83**	-11 800 629,46

8. Income taxes

EUR	2022	2021
Income tax for period	**-37 174 545,93**	
Taxes for previous financial years		2 014 028,19
Change in deferred taxes	**-9 667 823,73**	-4 108 813,88
Total	**-46 842 369,66**	-2 094 785,69

Non-current assets

9. Intangible assets

Intangible rights

EUR	2022	2021
Acquisition cost 1 January	**38 127 692,35**	40 653 424,39
Increases	**40 800,00**	
Transfers between items	**1 725 786,00**	1 224 475,54
Decreases	**-9 870 270,75**	-3 750 207,58
Acquisition cost 31 December	**30 024 007,60**	38 127 692,35
Accumulated amortisation 1 January	**28 569 313,30**	25 574 609,45
Accumulated amortisation on decreases	**-9 870 270,75**	-3 750 207,58
Amortisation for the financial year	**5 497 574,18**	6 744 911,43
Accumulated amortisation 31 December	**24 196 616,73**	28 569 313,30
Book value 31 December	**5 827 390,87**	9 558 379,05

Other intangible assets

EUR	2022	2021
Acquisition cost 1 January	**705 768,85**	705 768,85
Acquisition cost 31 December	**705 768,85**	705 768,85
Accumulated amortisation 1 January	**564 307,94**	493 731,01
Amortisation for the financial year	**70 576,77**	70 576,93
Accumulated amortisation 31 December	**634 884,71**	564 307,94
Book value 31 December	**70 884,14**	141 460,91

Advance payments and construction in progress

EUR	2022	2021
Acquisition cost 1 January	**1 896 103,53**	1 567 190,38
Increases	**3 775 495,75**	1 553 388,69
Transfers between items	**-1 725 786,00**	-1 224 475,54
Acquisition cost 31 December	**3 945 813,28**	1 896 103,53
Book value 31 December	**3 945 813,28**	1 896 103,53

Intangible assets, total	**9 844 088,29**	11 595 943,49

10. Tangible assets

Land and water

EUR	2022	2021
Acquisition cost 1 January	**3 316 108,01**	6 334 259,12
Decreases	**-3 316 108,01**	-3 018 151,11
Acquisition cost 31 December		3 316 108,01
Revaluations 1 January	**5 898 350,58**	5 898 350,58
Decrease in revaluations on sales of Non-current assets	**-5 898 350,58**	
Revaluations 31 December		5 898 350,58
Book value 31 December		9 214 458,59

Buildings and constructions

EUR	2022	2021
Acquisition cost 1 January	**322 568 904,82**	336 804 294,86
Transfers between items	**53 946,00**	387 035,99
Decreases	**-322 622 850,82**	-14 622 426,03
Acquisition cost 31 December		322 568 904,82
Accumulated depreciation 1 January	**120 621 113,98**	122 486 120,22
Accumulated depreciation on decreases	**-122 650 507,12**	-10 732 202,00
Depreciation for the financial year	**2 029 393,14**	8 867 195,76
Accumulated depreciation 31 December		120 621 113,98
Revaluations 1 January	**24 848 830,34**	24 848 830,34
Decrease in revaluations on sales of Non-current assets	**-24 848 830,34**	
Revaluations 31 December		24 848 830,34
Book value 31 December		226 796 621,18

Machinery and equipment

EUR	**2022**	2021
Acquisition cost 1 January	**36 539 814,61**	40 298 291,50
Increases	**63 463,00**	22 686,00
Transfers between items	**593 010,16**	3 127 264,40
Decreases	**-2 053 446,68**	-6 908 427,29
Acquisition cost 31 December	**35 142 841,09**	36 539 814,61
Accumulated depreciation 1 January	**14 546 030,21**	17 313 405,71
Accumulated depreciation on decreases	**-1 610 695,18**	-6 589 085,50
Depreciation for the financial year	**3 490 110,12**	3 821 710,00
Accumulated depreciation 31 December	**16 425 445,15**	14 546 030,21
Book value 31 December	**18 717 395,94**	21 993 784,40

Modification and renovation expenses for leased premises

EUR	**2022**	2021
Acquisition cost 1 January	**7 239 266,30**	6 185 021,93
Transfers between items	**438 076,75**	2 009 245,39
Decreases	**-666 763,04**	-955 001,02
Acquisition cost 31 December	**7 010 580,01**	7 239 266,30
Accumulated depreciation 1 January	**3 636 594,04**	3 163 416,72
Accumulated depreciation on decreases	**-666 763,04**	-955 001,02
Depreciation for the financial year	**1 013 270,10**	1 428 178,34
Accumulated depreciation 31 December	**3 983 101,10**	3 636 594,04
Book value 31 December	**3 027 478,91**	3 602 672,26

Other tangible assets

EUR	**2022**	2021
Acquisition cost 1 January	**54 601,65**	54 601,65
Acquisition cost 31 December	**54 601,65**	54 601,65
Book value 31 December	**54 601,65**	54 601,65

Advance payments and construction in progress

EUR	**2022**	2021
Acquisition cost 1 January	**138 155,89**	5 263 215,54
Increases	**2 139 247,69**	398 486,13
Transfers between items	**-1 085 032,91**	-5 523 545,78
Acquisition cost 31 December	**1 192 370,67**	138 155,89
Book value 31 December	**1 192 370,67**	138 155,89

Tangible assets, total	**22 991 847,17**	261 800 293,97

Revaluations included in balance sheet values

EUR	**2022**	2021
Land and water		5 898 350,58
Buildings		24 848 830,34
Total		30 747 180,92

Revaluations of real-estate properties have been made during the period from 1950 to 1984 and are based on the estimates of real estate valuers at that time.
Revaluations have been demolished while the sales of real estate in 2022.

11. Investments

Investments in Group companies

EUR	2022	2021
Acquisition cost 1 January	**286 641 335,62**	20 663 112,18
Increases *)	**23 410 870,14**	280 000 000,00
Impairments **)	**-115 577,78**	-14 021 776,56
Book value 31 December	**309 936 627,98**	286 641 335,62

*) 2022 ja 2021: Increase in Stockmann Sverige AB's equity, related to loan it raised for the acquisition of AB Lindex

**) 2022: SIA Centrs shares sold, 2021: Suomen Pääomarahoitus Oy ja Hullut Päivät Oy merged into parent company

Other shares and participations

EUR	2022	2021
Acquisition cost 1 January	**748 761,86**	748 761,86
Book value 31 December	**748 761,86**	748 761,86
Investments, total	**310 685 389,84**	287 390 097,48

12. Current receivables

Trade receivables

EUR	2022	2021
Interest-bearing trade receivables	**40 845,69**	33 176,63
Non-interest-bearing trade receivables	**2 454 536,81**	1 560 051,12
Total	**2 495 382,50**	1 593 227,75

Receivables from Group companies

EUR	2022	2021
Group contribution receivables	**1 710 000,00**	1 710 000,00
Trade receivables	**5 888 919,71**	4 584 789,93
Prepayments and accrued income	**206 797,00**	30 736,00
Other current receivables	**1 000 000,00**	
Total	**8 805 716,71**	6 325 525,93

Other receivables

EUR	2022	2021
Other receivables	**507 318,28**	453 199,05
Total	**507 318,28**	453 199,05

Prepayments and accrued income

EUR	2022	2021
Periodised ICT expenses	**2 463 208,25**	2 665 366,98
Receivables from suppliers	**2 003 984,56**	4 671 338,29
Receivable from credit card co-operation	**1 900 627,84**	1 957 522,24
Periodised indirect employee expenses	**1 339 098,00**	233 166,00
Periodised restructuring expenses	**100 000,00**	1 894 458,50
Receivable from trademark co-operation		750 000,00
Periodised rental and leasing expenses	**658 296,77**	725 971,55
Periodised rental income	**222 234,67**	
Taxes and customs duties receivable	**180 350,00**	180 350,00
Periodised loan arrangement expenses	**137 283,81**	175 595,49
Other prepayments and accrued income	**572 913,97**	224 289,38
Total	**9 577 997,87**	13 478 058,43

13. Cash in hand and at banks

Cash in hand and at banks comprise bank deposits and cash in hand.

14. Changes in equity

On 7 April 2021 the Stockmann Plc’s Annual General Meeting approved the proposal by the Board of Directors to combine the A and B share classes without increasing the share capital so that following the combination, the company has only a single class of a shares, all shares of which carry one (1) vote per share and have equal rights also in all other respects. In accordance with the AGM resolution, the company’s A and B series were combined as of 12 April 2021 so that each one (1) A share was entitled to receive 1.1 B shares.

In connection with the combination of the share classes, the Annual General Meeting resolved to remove the provisions concerning the maximum and minimum amount of share capital, the par value of the shares as well as the different share classes, their associated voting rights and conversion procedures in the Articles of Association.

In May 2021, Stockmann Plc’s Board of Directors resolved, pursuant to the authorisation granted by the Annual General Meeting, on a directed share issue of at most 100 000 000 new shares of the company to the unsecured and hybrid bond creditors of the company’s restructuring debt, carried out in deviation from the shareholders’ pre-emptive subscription rights. A total of 79 335 175 conversion shares were subscribed for in the share issue, and the total number of Stockmann shares increased to a total of 154 436 944 shares. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares.

In January 2022, the Company’s Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 28,139 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 1 December 2021 and approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In March 2022, the Company’s Board of Directors, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 284,337 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to a creditor whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 21 January 2022 and approved the subscription made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In July 2022, The Company’s Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 1,130,786 new shares of the Company in deviation from the shareholders’ pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 14 July 2022 and has approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

As a result of the Share Issues in January, March and July 2022, the total number of shares in the Company has increased to a total of 155,880,206 shares.

On 31 December 2022 Stockmann Plc’s share capital was EUR 77.6 million. All the shares issued have been fully paid in.

Share capital

EUR	2022	2021
Series A shares 1 January		61 061 736,00
Change to B-shares		-61 061 736,00
Series A shares 31 December		
Series B shares 1 January	**77 556 538,26**	83 035 630,00
Change from A-shares		61 061 736,00
Reduce of the share capital		-66 540 827,74
Series B shares 31 December	**77 556 538,26**	77 556 538,26
Share capital, total	**77 556 538,26**	77 556 538,26
Share premium fund 1 January		186 346 445,72
Used to cover losses		-186 346 445,72
Share premium fund 31 December		
Reserve for invested unrestricted equity 1 January	**72 242 609,96**	255 735 789,28
Used to cover losses		-255 735 789,28
Share conversion from restructuring debt	**1 314 234,90**	72 242 609,96
Reserve for invested unrestricted equity 31 December	**73 556 844,86**	72 242 609,96
Other funds 1 January		43 728 921,17
Used to cover losses		-43 728 921,17
Other funds 31 December		
Retained earnings 1 January	**76 237 102,28**	-552 351 983,91
Decrease in revaluation on sales of Non-current assets	**-30 747 180,92**	
Used to cover losses		485 811 156,17
Reduce of the share capital		66 540 827,74
Retained earnings 31 December	**45 489 921,36**	
Net profit (loss) for the financial year	**173 837 019,53**	76 237 102,28
Equity, total	**370 440 324,01**	226 036 250,50

Breakdown of distributable funds 31 December

EUR	2022	2021
Funds	**73 556 844,86**	72 242 609,96
Retained earnings	**45 489 921,36**	
Net profit (loss) for the financial year	**173 837 019,53**	76 237 102,28
Covid-19 cost support		-1 000 000,00
Total	**292 883 785,75**	147 479 712,24

During the restructuring programme Stockmann Oyj is not allowed to distribute funds.

15. Parent company's shares

shares	**2022**	2021
Series B shares (1 vote each)	**155 880 206**	154 436 944
Total	**155 880 206**	154 436 944

16. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

17. Provisions

Other provisions

EUR	**2022**	2021
Business restructuring cost	**69 000,00**	15 000,00
Provision on the claims on rental agreements	**31 156 567,27**	17 472 554,57
as part of company restructuring debt	**31 156 567,27**	17 472 554,57
Total	**31 225 567,27**	17 487 554,57

Under the restructuring programme, Stockmann also has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later. 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 terminated lease contracts. If the claims would materialise to their maximum amount, the amount of the Company's unsecured restructuring rent related debts on claims would increase up to total EUR 61,3 mill.

18. Non-current liabilities

EUR	**2022**	2021
Bonds	**67 629 243,00**	66 149 032,00
Trade payables		19 790 499,18
part of company restructuring debt		19 790 499,18
Liabilities to Group companies	**66 674 746,33**	66 674 746,33
part of company restructuring debt	**63 900 534,46**	63 900 534,46
Non-current liabilities, total	**134 303 989,33**	152 614 277,51

19. Current liabilities

EUR	2022	2021
Interest-bearing liabilities		381 490 180,00
part of company restructuring debt		381 490 180,00
Non-interest-bearing liabilities	**110 952 246,44**	48 817 486,23
part of company restructuring debt	**154 535,27**	2 030 751,95
Current liabilities, total	**110 952 246,44**	430 307 666,23

Restructuring debt

EUR	2022	2021
Non-Current non-interest-bearing restructuring debt		
Unsecured		19 790 499,18
Non-Current non-interest-bearing restructuring debt total		19 790 499,18
Current interest-bearing restructuring debt		
Secured		381 490 180,00
Current interest-bearing restructuring debt total		381 490 180,00
Current non-interest-bearing restructuring debt		
Unsecured	**154 535,27**	2 030 751,95
Current non-interest-bearing restructuring debt total	**154 535,27**	2 030 751,95
Restructuring debt related to provisions	**31 156 567,27**	17 472 554,01
Restructuring debt to group companies		
Trade payable to group companies	**17 398,07**	17 398,07
Liabilities to group companies	**63 883 136,39**	63 883 136,39
Restructuring debt to group companies total	**63 900 534,46**	63 900 534,46
Restructuring debt total	**95 211 637,00**	484 684 519,60

Liabilities to Group companies

EUR	2022	2021
Trade payables	**1 688 539,54**	1 199 961,74
Other liabilities, non-interest-bearing	**26 200 000,00**	
Accrued liabilities	**71 087,70**	293 965,07
Total	**27 959 627,24**	1 493 926,81

20. Accruals and prepaid income, current

EUR	2022	2021
Accrued income taxes	**36 009 182,46**	
Accrued personnel expenses	**10 660 935,38**	9 678 716,49
Periodised purchases of stock items	**4 022 813,28**	3 500 565,35
Reserve for returns and accrued income	**1 294 447,00**	1 324 223,00
Accrued professional expenses	**615 227,18**	862 110,52
Accrued site expenses	**369 569,00**	254 032,46
Accrued interest and other financial expenses	**145 246,06**	188 561,41
Other accrued expenses and prepaid income	**323 561,68**	368 236,32
Total	**53 440 982,04**	16 176 445,55

21. Contingent liabilities

Mortgages given as collateral for liabilities and commitments

EUR	2022	2021
Loans from credit institutions		381 490 180,00
Mortgages given		1 501 681 800,00
Book value of the assets		236 126 657,55
Security pledged on behalf of the company, total		1 501 681 800,00

Security pledged on behalf of Group companies

EUR	2022	2021
Rent guarantees	**1 604 617,91**	2 974 679,09
Other guarantees	**67 690,29**	7 927 764,39
Total	**1 672 308,20**	10 902 443,48

Security pledged, total

EUR	2022	2021
Mortgages		1 501 681 800,00
Guarantees	**1 672 308,20**	10 902 443,48
Total	**1 672 308,20**	1 512 584 243,48

22. Liability engagements and other commitments

EUR	2022	2021
Rental commitments	**402 134 487,00**	73 588 689,82
Electricity commitments	**944 904,00**	301 825,80
Leasing commitments	**316 122,55**	541 038,50
Total	**403 395 513,55**	74 431 554,12

Investments in real estate

After Stockmann sold its department store properties, the responsibility for checking the VAT on real estate investments was transferred to the buyer in 2022.

Pension liabilities

The pension liabilities of the parent company are insured with outside pension insurance companies. The pension liabilities are fully covered.

23. Shares and participations

Group companies

Parent company holdings	Shareholding %	Voting rights %
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
Stockmann Security Services Oy Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100

Holdings of subsidiaries	Shareholding %	Voting rights %
TOV Stockmann, Kiev	100	100
AB Lindex, Gothenburg	100	100
AB Lindex holdings of subsidiaries		
Lindex Sverige AB, Gothenburg	100	100
Lindex AS, Oslo	100	100
Lindex Oy, Helsinki	100	100
Lindex Oü Eesti, Tallinn	100	100
SIA Lindex Latvia, Riga	100	100
UAB Lindex Lithuania, Vilnius	100	100
Lindex s.r.o., Prague	100	100
AB Espevik, Alingsas	100	100
Lindex H.K. Ltd, Hong Kong	99	99
Shanghai Lindex Consulting Company Ltd, Shanghai	100	100
Lindex Financial Services AB, Gothenburg	100	100
Lindex India Private Ltd, New Delhi	100	100
It will be fit AB, Gothenburg	100	100
Lindex GmbH, Dusseldorf	100	100
Lindex Slovakia s.r.o., Bratislava	100	100
Lindex UK Fashion Ltd, London	100	100
Lindex Commercial (Shanghai) Co.Ltd., Shanghai	100	100
Spacerpad AB, Gothenburg	50,1	50,1
Lindex Fastighet Aktiebolag, Gothenburg	100	100
Bälinge Logistikfastighet Aktiebolag, Gothenburg	100	100
Closely AB, Gothenburg	75	100

Joint operations	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37,8

The shares of joint operations are presented in consolidated accounts so that instead of shares, assets and liabilities of joint operations are consolidated in proportion to the Group's interest in the companies.

Other companies

Parent company holdings	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37,8
Others	n/a

24. Events after the reporting period

No significant events after the balance sheet date.

Board proposal for disposal of net result of the financial year

During the restructuring programme parent company is not allowed to distribute funds.

The Board of Directors proposes that the net result of the financial year 2022 will be carried further in the retained earnings.

Helsinki, 23 February 2023
Signatures of the Board of Directors and the CEO to the Board report on operations and the financial statements:

BOARD OF DIRECTORS

Roland Neuwald

Stefan Björkman Timo Karppinen Anne Kuittinen

Sari Pohjonen Tracy Stone Harriet Williams

CEO

Jari Latvanen

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 23 February 2023

Ernst & Young Oy
Authorised Public Accountant Firm

Terhi Mäkinen
Authorised Public Accountant

AUDITOR’S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Stockmann plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stockmann plc (business identity code 0114162-2) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.6 to the consolidated financial statements and note 5 to the parent company financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.
We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill and trademark *We refer to the Group's accounting policies and the note 3.2* At the balance sheet date 31 December 2022, the value of goodwill amounted to EUR 250,9 million and the trademark to EUR 81,8 million representing 26 % of total assets and 99 % of total equity (2021: goodwill EUR 271,5 million and trademark EUR 88,7 million representing 25 % of total assets and 134 % of total equity). The goodwill and trademark are related to the Lindex acquisition. The valuation of goodwill and trademark was a key audit matter as: • the management's annual impairment test is complex and involves judgments; • the annual impairment test is based on market and economical assumptions; • the goodwill and the trademark balances are significant. The cash flows of the cash generating units are based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the revenue growth and discount rate used. Changes in these assumptions can lead to an impairment in goodwill or trademark.	Our audit procedures included, among others, • involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue and the weighted average cost of capital used in discounting the cash flows; • assessing the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount; • comparing the historical forecasting of the group with actual outcome and comparing forecasts to the latest budgets approved by the board; • checking the mathematical accuracy of the underlying calculations and benchmarking the value in use of Lindex with peer company information; • comparing the groups' disclosures related to impairment tests in note 3.2 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.
Revenue Recognition *We refer to the Group's accounting policies and the note 2.2* Revenue is generated from sales of products and services in retail stores and in online platforms as well as from sales to franchise stores. Revenue is recognized upon delivery of the goods or when the service has been performed. The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of goods or services has transferred to the customer. Revenue recognition was a key audit matter due to the high volume of transactions, different kind of delivery methods and the management judgement involved in accounting for right of return and loyalty bonus. Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding revenue recognition our audit procedures included among others: • assessing the Group's accounting policies over revenue recognition, including principles relating to right of return accounting and loyalty bonuses in relation to applicable accounting standards; • testing sales transactions by comparing them to payments received; • testing revenue, product returns and margins with data analytics; • reviewing the sales processes in retail stores; • analyzing the timing of revenue recognition of online sales based on delivery lead times; and • assessing the Group's disclosures in respect of revenues.

Valuation of inventories *We refer to the Group's accounting policies and the note 2.4.* At the balance sheet date 31 December 2022, the value of inventory amounted to EUR 174,2 million representing 14 % of total assets and 52 % of total equity (2021: EUR 154,8 million representing 11 % of total assets and 58 % of total equity). In accordance with the accounting policies the inventories are valued at the lower of cost or net realizable value. Inventories are presented net of impairment loss recognized for obsolete and slow-moving inventories. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the financial statements and because valuation of inventories and the level of allowance for obsolete and slow-moving inventories requires management judgment.	Our audit procedures included, among others: • assessing the Group's accounting policies regarding inventories with applicable accounting standards; • comparing unit prices of selected inventory items to latest purchase invoices and to sales prices; • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock and to the expected sales and net realizable value; • analyzing exceptional values in inventory accounting with data analytics and • assessing the Group's disclosures in respect of inventory.
Sale and lease back of the department store properties *We refer to the Group's accounting policies and the notes 1.5 and 3.5* The Group sold in January 2022 the department store property in Riga and in April 2022 the department store property in Helsinki. The department store properties were leased back and in connection with the lease back, right of use assets and lease liabilities were determined. The sale and lease back transactions resulted in a gain of EUR 95,4 million. The sale and lease back transactions have been considered as a key audit matter because the sale and lease back transactions had a significant impact on the group consolidated financial statements. In addition, the sale and lease back accounting treatment of the department store properties requires management judgement.	Our audit procedures included, among others: • assessing the accounting principles adopted by the group related to the sale and lease back transactions of the department store properties; • assessing the information presented in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 7.4.2021, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 23.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

Independent Auditor's Report on Stockmann Oyj Abp's ESEF-Consolidated Financial Statements (Translation of the Finnish original)

To the Board of Directors of Stockmann Oyj Abp

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 743700IFQI6W89M1IY95-2022-12-31-fi.zip of Stockmann Oyj Abp for the financial year 1.1.-31.12.2022 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESESF RTS. This responsibility includes:

- preparation of ESEF-financial statements in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements included within the ESEF- financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF-financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statement of Stockmann Oyj Abp for the year ended 31.12.2022 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Stockmann Oyj Abp for the year ended 31.12.2022 is included in our Independent Auditor's Report dated 23.2.2023. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki 27.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant