FINANCIAL STATEMENTS BULLETIN 2020

STOCKMANN

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Challenging full year ended with profitable adjusted fourth quarter

October–December 2020:

- Consolidated revenue was EUR 232.0 million (285.7), down 18.1% in comparable currency rates.
- Gross margin was 58.0% (56.6).
- Operating result was EUR -238.4 million (25.1).
- The adjusted operating result was EUR 14.2 million (30.7).
- Earnings per share were EUR -3.33 (0.02).
- Adjusted earnings per share were EUR 0.26 (0.07).
- Restructuring programme proposal was submitted to Helsinki District Court on 14 December 2020 (Stock Exchange Release 14 December 2020).

January–December 2020:

- Consolidated revenue was EUR 790.7 million (960.4), down 16.9% in comparable currency rates.
- Gross margin was 56.1% (56.3).
- Operating result was EUR -252.4 million (24.1).
- The adjusted operating result was EUR 4.9 million (39.8).
- Earnings per share were EUR -4.05 (-0.72).
- Adjusted earnings per share were EUR -0.48 (-0.63).
- Stockmann plc filed for corporate restructuring on 6 April 2020 (Stock Exchange Release 6 April 2020).

The Board of Directors will propose that no dividend will be paid for the financial year 2020.

Stockmann changed from the revaluation model to a cost model for its property, plant and equipment in the financial year 2020. The change in accounting policy has been implemented retrospectively in the opening balance for the comparative period as of 1 January 2019.

Stockmann recognised EUR 250 million in impairment related to Lindex's goodwill. The write-down is reported as an adjustment. (Stock Exchange Release 28 January 2021).

Guidance for 2021:

The prolonged COVID-19 pandemic gives rise to a lack of clarity in Stockmann's business environment. As the outlook Is unclear, Stockmann will provide a new guidance when the market visibility improves.

CEO Jari Latvanen:

Despite the challenges caused by the COVID-19 pandemic, the fourth quarter was profitable. Customer behaviour was not unduly affected by the COVID-19 situation and the Christmas sales were closer to the normal level. Under the circumstances Lindex's performance was strong and Stockmann also performed close to expectations.

Stockmann updated its strategy to meet the changes in the operating environment and at the same time integrated the corporate social responsibility (CSR) strategy into its business strategy and operations. The Group continued to develop both the brick-and-mortar stores and e-commerce with a focus on the omni-channel customer experience. Lindex expanded its digital global presence on third-party platforms and opened an e-com site in the Chinese market with its baby clothing assortment on T-mall, one of the world's largest e-commerce platforms. E-com share of total revenue increased from 6.3% to 16.0%.

The consolidated revenue in 2020 amounted to EUR 790.7 million and the adjusted operating result was EUR 4.9 million. Both divisions improved their operational efficiency by developing processes and implementing significant cost saving measures which will continue during 2021. The proposal for Stockmann plc's restructuring programme was filed and published on 14 December 2020

In 2021 Lindex will continue to develop globally strong brand offerings, its transformation to
a sustainable business model and to a global, digital first multi-channel business.

In 2021 Stockmann will concentrate its efforts on achieving the targets of the restructuring programme approved by the Helsinki District Court on 9 February 2021. We are grateful for the support we received from our creditors and stake holders for the revised strategy and the restructuring programme. This provides a very solid ground to start the restructuring programme that has an eight-year time span.

Stockmann will continue its customer-focused strategy and offers a superior customer experience within the fashion, home, beauty and food and beverage categories in all the channels it operates in and will become a true omni-channel player.

KEY FIGURES

	10–12/2020	10–12/2019	**1–12/2020**	1–12/2019
Revenue, EUR mill.	**232.0**	285.7	**790.7**	960.4
Gross margin, %	**58.0**	56.6	**56.1**	56.3
Operating result (EBIT), EUR mill.	**−238.4**	25.1	**−252.4**	24.1
Adjusted operating result (EBIT), EUR mill.	**14.2**	30.7	**4.9**	39.8
Result for the period, EUR mill.	**−246.8**	4.0	**−291.6**	−45.6
Earnings per share, undiluted and diluted, EUR	**−3.33**	0.02	**−4.05**	−0.72
Personnel, average	**5 651**	6 924	**5 991**	7 002
Cash flow from operating activities, EUR mill.	**38.2**	69.9	**147.4**	102.3
Capital expenditure, EUR mill.	**4.8**	9.6	**19.4**	33.8
Equity per share, EUR			**2.90**	6.52
Net gearing, %			**336.1**	191.7
Equity ratio, %			**14.6**	27.8

ITEMS AFFECTING COMPARABILITY

EUR million	**10–12/2020**	10–12/2019	**1–12/2020**	1–12/2019
Operating result (EBIT)	**−238.4**	25.1	**−252.4**	24.1
Adjustments to EBIT				
Lindex goodwill impairment	**250.0**		**250.0**	
Restructuring and transformation measures	**2.7**	5.8	**7.3**	15.2
Gain on sale of properties		−0.3		0.4
Adjustments total	**252.7**	5.5	**257.3**	15.6
Adjusted operating result (EBIT)	**14.2**	30.7	**4.9**	39.8

STRATEGY

Stockmann Group has consisted of the Lindex and Stockmann business divisions since July 2019.

Lindex's purpose is to empower and inspire women everywhere. We do that through actions as a company and through a progressive fashion experience. Our customers, co-workers and partners are all part of this ambition. We are digital first and powered by people. We promise customers fashion that feels good in all aspects. To fulfil our purpose and vision, we have 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.

In Lindex long term strategy, we aim to be a global, brand-led, sustainable fashion company. This means growth in digital revenue, both in our own e-com as well as in collaborations with global digital platforms, improved cost efficiency but also growth with new businesses while at the same time meeting our sustainability targets.

Stockmann's purpose in all encounters with its customers, partners, employees and other stakeholders is to make a new impression, every day! Our vision is to create a marketplace for a good life. We will become a destination for everyday inspiration and fulfilment in fashion, beauty, home and food & beverage following the ancient logic of the marketplace: the central part of town that has always been there and will always be there, yet never remains the same. For customers the Stockmann promise is to create a feeling that lasts! This is what makes us meaningful to customers and expresses how we differ from the competition.

Customer centricity, i.e., 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 journey to customer centricity focuses on gaining a better understanding of customers' needs, their life stages, different occasions and offering a fitting Stockmann style for these. Furthermore, the focus is on providing a seamless digital and physical experience, relevant and personalised dialogue, a curated selection and inspiring destination, and relevant premium services topped off with personalised high-quality customer service.

For the strategy period our ambition is to improve profitability and returns. Stockmann financial priorities for the strategy period are: Revenue growth, improve profitability and return on investments, discipline in costs and in capital allocation.

CORPORATE RESTRUCTURING PROCEEDINGS

The COVID-19 pandemic, which broke out in Europe after the first week of March, caused significant changes in Stockmann Group's operating environment with customer volumes decreasing suddenly. Despite continued strong growth in the online sales of the Stockmann division and Lindex, the online sales growth was not sufficient to compensate for the significant decline in customer volumes in these exceptional circumstances.

The Board of Directors of Stockmann decided, taking into consideration the company's financial structure, to file for corporate restructuring of the parent company Stockmann plc on 6 April 2020.

Group subsidiaries, including Stockmann department stores in the Baltic countries and Lindex, were not in the scope of the restructuring proceedings.

On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as the administrator of the restructuring proceedings.

On 17 August 2020, the administrator provided all parties concerned with a report of Stockmann plc's assets, liabilities and other undertakings (as per 8 April 2020) and on the circumstances that affect the financial position of the company and its expected development. The administrator stated that the preconditions for viable business exist and that a solid restructuring programme can be established.

On 14 December 2020, the administrator filed a proposal for the restructuring programme for the company with the Helsinki District Court.

The District Court approved the programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back 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.

COVID-19

The COVID-19 pandemic, which broke out in Europe after the first week of March, caused significant changes in Stockmann Group's operating environment and customer volumes decreased suddenly. The negative effects of the pandemic on the market environment persisted in the second quarter. The national restrictions were partially lifted in May, which was reflected as a positive development in customer flows at the Stockmann department stores and Lindex stores. During the third quarter, Stockmann's business operations normalised gradually. Visitor trends in the brick-and-mortar stores started to recover towards a normal level until the changes resulting from the COVID-19 pandemic affected the business at the end of the period.

Stockmann's and Lindex's online stores both performed very well with improved sales during the third quarter, and Lindex's online sales almost fully compensated for the decline in the sales of the brick-and-mortar stores. During the fourth quarter the pandemic continued to have a negative impact on business, especially in customer volumes in brick-and-mortar stores. The digital sales were not able to fully compensate for the decline despite the strong increase in e-commerce.

During the fourth quarter other operating income came to EUR 1.6 million as a result of public funding related to the COVID-19 situation, which has been received mainly by Lindex, in various countries from government authorities or other corresponding public bodies. Other operating income for the whole year was EUR 9.7 million.

OPERATING ENVIRONMENT

The coronavirus restrictions had a strong negative impact on the fashion sales in Finland in the fourth quarter and in the whole year 2020. Fashion sales in Finland in January–December was down, at -18.0% (-2.1). Source: Fashion and Sports Commerce association). The number of tourists declined heavily during 2020 due to the COVID-19 pandemic and travel restrictions. The government established strict restrictions on people gatherings, which limited possibilities for normal commercial campaigns. The government also reccommended that people work from home if possible, which reduced the number of visitors in the stores.

In Sweden, fashion sales continued to decline in the fourth quarter. The fashion sales in January–December were down, at -19.5% (-1.8, source: Swedish Trade Federation, Stilindex).

The COVID-19 pandemic had a negative impact on retail trade in the Baltic countries in 2020 due to lockdown periods in the stores, limitations on the opening times, fewer tourists and changes in demand and shopping behaviour.

REVENUE AND EARNINGS

October–December 2020

The Stockmann Group's fourth-quarter revenue amounted to EUR 232.0 million (285.7). Revenue was down by 18.8% from the previous year in euros, or down by 18.1% in comparable currency rates.

Revenue in Finland fell by 23.7% to EUR 89.1 million (116.7). Revenue in the other countries amounted to EUR 142.9 million (169.0), a decrease of 15.4%.

Gross profit was EUR 134.5 million (161.7) and the gross margin was 58.0% (56.6). The gross margin was up in Lindex but down in Stockmann.

Operating costs were down by EUR 11.6 million, or down by EUR 8.5 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 92.8 million (104.4).

The ongoing COVID-19 pandemic and its re-escalation increases uncertainty in Lindex's main markets and especially the short-term business environment is challenging. As a result of this, in an impairment test concluded for Lindex's goodwill in connection with the financial statements, has been applied lower growth assumptions for the revenue development as well as lower profitability development compared to previous tests. Based on the impairment test, Stockmann recognised EUR 250 million in impairment related to Lindex's goodwill. The write-down is reported as an adjustment.

The operating result for the fourth quarter was EUR -238.4 million (25.1). The operating result declined both in Lindex and Stockmann. The adjusted operating result for the fourth quarter was EUR 14.2 million (30.7).

Net financial expenses amounted to EUR 12.2 million (12.3). The result before taxes was EUR -250.6 million (12.8).

January–December 2020

The Stockmann Group's revenue for the period amounted to EUR 790.7 million (960.4). Revenue was down by 17.7% from the previous year in euros, or down by 16.9% in comparable currency rates.

Revenue in Finland fell by 24.1% to EUR 278.7 million (367.0). Revenue in the other countries was down by 13.7 % to EUR 512.0 million (593.5), or down by 12.3% in comparable currency rates.

Gross profit was EUR 443.7 million (540.9) and the gross margin was 56.1% (56.3). The gross margin was up in Lindex but down in Stockmann.

Operating costs were down by EUR 62.1 million, or down by EUR 54.2 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 325.9 million (388.0).

The operating result for the period was EUR -252.4 million (24.1). The adjusted operating result for the period was EUR 4.9 million (39.8).

Net financial expenses amounted to EUR 41.6 million (52.7). The result before taxes was EUR -294.0 million (-28.5).

Taxes for the period totalled EUR 2.4 million (-17.1).

The result for period was EUR -291.6 million (-45.6). Earnings per share for the period were EUR -4.05 (-0.72). Adjusted earnings per share were EUR -0.48 (-0.63). Equity per share was EUR 2.90 (EUR 6.52).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 38.2 million (69.9) in the fourth quarter and EUR 147.4 million (102.3) in January–December. The increase in cash and cash equivalents is partly due to the corporate restructuring of the parent company, due to which restructuring debt or related interest has not been paid. In the restructuring programme a repayment schedule in accordance with the Restructuring Act has been prepared for the restructuring debt.

Total inventories were EUR 135.3 million (145.8) at the end of December. Inventories declined from the previous year at both Lindex and Stockmann.

Interest-bearing liabilities, which are included in the current restructuring debt, and which according to the situation on 31 December 2020 are classified in full as current liabilities, were EUR 488.2 million (412.3), excluding IFRS 16 lease liabilities.

At the time of initiation of the restructuring proceedings, the company's existing external debt financing of EUR 584.8 million, consisting of a bond, bank financing, commercial papers and a hybrid bond, was frozen and is included in the restructuring debt. At the end of December, interest-bearing liabilities, including IFRS 16 lease liabilities, totalled EUR 859.4 million (942.1). EUR 92.9 million of the lease liabilities are related to Stockmann and EUR 278.3 million to Lindex (1 January 2020: Stockmann 235.1, Lindex 294.7). Stockmann renegotiated its lease agreeements during the restructuring, and the leases liabilities reduced by EUR 93.1 million.

Cash and cash equivalents totalled EUR 152.3 million (24.9) at the end of December. Assets on the balance sheet totalled EUR 1 428.1 million (1 690.3) at the end of December.

The equity ratio was 14.6% (27.8) and net gearing was 336.1% (191.7) at the end of December. IFRS 16 has a significant impact on the equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 20.8% and net gearing would have been 160.6%. Translation differences and termination of foreign exchange hedges due to corporate restructuring had a positive EUR 38 million impact on the group equity.

The Group's capital employed at the end of December was EUR 1 068.4 million, or EUR 697.1 million excluding IFRS 16 items (1 411.7 or 882.0).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 4.8 million (9.6) in the fourth quarter and EUR 19.4 million (33.8) in January–December. Most of the capital expenditure was used for both Lindex's and Stockmann's digitalisation projects, the renovation of the Stockmann Delicatessen in Tallinn and the Stockmann Jumbo and Helsinki City Centre department stores, and Lindex's store refurbishments.

REVENUE AND EARNINGS BY DIVISION

The Stockmann Group's reporting segments are Lindex and Stockmann. The segments are reported in accordance with IFRS 16. Unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

Stockmann changed from the revaluation model to a cost model for its property, plant and equipment in the financial year 2020. The change in accounting policy has been implemented retrospectively in the opening balance for the comparative period as of 1 January 2019.

LINDEX

Lindex	**10–12/2020**	10–12/2019	**1–12/2020**	1–12/2019
Revenue, EUR mill.	**139.6**	159.7	**507.1**	575.8
Gross margin, %	**66.1**	64.4	**63.0**	62.7
Operating result, EUR mill.	**15.1**	15.8	**38.6**	38.2
Adjusted operating result, EUR mill.	**15.1**	18.1	**39.4**	40.9
Capital expenditure, EUR mill.	**1.9**	6.3	**8.6**	20.3

October–December 2020

Lindex's revenue for the quarter was down by 12.6%, to EUR 139.6 million (159.7), or down by 11.2% in comparable currency rates. Sales in the brick-and-mortar stores declined due to less traffic caused by the coronavirus situation. Digital sales compensated the decline, but not fully. Growth in the online sales was 144.6% and accounted for 21.8% (7.3) of total sales in the quarter.

The gross margin was 66.1% (64.4). The gross margin increased due to stronger start margins.

Operating costs decreased by EUR 10.7 million, to EUR 56.7 million (67.4). The costs declined mainly due to efficient cost saving actions.

The operating result for the quarter declined by EUR 0.7 million to EUR 15.1 million (15.8).

January–December 2020

Lindex's revenue declined by 11.9%, to EUR 507.1 million (575.8). In comparable currency rates, revenue was down by 10.9%. Sales of the brick-and-mortar stores declined especially in Q1 and Q4 due to less traffic caused by the coronavirus situation. Digital sales compensated the decline, but not fully. Growth in the online sales was 102.6% and accounted for 15.6% (6.6) of total sales in the period.

The gross margin was 63.0% (62.7) for the period.

Operating costs decreased by EUR 42.6 million, to EUR 198.7 million (241.3). The costs declined mainly due to cost savings related to the COVID-19 pandemic.

The operating result for the period was EUR 38.6 million (38.2).

Store network

Lindex closed 1 store during the fourth quarter. In 2020, in total 6 stores were opened and 12 stores were closed. The total number of stores was 458 at the year-end, compared with 464 a year earlier.

Lindex store network	Total 31.12.2019	Total 30.9.2020	Closed stores 10–12/2020	New stores 10–12/2020	**Total 31.12.2020**
Finland	63	61	0	0	**61**
Sweden	199	197	0	0	**197**
Norway	92	91	0	0	**91**
Estonia	9	9	0	0	**9**
Latvia	10	10	0	0	**10**
Lithuania	9	10	0	0	**10**
Czech Republic	27	28	0	0	**28**
Slovakia	13	12	0	0	**12**
UK	2	2	0	0	**2**
Denmark*	1	1	0	0	**1**
Iceland*	6	7	0	0	**7**
Bosnia and Herzegovina*	9	9	0	0	**9**
Serbia*	6	8	0	0	**8**
Kosovo*	2	2	0	0	**2**
Albania*	1	1	0	0	**1**
Saudi Arabia*	11	8	1	0	**7**
Qatar*	2	1	0	0	**1**
Tunisia*	2	2	0	0	**2**
Total	**464**	**459**	**1**	**0**	**458**
Own stores	424	420	0	0	**420**
Franchising stores (*)	40	39	1	0	**38**

STOCKMANN

Stockmann	**10–12/2020**	10–12/2019	**1–12/2020**	1–12/2019
Revenue, EUR mill.	**92.4**	126.0	**283.6**	384.7
Gross margin, %	**45.7**	46.6	**43.9**	46.8
Operating result, EUR mill.	**-0.2**	13.5	**-30.8**	0.3
Adjusted operating result, EUR mill.	**-0.2**	12.2	**-30.8**	2.9
Capital expenditure, EUR mill.	**2.9**	3.3	**10.8**	13.5

October–December 2020

The Stockmann division's fourth-quarter revenue amounted to EUR 92.4 million (126.0). Revenue was down by 26.6%. The visitor trend continued to recover from the third quarter, but was still behind last year's figures. The customer average purchase was above last year's level. Growth in the online store was 98.4% and accounted for 21.5% (8.0) of total sales in the quarter.

Revenue in Finland came to EUR 74.0 million (98.6), a decrease of 25.0% from the previous year. Revenue in the Baltic department stores fell by 32,6%, to EUR 18.4 million (27.3). Stockmann division's Crazy Days campaign was held as an extended, 12-day-long online campaign from 30 September to 11 October 2020. The Crazy Days online store was successful and generated an online sales growth of 58%.

The gross margin was 45.7% (46.6). The gross margin declined due to the coronavirus situation, which mostly affected rental income from tenants. The merchandise sales margin was also lower mostly due to a weaker regular sales portion of total sales.

Operating costs declined by EUR 1.8 million, to EUR 33.0 million (34.8), due to lower personnel costs.

The operating result for the fourth quarter was EUR -0.2 million (13.5). The adjusted operating result was EUR -0.2 million (12.2).

January–December 2020

The Stockmann division's revenue amounted to EUR 283.6 million (384.7). Sales were approximately at the previous year's level in January and February but fell sharply thereafter due to the coronavirus situation, leading to a drop in revenue for the whole period. Growth in the online store was 106.9% and accounted for 16.7% (5.9) of total sales in the period.

Revenue in Finland amounted to EUR 221.5 million (301.3), a decrease of 26.5% from the previous year. Revenue in the Baltic department stores was down 25.5%, to EUR 62.1 million (83.3).

The gross margin was 43.9% (46.8). The gross margin declined mostly because the regular sales consistently had a lower share of sales than in the last year.

Operating costs declined by EUR 26.7 million, to EUR 114.9 million (141.6), owing to lower personnel costs and support function costs.

The operating result for the period was EUR -30.8 million (0.3). The adjusted operating result was EUR -30.8 million (2.9).

Properties

As a result of the change in the accounting policy, the accounting value of Stockmann Group's real estate properties decreased from EUR 667.6 million to EUR 254.9 million and the amount of equity decreased from EUR 800.9 million to 469,6 million as at 31 December 2019.

The main impact in the consolidated income statement relates to decrease of previously reported depreciations and deferred income taxes. Thus the change decreases the previously reported 2019 depreciations by EUR 10.8 million.

The restructuring programme is based on the sale and lease back of the properties. Therefore the properties EUR 247.3 million are presented as assets for sale in the balance sheet.

SHARES AND SHARE CAPITAL

Stockmann has two series of shares. Series A shares each confer 10 votes, while Series B shares each confer one vote. The shares carry an equal right to dividends. The par value is EUR 2.00 per share.

At the end of December, Stockmann had 30 530 868 Series A shares and 41 517 815 Series B shares, or a total of 72 048 683 shares. The number of votes conferred by the shares was 346 826 495.

The share capital remained at EUR 144.1 million. At the end of December, the market capitalisation stood at EUR 86.9 million (154.5).

The price of a Series A share was EUR 1.27 at the end of December, compared with EUR 2.26 at the end of 2019, while the price of a Series B share was EUR 1.16, compared with EUR 2.06 at the end of 2019.

A total of 2.1 million (1.3) Series A shares and 30.3 million (13.1) Series B shares were traded on Nasdaq Helsinki during the period. This corresponds to 6.9% (4.2) of the average number of Series A shares and 72.9% (31.6) of the average number of Series B shares.

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

At the end of December, Stockmann had 43 656 shareholders, compared with 43 394 a year earlier.

DISCLOSURE OF NON-FINANCIAL INFORMATION

The Stockmann Group is a Finnish listed company engaged in the retail trade, which focuses on a comprehensive selection of high quality and responsible products of fashion, beauty and home products in department stores, fashion stores and online. In its business operations, Stockmann is committed to a responsible business strategy and operations.

The daily operations are based on the Group's strategy and values, Stockmann's Code of Conduct and the corporate responsibility strategies of its business units. The business units' respective focus areas have been identified through a materiality analysis and stakeholder dialogue and the CSR targets as well as indicators are all integrated as part of business, and the development is regularly monitored.

The Group's ongoing CSR development work is guided by Stockmann's CSR strategy and its sustainability promises. According to its CSR promise, Stockmann inspires and supports its customers in making responsible choices and works for a more sustainable future whereas Lindex's sustainability promise is to empower and inspire women everywhere, respect the planet and ensure human rights.

Stockmann communicates openly about its responsibility work and reports annually on its CSR focus areas, objectives and developments in the Group's CSR Review, prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The CSR Review will be published in the week starting 15 March 2021 at year2020.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 valid at any time in the countries in which it operates. The Group's operations are also guided by international treaties and recommendations, such as the UN's Universal Declaration of Human Rights and Convention on the Rights of the Child, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. In addition, Stockmann is committed to the UN's Global Compact initiative, and in accordance with this promotes human rights, labour rights, environmental protection and anticorruption measures.

The Stockmann Group's Code of Conduct (CoC) and other Group policies define ways of working for all personnel. The Group's Code of Conduct and 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 show their commitment to other equivalent policies. As part of responsibility management, the principles are communicated to both internal and external stakeholders. The Code of Conduct covers compliance with legislation and ethical operations, free competition and consumer rights, employees and working conditions, environment, and corruption and conflicts of interest. At the end of 2020, 76% (70) of Stockmann's personnel in Finland and 81% (71) in Latvia had completed the Code of Conduct training. In Estonia instead of an online training the principles were implemented through information meetings, updating local guidelines accordingly and onboarding each new employee to the principles. Of the members in the Stockmann support function and department store management teams, 83% (75) had completed the training. The long-term target is for 100% of the Group's personnel 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. Stockmann is committed to ensuring that fundamental rights are respected and that people are treated with dignity and respect. We carry out further human rights due diligence as required in the UNs Guiding Principles on Business and Human Rights, in order to identify, prevent and mitigate adverse human rights impacts resulting from or caused by our business activities.

Stockmann has identified that the most significant human rights risks of its business to be found in the product supply chains and related to working conditions. Around 93% (90) of Stockmann's own brand garments are produced in areas classified as risk countries by amfori BSCI, such as China and Bangladesh. Stockmann Group has been a member of amfori BSCI since 2005 and with this is committed to improving the working conditions in the production facilities. In addition, since 2013, Stockmann has been committed to improving fire and building safety in Bangladesh through the Accord on Fire and Building Safety.

Product safety and responsible supply chain
Stockmann offers a wide selection of safe and durable quality products and focuses on the responsibility, transparency and traceability of its supply chains. In the Stockmann department stores, a major part of the merchandise is made up of international brand products, complemented with a wide selection of own brand products in the fashion and home areas, which are designed by Stockmann's own designers and purchased utilising the synergies in a shared supply organisation with Lindex. At Lindex, the majority of the selection consists of own brand products.

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 made to ensure that the products fulfil all quality and safety requirements set by legislation and the possible stricter requirements set by the company. During the reporting year Stockmann and Lindex had no public product recalls.

As part of responsible supply chain management, Stockmann's own brand suppliers and producers are required to comply with Stockmann's supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct. All suppliers producing Stockmann's own brand products have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or other similar commitment. The Group has purchase offices with local personnel in six main production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to third party sustainability audits. The long-term target is for 100% of own brand producers in risk countries to have undergone an amfori BSCI audit or similar audit.

For transparency and traceability, both Stockmann and Lindex publish comprehensive lists of their own brands' suppliers and factories on the companies' websites.

Anti-corruption and anti-bribery
Stockmann's policies relating to anti-corruption and anti-competitive behaviour are included in the Stockmann Code of Conduct and further specified in the Stockmann anti-corruption policy. Stockmann takes a zero-tolerance approach to all forms of bribery and corruption. Stockmann employees and management are expected, at all times, to perform their duties honestly and with integrity, in the best interest of the company, avoiding any conflicts of interest and in accordance with local laws.

Stockmann has a whistleblowing channel, which offers the opportunity to report, either nominally or anonymously, any violation of Stockmann's Code of Conduct or other Group Guidelines. In 2020, one case of corruption or bribery related to Lindex's business was reported through the channel. The case was investigated and corrective actions were conducted. During the reporting year, Stockmann was not informed of any corruption-related lawsuits against the Group. There were no legal cases, legal actions or decisions for anti-competitive behaviour, anti-trust, or monopoly practices in 2020.

Customers
Stockmann builds ongoing dialogue to maintain and raise customer satisfaction. Efforts to improve customer dialogue include close cooperation with customers in service development through co-creation or customer pilots and testing, customer surveys and net promoter score (NPS). Stockmann engages actively in social media and other feedback channels, to better understand customer needs and expectations. In 2020, the NPS at department stores in Finland was 58 (51), 63 (56) in Estonia and 66 (62) in Latvia and 34 (49) in the Stockmann.com online store due to the platform change. The long-term target level for NPS in department stores is 70. To inspire and support its customers in making responsible choices, Stockmann openly shares information about its CSR work and actively promotes sustainable choices in its selection as well as engages in CSR and charity projects on a regular basis. As part of measuring customer experience, Stockmann measures responsibility in customer experience. In 2020 the measuring was changed. Comparable results will be available in 2021.

Stockmann complies with valid competition and privacy legislation in its operations and promotes free competition in its sector. In 2020, there were three limited incidents concerning customers' personal data in Finland and one in Latvia. All cases were investigated and they did not require notifications regarding the incidents to the data protection authorities in the respective countries. At Lindex, there where no incidents concerning customers' personal data. Stockmann's annual target is zero incidents of breaches of customer privacy.

Personnel
Motivated and engaged retail experts are the backbone of our business. Stockmann treats its employees fairly and equally in accordance with its HR policy and equality plan. The Stockmann Group's Human Resources (HR) policies are based on the company's values, strategy and Code of Conduct. Ensuring a safe working environment, promoting equality and diversity, and supporting the professional growth and wellbeing of our employees is an essential part of 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 Employee Council.

The Group's average number of personnel in continuing operations was 5 991 (7 002) in 2020. In terms of full-time equivalents, the average number of employees was 3 973 (4 891). At the end of the year, the Group had 5 639 (6 914) employees, of whom 1 616 (1 894) were working in Finland. The number of employees working outside Finland was 4 023 (5 020), which represented 71.3% (72.6) of the total. Among the Stockmann Group's employees, women represented 90% (91) and men 10% (9).

The Group's wages and salaries amounted to EUR 140.8 million in 2020, compared with EUR 163.3 million in the previous year. The total employee benefits expenses were EUR 181.9 million (211.1), which is equivalent to 23.0% (22.0) of revenue.

The year was a demanding one for our personnel, as the company introduced rapid cost saving measures due to COVID-19 and its impact on the business in all countries in Stockmann operating environment. It commenced cost saving programmes in both business divisions to improve cost efficiency in the exceptional circumstances caused by the pandemic and at the same time implemented the renewed strategy and process modifications to improve business performance as well as customer satisfaction.

Environment
Stockmann's objective is to reduce and prevent the environmental impact of its business operations by cutting emissions, increasing energy efficiency, decreasing water consumption and carrying out waste sorting and recycling. To ensure continuous improvement, Stockmann monitors compliance with the Group's environmental system and progress towards set environmental goals and objectives.

All Stockmann's operations in Finland are certified with the ISO 14001 environmental management system. The same operating methods have been adopted in the department stores in the Baltic countries. Stockmann's waste recycling rate in the Finnish department stores was 77% (73). In 2020, the Group's comparable GHG emissions decreased by 15% (12), amounting to 33,600 tCO2e (39,700). The highest share of emissions, around 70%, came from the generation of purchased energy, especially electricity.

Stockmann's goal has been to improve the energy efficiency of its department store operations by 4% from 2016 to 2020. The target was achieved and a further goal has been set to improve energy efficiency in Finland by 7.5% from 2018 to 2025. At the Stockmann division the energy efficiency has improved 20% from 2018 to 2020. At Lindex, approximately 60% of the electricity is from renewable sources. Stockmann reports on its CO2 emissions annually in the Group's CSR Review and in the international Climate Change Disclosure (CDP) survey. In 2020 Stockmann continued to achieve rating level B. Water consumption in Stockmann's own operations is minimal and these operations take place in areas where there is currently no scarcity of water.

Stockmann aims to reduce the environmental impact of its products and to increase the use of more sustainable materials in its own brand garments. Lindex's target is that 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and more sustainable production facilities. In 2020, 68% (65) of the Lindex assortment was made from more sustainable materials and approximately 99% (98) of all Lindex cotton was more sustainable, such as organic and Better Cotton. In 2020, 60% (46) of Stockmann's own brand garments were made of more sustainable materials and 91% (73) of own brand jersey garments were made of more sustainable cotton, both KPI's exceeding the target. Stockmann's aim by 2021 was to have 50% of its own brand garments made of more sustainable materials and for the share of more sustainable cotton in its own brand jersey garments to be 80%. In addition to Better cotton (BCI) and the LENZING™ ECOVERO™ viscose that were launched for Stockmann in 2019 Stockmann increased the variety of responsible materials even further with certified RWS wool (Responsible Wool Standard) and RDS down (Responsible Down Standard) produced responsibly according to standards for both animal and environmental aspects.

CSR risks and risk management
Stockmann Group's most significant CSR-related risks have been identified to be found in the supply chains of the product selections. In the Stockmann department stores, a major part of the merchandise is made up of international and domestic brand products. Suppliers of these products are expected to follow the Stockmann Code of Conduct or demonstrate a similar commitment. In addition, Stockmann department stores carry a wide selection of own brand products and at Lindex, the majority of the selection consists of own brand products. A significant percentage of the own brand products are produced in areas classified as risk countries by amfori BSCI, 93% at Stockmann and 95% at Lindex. In its own brand supply chains, the Group is exposed to risks related to the traceability and transparency, the realisation of human and labour rights, and the environmental impacts of production and raw materials.

These risks are managed through responsible purchasing management practices, established policies and risk management methods, and are monitored in accordance with the CSR strategy and good corporate governance. The Group's own brand suppliers and producers are required to comply with Stockmann's supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct that sets out 11 core labour rights, or another similar commitment. The Group has purchase offices with local personnel in six main production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to third-party sustainability audits.

Other identified CSR-related risks to the Group's business operations include risks related to personnel competence and wellbeing, product safety and environmental awareness. A failure to respond to risks within these areas could have an impact on the Group's business performance, brand image and reliability. Open dialogue and co-operation with the Group's stakeholders and transparent CSR communication are an essential part of Stockmann's risk management measures.

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, growth of remote working and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk arising from the operating environment that could affect Stockmann from 2021 onwards.

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 within a year. The first quarter is typically low in revenue and the fourth quarter is typically higher in revenue. 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 products' value chain 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 in 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, 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 not hedging the foreign exchange risks currently due to the corporate restructuring. Interest rate fluctuations may also have an impact on goodwill.

The Group's possibilities to arrange new financing are limited during the execution of the corporate restructuring programme. This may have an effect on sufficiency of liquidity and on the financial position.

Failure to meet the requirements, sale and lease-back of properties and repayment of restructuring debt according to the Stockmann plc's corporate restructuring programme may lead to the termination of the restructuring or bankruptcy.

EVENTS AFTER THE REPORTING PERIOD

According to a decision on 9 February 2021, the Helsinki District Court has approved Stockmann plc's restructuring programme, and the restructuring proceedings have ended. Attorney Jyrki Tähtinen was appointed supervisor of the restructuring programme. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back 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. (Stock exchange release 9 February 2021).

The prolonged COVID-19 pandemic causes uncertainty in Stockmann's business environment and will have an impact on business operations. To minimise the negative financial impact of the prolonged COVID-19 pandemic, Stockmann will adjust its operations to the prevailing situation.

Stockmann will adjust personnel resources according to the declined number of customers and initiated codetermination negotiations on temporary layoffs of staff on 11 February 2021. The negotiations concerned the sales and distribution centre operations of the department store business in Finland. A total of approximately 870 people were covered by the negotiations. The aim of the measure is to save approximately EUR 3 million in personnel costs during 2021. As an outcome of the codetermination negotiations, 870 persons at maximum will be laid off for a maximum period of 90 days during 2021.

The impact of changes into Stockmann Group balance sheet due to corporate restructuring and the changes which the Board of Directors proposes to Annual General Meeting are presented in the condensed financial statements.

The landlord of the Tapiola department store has informed the company that it will initiate arbitration proceedings about the amount of damages provided in the restructuring programme.

BUSINESS CONTINUITY AND FINANCING SITUATION

Total cash as per December 31, 2020 was EUR 152.5 million. Both divisions have taken and will take actions to improve cash position and net working capital. The restructuring proceedings caused uncertainty among suppliers, but business relations are gradually returning to normal. The measures to adjust the cost structure and product intake due to the coronavirus have been implemented from the second quarter onwards. During the restructuring, Stockmann plc renegotiated all department store lease agreements and office lease agreements. Thereby current lease costs and sizes of stores were adjusted downwards. These measures support the cash flow.

The District Court approved the programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back 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 proceeds from the sale and lease-back of properties will mostly be used for repayment of the secured restructuring debt latest by 31.12.2022.

Efforts have been made to build some flexibility into the restructuring programme by converting some of the unsecured debts into the Company's series B shares or cut. Half of the hybrid bond will be converted to equity and the other half will be cut. 20 % of the other restructuring debt will be converted to equity or cut. A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments will begin April 2022. An unsecured creditor is entitled to exchange the payment described in the repayment schedule for Secured Bond issued by the Company with a bullet principal repayment in five (5) years of the issue.

Stockmann plc will pledge the Stockmann Sverige Ab´s (SSAB) shares and it´s receivables from SSAB as a security for the bond. The different maturity profile of the Secured Bond brings flexibility for the Company and for the first years of the restructuring programme. The programme enables Stockmann to make up to EUR 30 million Tap-Issue on the abovementioned Secured Bond. This Tap-On could be used to cover short term liquidity needs.

As a part of the restructuring programme, the company's A and B share series will be combined at the General Meeting so that each one (1) A share will be entitled to receive 1.1 B shares. The combination will improve the liquidity of the share and the company's ability to secure financing from the market.

The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates or interest rate risks.

The prolonged effects of the COVID-19 pandemic will have an impact on Stockmann's liquidity and financial position and the value of its assets. The management and the Board of Directors regularly assess the operational and strategic risks associated with the situation.

The Swedish tax authorities required Stockmann to provide a security which covers the EUR 35 million in tax and its interest related to the tax authorities' decision to reassess Stockmann Sverige AB's taxes for the years 2013–2019. The total additional tax is fully recognised as a liability in the consolidated balance sheet. Stockmann appealed against decisions in Sweden to the local appellate court (Kammarrätten i Göteborg). The tax dispute has been deferred on appeal until the European Court of Justice has ruled on the Swedish interest deduction regulations in another case. On 20 January 2021, the European Court of Justice ruled that the Swedish interest rate deduction regulations were in some respects contrary to European Union law. Following this decision, the Swedish tax authorities abandoned the requirement to provide security for the tax liability and the positive outcome of Stockmann Sverige AB's tax appeal is likely to be good.

GUIDANCE FOR 2021

The prolonged COVID-19 pandemic gives rise to a lack of clarity in Stockmann's business environment. As the outlook Is unclear, Stockmann will provide a new guidance when the market visibility improves.

OUTLOOK FOR 2021

Uncertainty in the global economy is expected to persist throughout 2021, and the COVID-19 pandemic is having a significant impact on the economy across the world, until coronavirus situation is under better control. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence, which are also affected by the coronavirus situation.

The Stockmann division will begin to execute the restructuring programme in 2021. Lindex will continue to drive efficiencies and explore new growth opportunities.

CORPORATE GOVERNANCE STATEMENT

Stockmann will publish a separate Corporate Governance Statement for 2020 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published during the week starting on 15 March 2021 (week 11).

Helsinki, 4 March 2021

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS

This Financial Statements Bulletin has been prepared in compliance with IAS 34. The figures are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–31.12.2020**	1.1.–31.12.2019
REVENUE	**790.7**	960.4
Other operating income	**9.7**	0.0
Materials and consumables	**−347.0**	−419.5
Wages, salaries and employee benefit expenses	**−181.9**	−211.1
Depreciation, amortisation and impairment losses	**−379.9**	−128.8
Other operating expenses	**−144.0**	−176.9
Total expenses	**−1 052.7**	−936.3
OPERATING PROFIT/LOSS	**−252.4**	24.1
Financial income	**3.7**	1.1
Financial expenses	**−45.4**	−53.7
Total financial income and expenses	**−41.6**	−52.7
PROFIT/LOSS BEFORE TAX	**−294.0**	−28.5
Income taxes	**2.4**	−17.1
NET PROFIT/LOSS FOR THE PERIOD	**−291.6**	−45.6
Profit/loss for the period attributable to:		
Equity holders of the parent company	**−291.6**	−45.6
Earnings per share, EUR:		
From the period result (undiluted and diluted)	**−4.05**	−0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–31.12.2020**	1.1.–31.12.2019
PROFIT/LOSS FOR THE PERIOD	**−291.6**	−45.6
Other comprehensive income:		
Items that may be subsequently reclassified to profit and loss		
Exchange differences on translating foreign operations, before tax	**37.9**	−5.8
Exchange differences on translating foreign operations, net of tax	**37.9**	−5.8
Cash flow hedges, before tax	**1.4**	−1.7
Cash flow hedges, net of tax	**1.4**	−1.7
Other comprehensive income for the period, net of tax	**39.3**	−7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−252.3**	−53.2
Total comprehensive income attributable to:		
Equity holders of the parent company	**−252.3**	−53.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	31.12.2020	31.12.2019*
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	**277.5**	506.6
Trademark	**90.6**	87.0
Intangible rights	**30.4**	39.0
Other intangible assets	**1.4**	1.8
Advance payments and construction in progress	**1.6**	2.6
Intangible assets, total	**401.5**	637.0
Property, plant and equipment		
Land and water		17.5
Buildings and constructions		237.4
Machinery and equipment	**44.5**	55.4
Modification and renovation expenses for leased premises	**4.2**	4.9
Right-of-use assets	**351.4**	485.7
Advance payments and construction in progress	**11.6**	5.6
Property, plant and equipment, total	**411.8**	806.5
Investment properties	**0.5**	0.5
Non-current receivables	**1.7**	0.4
Non-current lease receivables	**3.9**	15.7
Other investments	**0.2**	0.3
Deferred tax assets	**27.8**	16.3
NON-CURRENT ASSETS, TOTAL	**847.4**	1 476.6
CURRENT ASSETS		
Inventories	**135.3**	145.8
Current receivables		
Interest-bearing receivables	**0.0**	0.1
Lease receivables	**0.5**	1.3
Income tax receivables	**0.3**	4.6
Non-interest-bearing receivables	**45.0**	37.1
Current receivables, total	**45.8**	43.0
Cash and cash equivalents	**152.3**	24.9
CURRENT ASSETS, TOTAL	**333.4**	213.7
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	**247.3**	
ASSETS, TOTAL	**1 428.1**	1 690.3

EUR mill.	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Invested unrestricted equity fund	**250.4**	250.4
Other funds	**43.8**	42.5
Translation reserve	**20.4**	−17.5
Retained earnings	**−541.7**	−241.8
Hybrid bond	**105.8**	105.8
Equity attributable to equity holders of the parent company	**209.0**	469.6
EQUITY, TOTAL	**209.0**	469.6
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**35.9**	43.8
Non-current interest-bearing financing liabilities		364.5
Non-current lease liabilities	**290.7**	438.6
Non-current non-interest-bearing liabilities and provisions	**0.2**	1.6
NON-CURRENT LIABILITIES, TOTAL	**326.9**	848.5
CURRENT LIABILITIES		
Current interest-bearing financing liabilities	**488.2**	47.8
Current lease liabilities	**80.5**	91.2
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**249.6**	194.6
Income tax liabilities	**39.6**	37.4
Current provisions	**17.0**	1.1
Current non-interest-bearing liabilities, total	**306.2**	233.2
CURRENT LIABILITIES, TOTAL	**874.9**	372.2
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	**17.4**	
LIABILITIES, TOTAL	**1 219.1**	1 220.7
EQUITY AND LIABILITIES, TOTAL	**1 428.1**	1 690.3

* Change in accounting principle has been presented retroactively according to IAS 8.

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–31.12.2020**	1.1.–31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**−291.6**	−45.6
Adjustments for:		
Depreciation, amortisation and impairment losses	**379.9**	128.8
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.0**	0.7
Interest and other financial expenses	**45.4**	53.7
Interest income	**−3.7**	−1.1
Income taxes	**−2.4**	17.1
Other adjustments	**15.9**	−1.2
Working capital changes:		
Increase (-) /decrease (+) in inventories	**13.9**	−5.3
Increase (-) / decrease (+) in trade and other current receivables	**−9.7**	8.0
Increase (+) / decrease (-) in current liabilities	**25.3**	−0.2
Interest expenses paid	**−30.3**	−52.1
Interest received from operating activities	**0.8**	1.1
Other financing items from operating activities		−1.4
Income taxes paid from operating activities	**4.1**	−0.3
Net cash from operating activities	**147.4**	102.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	**−18.7**	−33.9
Proceeds from sale of tangible and intangible assets		139.7
Exchange rate gain on the hedge of a net investment and internal loan*)	**7.1**	11.1
Dividends received from investing activities	**1.6**	
Net cash used in investing activities	**−10.0**	116.8
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of hybrid bond		21.5
Proceeds from current liabilities	**53.3**	45.4
Repayment of current liabilities	**−45.4**	−226.9
Proceeds from non-current liabilities	**75.4**	166.7
Repayment of non-current liabilities	**−6.4**	−165.1
Payment of lease liabilities	**−80.2**	−73.9
Interest on hybrid bond	**−8.2**	−6.6
Net cash used in financing activities	**−11.5**	−238.8
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**125.9**	−19.8
Cash and cash equivalents at the beginning of the period	**24.9**	43.4
Cheque account with overdraft facility	**−2.3**	−0.4
Cash and cash equivalents at the beginning of the period	**22.7**	43.0
Net increase/decrease in cash and cash equivalents	**125.9**	−19.8
Effects of exchange rate fluctuations on cash held	**3.7**	−0.6
Cash and cash equivalents at the end of the period	**152.3**	24.9
Cheque account with overdraft facility		−2.3
Cash and cash equivalents at the end of the period	**152.3**	22.7

*Realised foreign exchange rate gain on the hedge of a net investment in a foreign operation and internal loan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2019, as previously reported	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Impact of change in accounting method			−358.2					22.4	−335.8		**−335.8**
EQUITY 1.1.2019, restated	144.1	186.1		0.4	250.4	43.8	−11.6	−189.6	423.6	84.3	**507.9**
Profit/loss for the period								−45.6	−45.6		**−45.6**
Exchange differences on translating foreign operations							−5.8		−5.8		**−5.8**
Cash flow hedges				−1.7					−1.7		**−1.7**
Total comprehensive income for the period, net of tax				−1.7			−5.8	−45.6	−53.2		**−53.2**
Proceeds from hybrid bond										22.2	**22.2**
Hybrid bond expenses										−0.7	**−0.7**
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes in equity total								−6.6	−6.6	21.5	**15.0**
EQUITY 31.12.2019	144.1	186.1		−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2020	144.1	186.1		−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**
Profit/loss for the period								−291.6	−291.6		**−291.6**
Exchange differences on translating foreign operations				0.1			37.9		37.9		**37.9**
Cash flow hedges				1.3					1.3		**1.3**
Total comprehensive income for the period, net of tax				1.4			37.9	−291.6	−252.3		**−252.3**
Interest paid on hybrid bond								−8.2	−8.2		**−8.2**
Other changes in equity total								−8.2	−8.2		**−8.2**
EQUITY 31.12.2020	144.1	186.1		0.0	250.4	43.8	20.4	−541.7	103.2	105.8	**209.0**

NOTES TO THE FINANCIAL STATEMENTS, CONDENSED

ACCOUNTING POLICIES

Valuation of real estate

Land areas and buildings in Stockmann Group's own use have been carried on the balance sheet at the revalued amount in accordance with standard IAS 16 paragraph 31 as of 1 January 2015. The Stockmann Group's divisions, Stockmann Retail and Real Estate, were combined into a new Stockmann division in 2019. Real estate business is not anymore managed or operated as a separate business nor reported separately. There have been significant divestments of properties and material changes in the business model related to department store premises that support a change back to applying the cost model. Therefore, Stockmann has changed from the previous revaluation model to a cost model for its property, plant and equipment for the financial year 2020.

The change in accounting policy is applied retrospectively in the opening balance for the comparative period as of 1 January 2019 according to the IAS 8 standard. The revaluation surplus included in equity is derecognized and the opening balance of land and water, buildings and constructions, retained earnings and deferred tax liabilities are adjusted in the previously reported.

As a result of the change in accounting policy, the book value of Stockmann Group's real estate properties decreased in the open balance 2019 from EUR 681.0 million to EUR 262.5 million, the amount of equity from EUR 843.7 million to EUR 507.9 million and deferred tax liabilities from EUR 128.3 million to EUR 45.5 million. In the balance sheet at 31 December 2019 the book value of real estate properties decreased from EUR 667.7 million to EUR 254.9 million, the amount of equity from EUR 800.9 million to EUR 469.6 million and deferred tax liabilities from EUR 125.4 million to EUR 43.8 million. The main impact in consolidated income statement relate to decrease of previously reported depreciations and deferred taxes. Depreciation in 2019 decreased by EUR 10.8 million as a result of a change in accounting policy.

Corporate restructuring proceedings

The coronavirus epidemic (COVID-19), which broke out in Europe in March, caused significant changes in the Stockmann Group's operating environment and there was a sudden decrease in customer volumes. Since the company's business found to be viable and can be restored to a sound basis, the Board of Directors of Stockmann plc decided to file for corporate restructuring proceedings with the District Court of Helsinki on 6 April 2020. On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as administrator of the restructuring proceedings. The Annual General Meeting resolved on 4 June 2020 in favour of continuing the restructuring proceedings in accordance with the proposal of the Board of Directors. The Group's subsidiaries, i.e. the Stockmann department stores in the Baltic countries and Lindex, are not in the scope of the restructuring proceedings.

In restructuring proceedings under the Restructuring of Enterprises Act (47/1993), a company's business and debts may be organised and arranged. As a result of such restructuring proceedings, the company may be permitted to continue its operations or, if the proceedings fail, to file for bankruptcy. The most important duty of the administrator of the restructuring proceedings is to prepare a draft restructuring programme in cooperation with the various parties. Arrangements concerning the repayment of debts form a key part of the restructuring programme. Under the Act, 'restructuring debt' refers to all debts that have arisen before a company files an application for restructuring proceedings.

The District Court of Helsinki appointed a creditor committee that acted as the joint representative of the creditors in the restructuring proceedings of Stockmann plc. The creditor committee appointed by the District Court consisted of representatives from the various creditor groups, including parties that have granted secured debt, other providers of financing as well as goods suppliers and lessors.

The administrator of Stockmann plc's restructuring proceedings, Attorney Jyrki Tähtinen, filed a proposal for the restructuring programme for the company with the Helsinki District Court on 14 December 2020. By a decision on 9 Febrary 2021, the Helsinki District Court has approved Stockmann plc's restructuring programme, and the restructuring proceedings have ended. Attorney Jyrki Tähtinen was appointed supervisor of the restructuring programme. The restructuring programme is based on the company continuing its department store operations in all present department stores and online sales in Finland and in the Baltics. The duration of the programme is eight years. Lindex's operations will continue as a fixed part of the Stockmann Group, and its cash flows contribute to cover payment obligations disclosed in the restructuring programme. As part of the restructuring programme, the company will sell the real estate assets it owns in Helsinki city centre, Tallinn and Riga. The received realisation result of the company's real estate assets will primarily be used to pay secured debts.

Altogether 20% of unsecured restructuring debts will be cut, and a repayment schedule disclosed in the restructuring programme has been prepared for the remaining 80%. The cut 20% will be converted, if the relevant creditor so wishes, into the company's series B shares in a share issue decided upon by the general meeting that will be held after the restructuring programme has been certified by the District Court. The exchange rate is the volume weighted average price of the series B share between 8 April and 27 November 2020, i.e. EUR 0.9106.

Altogether half of the hybrid bond loan liabilities will be cut and the remaining 50%, if the creditors so wish, will be converted into the company's B shares at the proposed exchange rate in connection with the same share issue where the conversion of unsecured debts will take place. If a creditor does not wish to have the uncut of its receivable converted, this share will also fully be cut.

The company's A and B share series will be combined in the General Meeting that will be held immediately after the restructuring programme has been certified by the District Court so that each one A share will entitle to receive 1.1 B shares. The combination will improve the liquidity of the share and the company's ability to secure financing from the market.

Note Restructuring debt presents an itemisation of the Stockmann Group's secured and unsecured restructuring debts and note Maturity table of financial liabilities presents the maturities of all the Group's debts as at 31 December 2020. The debts covered by the restructuring proceedings are classified as current liabilities because the restructuring programme in which the arrangement for the repayment of the restructuring debts will be agreed on was not yet been approved on the balance sheet date 31 December 2020 and the amounts of these debts to be repaid as well as their maturities involve a degree of uncertainty.

Transactions resulting from the corporate restructuring proceedings

To reduce costs, the company has been actively engaged in negotiations with its lessors on the terms and conditions of its leases. The change in the lease in question has been treated in the financial statements by reducing the carrying amount of the right-of-use asset and redetermining the lease liability for the remaining lease period. Changes in the leases in question have reduced the carrying amount of the right-of-use assets by EUR 75.2 million and the lease liabilities by EUR 93.1 million in the consolidated balance sheet. A provision of EUR 17.0 million has been recognized in the consolidated financial statements for the eighteen months' rent of terminated leases. The positive impact of the changes in leases, a total of EUR 0.8 million, has been recognised under financial income and expenses in the income statement.

Following the initiation of the restructuring proceedings, a few suppliers and lessors have presented Stockmann plc with some additional claims, the largest of these additional claims are related to the termination of a long-term leases for premises in accordance with the Restructuring of Enterprises Act with a notice of two months. The Administrator has considered it justified to take the creditors' claims for damages corresponding to the amount of eighteen months' rent into account in the draft restructuring programme. The aforementioned eighteen month's period begins from the date on which the terminated lease agreement ends.

To the extent that the landlord creditors have presented more specific calculations of the damages that they will incur as a result of the termination of the relevant lease agreements, these claims must be assigned to resolution in separate proceedings. The amount recognised as a provision corresponds to the company's estimate of the probable amount of these liabilities and corresponds to the amount taken into account as restructuring debt. The total claims presented amount to a maximum of EUR 128 million. These creditors' claims are disputed and their realization and amount is uncertain. The amount in excess of the provision, EUR 111 million, is therefore presented in the financial statements as a contingent liability.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all of Stockmann plc's derivative contracts on 6 April 2020. The realised foreign exchange gain at the time the contracts were closed, totalling EUR 8.9 million, is treated as current receivables in the consolidated balance sheet. The Group does not hedge against risks arising from fluctuations in foreign exchange rates at the financial statements date.

Group's financial statements do not present or account for the consequences of the restructuring proceedings, 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 as a result of the final restructuring programme. In the note 5.6 Events after the reporting period to the financial statements some pro forma information is presented to illustrate certain effects on the Group's financial statements if the restructuring programme had been approved on the balance sheet date of 31 December 2020.

Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates

The economic conditions in Europe have deteriorated significantly as a result of the outbreak of the coronavirus epidemic (COVID-19) in March. The coronavirus and the restrictions imposed because of it had a material impact on Stockmann's operating environment as well as the company's customer volumes and cash flows. Since we are unable to forecast the final duration and impacts of the epidemic, its effects on the actual results, financial position and cash flows is also unpredictable.

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. 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 estimates and assumptions presented in the financial statements are based on the management's best knowledge at the time of preparation. The key uncertainties as well as estimates and assumptions are otherwise presented in the financial statements for 2020.

Business continuity

This Stockmann Group's Financial Statements Bulletin has 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 on the approval and implementation of a viable restructuring program 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.

By a decision on 9 February 2021, the Helsinki District Court has approved Stockmann plc's restructuring programme. There are concrete restructuring and savings-generating measures in the restructuring programme in order for the Company's finances to be rejuvenated are disclosed.

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 AB Lindex's business operations under the ownership of the Stockmann Group.

The secured restructuring debt will be repaid with proceeds from the sale and leaseback of properties latest by 31 December 2022. The secured restructuring debt is interest bearing and the accrued interest between April 8 2020 and February 9, 2021 will be paid during 2021. The interest rate of the secured restructuring debt is 1.2 per cent from 9 February 2021 to 31 December 2021 and 1.4 per cent in 2022.

Efforts have been made to build some flexibility into the restructuring programme by converting part of the unsecured restructuring debt into the Company's series B shares. In the restructuring programme 20 per cent of the unsecured restructuring debt, approximately EUR 24.7 million, will be converted to equity or cut. A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments of unsecured restructuring debt will begin in April 2022. An unsecured creditor is entitled to change the receivable to a new secured five-year bullet bond. The different maturity profile of the secured bond brings flexibility for the Company for the first years of the restructuring programme. Half of the EUR 108 million hybrid bond will be cut and the other half will be converted to equity or cut. The cut and the conversion of hybrid bond have no effect on the Group's equity as the hybrid bond has been treated as equity in the consolidated financial statements.

In accordance with the program, the company has started preparations for the sales of the properties, the combination of the share series and the conversion of the unsecured restructuring debts and the hybrid bond debt as well as the issuance of a new secured bond. The Administrator and the company assess that by implementing the planned restructuring measures, the Company will be able to make the payments listed in its repayment schedule.

To improve the profitability of its business, Stockmann Group has adapted its costs during 2020 and will continue to adapt them to the change in its revenue level. To reduce costs, the company has negotiated a new lease agreement for all department stores as well as the office property. The Group has adapted its goods purchases so as to match the expected demand. The Group has also taken advantage of opportunities for delaying payments to the authorities due to the coronavirus pandemic, as well as postponing planned investments to ensure adequate liquidity.

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

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

The Board of Directors of Stockmann has carefully analysed the company's overall situation in the corporate restructuring proceedings and with respect to the increased uncertainty arising as a result of the coronavirus pandemic, and its analysis confirms the adequacy of liquidity and financing and thus supports the preparation of the financial statements in accordance with the principle of business continuity.

Impairment testing of Lindex's goodwill and brand

The carrying amounts of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. During the latter part of the year, the incidence of COVID-19 multiplied, especially in Sweden, but the development was also worrying in Norway. Towards the end of the year, transformed viruses were detected that spread more easily than before. The first COVID-19 vaccine was approved in the EU in January 2021, but vaccine deliveries have fallen short of targets. The continuing COVID-19 pandemic has increased uncertainty in Lindex's main markets and especially the short-term business environment is challenging. Potential changes in customers' shopping behavior and purchasing power caused by the pandemic have also increased uncertainty. In several of Lindex's countries of operation, the authorities imposed varying degrees of restrictions on business, as well as general recommendations for distance work. These have caused a decline in the number of visitors to brick and mortar stores that has not been fully compensated by the growth of online sale. As a result of this, in an impairment test concluded for Lindex in connection with the financial statements, has been applied lower growth assumptions for the revenue development as well as lower profitability development compared to previous tests. The effects of the pandemic are expected to be significant over a couple of years, and the current estimate is that Lindex's business may return to pre-pandemic levels during 2023. Based on the impairment test, Stockmann recognised EUR 250 million in impairment related to Lindex's goodwill in consolidated income statement. Following the impairment loss recognised in Lindex CGU, the recoverable amount is equal to the carrying amount of tested assets, of which remaining carrying amount of Goodwill is EUR 277.5 million on 31 December 2020. Any adverse change in a key assumption may result in further impairment.

Government grants

Grants from the governments or other similar public entities that become receivable as compensation for expenses already incurred are recognised in the income statement on the period on which the company complies with the attached conditions.

During the period, the Stockmann Group received in its various operating countries a total of EUR 9.7 million in government grants related to the COVID-19 situation. These government grants are reported as other operating income in the consolidated income statement.

Income taxes

Stockmann plc's subsidiary Stockmann Sverige AB has received tax reassessment decisions from the Swedish tax authorities regarding the right to deduct in Swedish taxation in 2013–2019 the interest expenses of the intragroup loan for the acquisition of AB Lindex. According to decisions, the company is requested to pay EUR 35 million in additional taxes, including related interest and the Swedish tax authorities require Stockmann to provide a security which will cover the possible tax liability. The additional tax and related interest have been fully recognized as a liability in the consolidated balance sheet. Stockmann has appealed against decisions in Sweden to the local appellate court (Kammarrätten i Göteborg). The tax dispute was deferred on appeal until the European Court of Justice has ruled on the Swedish interest deduction rules in another case. On 20 January 2021, the European Court of Justice ruled that the Swedish interest rate deduction regulations were in some respects contrary to European Union law. Following this decision, the Swedish tax authorities abandoned the requirement to provide security for the tax liability and the positive outcome of Stockmann Sverige AB's tax appeal is likely to be good.

GROUP'S OPERATING SEGMENTS*

Revenue, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**139.6**	159.7	**507.1**	575.8
Stockmann	**92.4**	126.0	**283.6**	384.7
Group total	**232.0**	285.7	**790.7**	960.4

Reported operating profit/loss, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**15.1**	15.8	**38.6**	38.2
Stockmann	**−0.2**	13.5	**−30.8**	0.3
Unallocated	**−3.3**	−4.2	**−10.2**	−14.4
Goodwill impairment	**−250.0**		**−250.0**	
Group total	**−238.4**	25.1	**−252.4**	24.1
Financial income	**−1.2**	0.3	**3.7**	1.1
Financial expenses	**−11.0**	−12.6	**−45.4**	−53.7
Consolidated profit/loss before taxes	**−250.6**	12.8	**−294.0**	−28.5

Adjustments to Operating profit/loss, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**0.0**	−2.3	**−0.9**	−2.7
Stockmann		1.4		−2.6
Unallocated	**−2.7**	−4.6	**−6.4**	−10.3
Goodwill impairment	**−250.0**		**−250.0**	
Group total	**−252.7**	−5.5	**−257.3**	−15.6

Adjusted Operating profit/loss, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**15.1**	18.1	**39.4**	40.9
Stockmann	**−0.2**	12.2	**−30.8**	2.9
Unallocated	**−0.7**	0.4	**−3.7**	−4.1
Group total	**14.2**	30.7	**4.9**	39.8

Depreciation, amortisation and impairment losses, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**20.4**	19.6	**82.0**	81.3
Stockmann	**11.3**	12.6	**47.9**	47.5
Goodwill impairment	**250.0**		**250.0**	
Group total	**281.7**	32.2	**379.9**	128.8

Capital expenditure, EUR mill. *)	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Lindex	**3.7**	12.7	**27.8**	65.5
Stockmann	**34.3**	5.5	**58.8**	26.7
Group total	**38.1**	18.2	**86.6**	92.1

*) Including right-of-use assets

Assets, EUR mill.	31.12.2020	31.12.2019		
Lindex	**883.6**	1 076.2		
Stockmann	**544.2**	613.4		
Unallocated	**0.4**	0.7		
Group total	**1 428.1**	1 690.3		

IFRS 16 Lease liabilities, EUR mill.	31.12.2020	31.12.2019		
Lindex	**278.3**	294.7		
Stockmann	**92.9**	235.1		
Total	**371.2**	529.8		

* Segment information 2019 is adjusted for comparison purposes

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Finland	89.1	116.7	278.7	367.0
Sweden*) and Norway	109.6	121.8	389.2	437.8
Baltic countries and other countries	33.3	47.2	122.8	155.7
Market areas total	232.0	285.7	790.7	960.4
Finland %	38.4%	40.8%	35.2%	38.2%
International operations %	61.6%	59.2%	64.8%	61.8%

Operating profit/loss, EUR mill.	Q4 2020	Q4 2019	1.1.–31.12.2020	1.1.–31.12.2019
Finland	−3.9	6.2	−37.8	−18.4
Sweden*) and Norway	13.8	14.7	34.2	34.3
Baltic countries and other countries	1.8	4.2	1.2	8.2
Market areas total	11.6	25.1	−2.4	24.1
Goodwill impairment	−250.0		−250.0	
Group total	−238.4	25.1	−252.4	24.1

Non-current assets, EUR mill.	31.12.2020	31.12.2019
Finland	399.3	549.6
Sweden and Norway	608.4	848.4
Baltic countries and other countries	58.5	65.1
Market areas total	1 066.2	1 463.1
Finland %	37.4%	37.6%
International operations %	62.6%	62.4%

*) Includes franchising income

KEY FIGURES OF THE GROUP

	31.12.2020	31.12.2019
Equity ratio, %	**14.6**	27.8
Net gearing, %	**336.1**	191.7
Cash flow from operating activities per share, year-to-date, EUR	**2.05**	1.42
Interest-bearing net debt, EUR mill.	**702.7**	900.2
Number of shares at the end of the period, thousands	**72 049**	72 049
Weighted average number of shares, undiluted and diluted, thousands	**72 049**	72 049
Market capitalisation, EUR mill.	**86.9**	154.5
Operating profit/loss, % of revenue	**−31.9**	2.5
Equity per share, EUR	**2.90**	6.52
Return on equity, rolling 12 months, %	**−86.0**	−6.9
Return on capital employed, rolling 12 months, %	**−20.1**	1.8
Average number of employees, converted to full-time equivalents	**3 973**	4 891
Capital expenditure, year-to-date, EUR mill. *)	**19.4**	33.8

*) Excluding right-of-use assets

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

Earnings per share = $\dfrac{\text{Result for the period attributable to the parent company's shareholders} - \text{tax-adjusted interest on hybrid bond}}{\text{Average number of shares}}$

Alternative performance measures

Equity ratio, % = $\dfrac{\text{Equity total}}{\text{Total assets} - \text{advance payments received}} \times 100$

Net gearing, % = $\dfrac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents} - \text{interest-bearing receivables}}{\text{Equity total}} \times 100$

Cash flow from operating activities per share = $\dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$

Interest-bearing net debt = Interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables

Market capitalisation = Number of shares multiplied by the quotation for the respective share series on the balance sheet date

Equity per share = $\dfrac{\text{Equity attributable to the parent company's shareholders}}{\text{Number of shares on the balance sheet date}}$

Return on equity, % = $\dfrac{\text{Result for the period (12 months)}}{\text{Equity total (average over 12 months)}} \times 100$

Return on capital employed, % = $\dfrac{\text{Result before taxes + interest and other financial expenses}}{\text{Capital employed (average over 12 months)}} \times 100$

Capital employed = Total assets – deferred tax liabilities and other non-interest-bearing liabilities (average over 12 months)

EXCHANGE RATES OF EURO

Closing rate for the period	**31.12.2020**	31.12.2019
NOK	**10.4703**	9.8638
SEK	**10.0343**	10.4468
Average rate for the period	**1.1.–31.12.2020**	1.1.–31.12.2019
NOK	**10.7261**	9.8505
SEK	**10.4875**	10.5871

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	**232.0**	207.6	182.7	168.4	285.7	225.3	242.3	207.2
Other operating income	**1.6**	2.8	5.3	0.0	0.0	0.0	0.0	0.0
Materials and consumables	**-97.5**	-88.5	-83.9	-77.1	-124.0	-98.3	-100.3	-96.9
Wages, salaries and employee benefit expenses	**-49.3**	-44.3	-38.5	-49.7	-53.5	-49.8	-54.3	-53.5
Depreciation, amortisation and impairment losses	**-281.7**	-31.7	-32.8	-33.7	-32.2	-31.4	-32.6	-32.7
Other operating expenses	**-43.5**	-31.6	-33.3	-35.7	-50.9	-41.1	-42.1	-42.8
Operating profit/loss	**-238.4**	14.3	-0.4	-27.8	25.1	4.8	12.9	-18.7
Financial income	**-1.2**	-0.2	4.9	0.2	0.3	0.3	0.3	0.3
Financial expenses	**-11.0**	-9.7	-13.1	-11.6	-12.6	-13.3	-13.8	-14.1
Total financial income and expenses	**-12.2**	-9.9	-8.2	-11.4	-12.3	-13.1	-13.6	-13.8
Profit/loss before tax	**-250.6**	4.4	-8.6	-39.2	12.8	-8.3	-0.6	-32.4
Income taxes	**3.9**	-1.1	-4.3	3.9	-8.8	-7.8	-2.7	2.3
Net profit/loss for the period	**-246.8**	3.3	-12.9	-35.3	4.0	-16.1	-3.3	-30.2

Earnings per share per quarter

EUR	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
From the period result (undiluted and diluted)	**-3.33**	0.01	-0.21	-0.52	0.02	-0.24	-0.06	-0.44

Segment information per quarter *

EUR mill.	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue								
Lindex	**139.6**	146.0	122.1	99.4	159.7	147.6	154.0	114.5
Stockmann	**92.4**	61.6	60.6	68.9	126.0	77.7	88.3	92.7
Group total	**232.0**	207.6	182.7	168.4	285.7	225.3	242.3	207.2
Reported operating profit/loss								
Lindex	**15.1**	21.5	17.2	-15.2	15.8	13.4	20.1	-11.0
Stockmann	**-0.2**	-4.8	-15.2	-10.6	13.5	-4.2	-3.6	-5.4
Unallocated	**-3.3**	-2.4	-2.4	-2.0	-4.2	-4.4	-3.5	-2.3
Goodwill impairment	**-250.0**							
Group total	**-238.4**	14.3	-0.4	-27.8	25.1	4.8	12.9	-18.7
Adjustments to Operating profit/loss								
Lindex	**0.0**	-0.8			-2.3	-0.4		
Stockmann					1.4	-0.1	-3.2	-0.8
Unallocated	**-2.7**	-1.4	-1.3	-1.1	-4.6	-2.8	-2.8	
Goodwill impairment	**-250.0**							
Group total	**-252.7**	-2.2	-1.3	-1.1	-5.5	-3.3	-6.0	-0.8
Adjusted Operating profit/loss								
Lindex	**15.1**	22.3	17.2	-15.2	18.1	13.8	20.1	-11.0
Stockmann	**-0.2**	-4.8	-15.2	-10.6	12.2	-4.1	-0.5	-4.6
Unallocated	**-0.7**	-1.0	-1.2	-0.9	0.4	-1.5	-0.6	-2.3
Group total	**14.2**	16.5	0.8	-26.7	30.7	8.1	18.9	-17.9

Information on market areas

EUR mill.	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue								
Finland	**89.1**	65.1	60.6	63.9	116.7	79.6	84.2	86.5
Sweden** and Norway	**109.6**	108.4	95.7	75.5	121.8	110.3	118.3	87.4
Baltic countries and other countries	**33.3**	34.2	26.4	28.9	47.2	35.4	39.7	33.3
Group total	**232.0**	207.6	182.7	168.4	285.7	225.3	242.3	207.2
Finland %	**38,4%**	31.4%	33.2%	38.0%	40.8%	35.3%	34.7%	41.8%
International operations %	**61,6%**	68.6%	66.8%	62.0%	59.2%	64.7%	65.3%	58.2%
Operating profit/loss								
Finland	**-3.9**	-5.6	-14.9	-13.4	6.2	-8.2	-8.1	-8.3
Sweden** and Norway	**13.8**	17.7	15.3	-12.5	14.7	12.3	19.1	-11.7
Baltic countries and other countries	**1.8**	2.2	-0.8	-1.9	4.2	0.7	2.0	1.3
Market areas total	**11.6**	14.3	-0.4	-27.8	25.1	4.8	12.9	-18.7
Goodwill impairment	**-250.0**							
Group total	**-238.4**	14.3	-0.4	-27.8	25.1	4.8	12.9	-18.7

* Segment information for 2019 is adjusted for comparison purposes
** Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	31.12.2020	31.12.2019
Mortgages on land and buildings *)	**1 671.7**	1 671.7
Pledges and guarantees	**0.2**	1.7
Electricity commitments	**0.7**	1.2
Liabilities of adjustments of VAT deductions made on investments to immovable property	**2.9**	4.0
Total	**1 675.5**	1 678.6
*) Book value of land and buildings (cost method applied)	**246.2**	255.4
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 million and further capital securities in amount of EUR 21 million in November 2019. The accrued interest on the bond at the end of period was:		7.5

Lease agreements on the Group's business premises, EUR mill.	31.12.2020	31.12.2019
Within one year	**3.2**	15.8
After one year	**6.3**	
Total	**9.5**	15.8

Group's lease payments, EUR mill.	31.12.2020	31.12.2019
Within one year	**0.2**	0.2
After one year	**0.4**	0.5
Total	**0.6**	0.7

Group's derivative contracts, EUR mill.	31.12.2020	31.12.2019
Nominal value		
Currency derivatives		460.0
Electricity derivatives	**1.6**	1.7
Total	**1.6**	461.7

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	31.12.2020	31.12.2019
Acquisition cost at the beginning of the period	**2 194.5**	2 142.1
Translation difference +/-	**49.7**	−25.3
Increases during the period	**86.6**	92.1
Decreases during the period	**−228.1**	−14.4
Transfers to non-current assets classified as held for sale	**−398.4**	
Acquisition cost at the end of the period	**1 704.4**	2 194.5
Accumulated depreciation and impairment losses at the beginning of the period	**−750.5**	−633.3
Translation difference +/-	**0.4**	8.1
Depreciation on reductions during the period	**87.6**	14.3
Accumulated depreciation on transfers to non-current assets classified as held for sale	**151.8**	
Depreciation, amortisation and impairment losses during the period	**−379.9**	−139.6
Accumulated depreciation and impairment losses at the end of the period	**−890.6**	−750.5
Carrying amount at the beginning of the period	**1 444.0**	1 508.9
Carrying amount at the end of the period	**813.8**	1 444.0

The calculation of consolidated assets includes following changes in consolidated goodwill:

Goodwill, EUR mill.	31.12.2020	31.12.2019
Carrying amount at the beginning of the period	**506.6**	516.1
Translation difference +/-	**20.9**	−9.5
Impairment losses	**−250.0**	
Carrying amount at the end of the period	**277.5**	506.6

RIGHT-OF-USE ASSETS

EUR mill.	31.12.2020	31.12.2019
Acquisition cost at the beginning of the period	**570.1**	517.5
Translation difference +/-	**14.3**	−5.7
Increases during the period	**67.2**	58.4
Decreases during the period	**−174.8**	−0.1
Acquisition cost at the end of the period	**476.9**	570.1
Accumulated depreciation and impairment losses at the beginning of the period	**−84.4**	
Translation difference +/-	**10.5**	−0.5
Depreciation on reductions during the period	**34.9**	0.0
Depreciation, amortisation and impairment losses during the period	**−86.4**	−83.9
Accumulated depreciation and impairment losses at the end of the period	**−125.5**	−84.4
Carrying amount at the beginning of the period	**485.7**	517.5
Carrying amount at the end of the period	**351.4**	485.7

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY AND HIERARCHICAL CLASSIFICATION OF FAIR VALUES

Financial assets, EUR mill.	Level	Carrying amount 31.12.2020	Fair value 31.12.2020	Carrying amount 31.12.2019	Fair value 31.12.2019
Derivative contracts, hedge accounting applied	2			0.0	0.0
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2			0.3	0.3
Electricity derivatives	1			0.1	0.1
Financial assets at amortised cost					
Non-current receivables		**1.7**	**1.7**	0.4	0.4
Non-current lease receivables		**3.9**	**3.9**	15.7	15.7
Current receivables, interest-bearing		**0.0**	**0.0**	0.1	0.1
Current lease receivables		**0.5**	**0.5**	1.3	1.3
Current receivables, non-interest-bearing*)		**45.5**	**45.5**	36.7	36.7
Cash and cash equivalents*)		**152.5**	**152.5**	24.9	24.9
Other investments	3	**0.2**	**0.2**	0.3	0.3
Financial assets by measurement category, total		**204.4**	**204.4**	79.6	79.6

Financial liabilities, EUR mill.	Level	Carrying amount 31.12.2020	Fair value 31.12.2020	Carrying amount 31.12.2019	Fair value 31.12.2019
Derivative contracts, hedge accounting applied	2	**0.0**	**0.0**	9.3	9.3
Financial liabilities at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2			0.0	0.0
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2			364.5	363.0
Non-current lease liabilities		**290.7**	**290.7**	438.6	438.6
Current liabilities, interest-bearing	2	**488.2**	**468.0**	47.8	47.9
Current lease liabilities		**80.5**	**80.5**	91.2	91.2
Current liabilities, non-interest-bearing*)		**250.0**	**250.0**	185.3	185.3
Financial liabilities by measurement category, total		**1 109.4**	**1 089.2**	1 136.7	1 135.3

*) Including assets classified as held for sale and the relating liabilities

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 (OTC) 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 levels during the financial year.

Financial assets on level 3 are investments in shares of unlisted companies. The fair value of the shares is determined by techniques based on the management's 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.	31.12.2020	31.12.2019
Carrying amount 1 January	**0.3**	0.3
Sale of shares	**0.0**	0.0
Total	**0.2**	0.3

CASH FLOWS BASED ON AGREEMENTS IN FINANCIAL LIABILITIES AT 31 DECEMBER 2020

EUR mill.	Carrying amount	2021	2022	2023	2024	2025+	Total
Secured restructuring debt*	442.5	−449.8					−449.8
Unsecured restructuring debt**	121.6		−8.8	−8.8	−8.8	−71.0	−97.4
Cash flow from restructuring debt total	564.1	−449.8	−8.8	−8.8	−8.8	−71.0	−547.2
Trade payables and other current liabilities	107.7	−107.7					−107.7
Lease liability	371.2	−93.2	−80.3	−70.3	−58.9	−144.5	−447.2
Total	1 043.0	−650.7	−89.1	−79.1	−67.7	−215.5	−1 102.1

Cash flows are based on the restructuring programme, which was approved on 9 February 2021 and they include financing costs.
*) Assumption in the calculation is that the real estate properties will be liquidated and the secured restructuring debt paid by 31 December 2021.
**) Unsecured restructuring debts will be cut 20 %. The remaining 80 % will be paid 2022-2028 or alternatively the debtor can convert this part to a secured 5 year bullet bond.

RESTRUCTURING DEBT

EUR mill.	**31.12.2020**
Current interest-bearing restructuring debt	
Secured	**435.4**
Unsecured	**53.5**
Current interest-bearing restructuring debt total *	**488.9**
Current non-interest-bearing restructuring debt	
Secured	**7.1**
Unsecured	**51.1**
Current non-interest-bearing restructuring debt total **	**58.2**
Current restructuring debt total	**547.1**
Restructuring debt related to provisions	**17.0**
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020	**108.1**
Restructuring debt total	**672.3**

* Included in consolidated statement of financial position item Current interest-bearing financing liabilities EUR 488.2 mill. Doesn't include periodisation of loan arrangement fees of EUR 0.8 mill.
** Included in consolidated statement of financial position item Current non-interest-bearing liabilities.
Stockmann plc's group internal restructuring debt amount is EUR 81.7 mill.
Restructuring debt related to provisions consists of landlords' claims for terminated lease agreements.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**31.12.2020***	31.12.2019
Dividend income from other investments	**1.6**	
Interest income on bank deposits, other investments and currency derivatives	**0.0**	0.2
Interest income from lease contracts	**0.7**	0.9
Other financial income	**0.8**	
Foreign exchange differences	**0.5**	
Financial income, total	**3.7**	1.1
Interest expenses on financial liabilities measured at amortised cost	**−20.3**	−24.9
Interest expenses from lease contracts	**−21.2**	−27.0
Impairment loss on loans and receivables	**0.0**	
Change in fair value of financial assets at fair value through profit or loss	**0.0**	−0.1
Other financial expenses	**−3.8**	−1.4
Foreign exchange differences		−0.3
Financial expenses, total	**−45.4**	−53.7
Financial income and expenses, total	**−41.6**	−52.7

*Includes EUR 1.6 mill. equity repayment from Tuko Logistics Cooperative, EUR 17.8 mill. gain on the change in the lease agreements, EUR -17.0 provision for lease agreements claims, EUR 3.3 mill. interest expenses classified as restructuring debt and EUR 3.7 mill. amendment fees according to the financing agreement, which was concluded in 2019.

ASSETS HELD FOR SALE

EUR MILL.	**31.12.2020**	31.12.2019
Other assets classified as held for sale and the relating liabilities		
Intangible assets and property, plant and equipment	**246.6**	
Other receivables	**0.5**	
Cash and cash equivalents	**0.2**	
Deferred tax liabilities	**17.0**	
Other liabilities	**0.4**	
Net assets	**230.0**	

PRO FORMA
Balance sheet items after events after reporting period

EUR mill.	Reported 31.12.2020	Unsecured debt conversion to shares	Hybrid bonds conversion and cut	Non-current part of unsecured debt	Shopping Center Itis rental agreement change	Pro forma Balance sheet
ASSETS, UNDER CHANGE						
Right-of-Use Assets and lease receivables	**355,8**				−22,3	**333,5**
ASSETS, UNDER CHANGE, TOTAL	**355,8**				−22,3	**333,5**
EQUITY						
Share capital	**144,1**					**144,1**
Share premium fund	**186,1**					**186,1**
Invested unrestricted equity fund	**250,4**	24,3	54,1			**328,8**
Other funds	**43,8**					**43,8**
Translation reserve	**20,4**					**20,4**
Retained earnings	**−541,7**		51,8		1,0	**−488,9**
Hybrid bond	**105,8**		−105,8			
EQUITY, TOTAL	**209,0**	24,3			1,0	**234,4**
LIABILITIES						
Non-current liabilities	**36,1**			97,3		**133,4**
Non-current lease liabilities	**290,7**				−20,8	**270,0**
Current liabilities	**794,4**	−24,3		−97,3		**672,8**
Current lease liabilities	**80,5**				−2,5	**78,0**
LIABILITIES, TOTAL	**1 201,8**	−24,3			−23,3	**1 154,2**

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