



# FINANCIAL STATEMENTS BULLETIN 2021



# STOCKMANN

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## 2021 was the year of a strong turnaround; the fourth-quarter adjusted operating result was clearly up in both divisions and Lindex achieved its best-ever full-year result

### October–December 2021:

- Consolidated revenue was EUR 277.5 million (232.0), up 17.2% in comparable currency rates.
- Gross margin was 57.7% (58.0).
- Operating result was EUR 50.6 million (-256.0).
- The adjusted operating result was EUR 29.6 million (-3.3).
- Earnings per share were EUR 0.23 (-3.20).
- Adjusted earnings per share were EUR 0.09 (0.16).

### January–December 2021:

- Consolidated revenue was EUR 899.0 million (790.7), up 11.2% in comparable currency rates.
- Gross margin was 58.6% (56.1).
- Operating result was EUR 82.1 million (-269.6).
- The adjusted operating result was EUR 68.3 million (-12.3).
- Earnings per share were EUR 0.42 (-3.89).
- Adjusted earnings per share were EUR 0.30 (-0.46).

The Board of Directors will propose that no dividend will be paid for the financial year 2021.

### Guidance for 2022:

Stockmann expects an increase in the Group's revenue and that the adjusted operating result will be clearly positive assuming that no major COVID-19 restrictions are imposed.

### CEO Jari Latvanen:

Stockmann Group's fourth quarter was strong despite the continuing COVID-19 pandemic. The adjusted operating result improved by EUR 32.9 million. The full-year adjusted operating result improved by EUR 80.5 million as a consequence of agile adaptation to the COVID-19 situation, enhanced sales and strong marketing activities.

Lindex performed extremely well and the adjusted operating result for the fourth quarter improved by EUR 9.4 million. The adjusted operating result for the full-year 2021 was Lindex's best result ever and amounted to EUR 80.3 million. The Stockmann division also had a good fourth quarter. The adjusted operating result improved by EUR 23.8 million. The full-year adjusted operating result improved by EUR 38.3 million, but still remains negative due to the challenging first half of the year. The COVID-19 pandemic created challenges for international logistics and significantly reduced customer footfall during 2021. However, visits to department stores and fashion stores picked up from the level in 2020, and online shopping also continued to grow strongly in 2021.

Stockmann Group continued the determined implementation of the strategy by renewing channels, enhancing presence in the markets and developing the offering and service. Additionally Lindex invested in the femtech industry to create new business and growth opportunities within products to improve women's well-being through the various stages of life. The Stockmann division started an extensive renewal of its operating model, through which the organisation will be centred more closely around the core process. The purpose of the renewal is to improve customer experience and streamline processes.

Stockmann plc systematically implemented the corporate restructuring programme approved on 9 February 2021, and the key measures were accomplished at a rapid rate. Stockmann combined its series of shares and carried out debt and share conversions in May–July. In December 2021, the company signed agreements to sell department store properties in Tallinn and Riga and to enter into long-term leaseback with the new owner. The process to sell the department store property in the centre of Helsinki is progressing as planned.

Stockmann Group has proven to be effective in both divisions' strategies and we will continue the implementation, listening to customers closely and observing the operating environment. Stockmann will also continue to further develop the sustainability of its operations. Stockmann Group has made a commitment to the SBTi initiative, as a consequence of which we will set science-based climate targets for reducing greenhouse gas emissions in our own operations and the Group's value chain.

**KEY FIGURES**

	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Revenue, EUR mill.	277.5	232.0	899.0	790.7
Gross margin, %	57.7	58.0	58.6	56.1
Operating result (EBIT), EUR mill.	50.6	-256.0	82.1	-269.6
Adjusted operating result (EBIT), EUR mill.	29.6	-3.3	68.3	-12.3
Result for the period, EUR mill.	35.3	-247.3	47.9	-291.8
Earnings per share, undiluted and diluted, EUR	0.23	-3.20	0.42	-3.89
Personnel, average	5 762	5 651	5 649	5 991
Cash flow from operating activities, EUR mill.	84.3	37.4	150.4	146.6
Capital expenditure, EUR mill.	8.8	4.0	16.9	18.5
Equity per share, EUR			1.74	2.86
Net gearing, %			212.8	340.7
Equity ratio, %			18.9	14.5

**ITEMS AFFECTING COMPARABILITY**

EUR million	10-12/2021	10-12/2020	1-12/2021	1-12/2020
<b>Operating result (EBIT)</b>	<b>50.6</b>	-256.0	<b>82.1</b>	-269.6
<i>Adjustments to EBIT</i>				
Gain on sales of real estate	-21.7		-21.7	
Lindex goodwill impairment		250.0		250.0
Restructuring and transformation measures	3.7	2.7	10.9	7.3
Employee insurance refund	-3.0		-3.0	
<b>Adjusted operating result (EBIT)</b>	<b>29.6</b>	-3.3	<b>68.3</b>	-12.3

The 2020 figures are restated for costs related to SaaS arrangements. Additionally, the costs related to landlords' disputed claims for terminated lease agreements in 2020 have been reclassified from financing items to operating costs.

**STRATEGY**

Stockmann Group consists of two business divisions; the Lindex fashion group and Stockmann department stores and web-stores.

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 and looks good. 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.

According to Lindex's 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-commerce as well as in collaborations with global digital platforms, improved cost efficiency and 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. 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. We provide a curated merchandise selection in fashion, beauty, home and food combined with various services for our customers in our eight department stores as well as in the online store. For customers the Stockmann promise is to create a feeling that lasts, which we provide with our professional and service-minded personnel.

Stockmann's financial priorities for the strategy period are: Revenue growth and to improve profitability and return on investments.

**CORPORATE RESTRUCTURING PROGRAMME**

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, and the restructuring proceedings were ended. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The aforementioned properties were initially required to be sold by 31 December 2021 at the latest at the risk of the lapsing of the restructuring programme, unless the supervisor decided to postpone the deadline for the sale until 31 December 2022 for a justified reason. The supervisor subsequently accepted a timeline with the estimated sale of the properties at the latest during Q1 2022 in order to reach the optimal outcome for the company and the creditors. Stockmann signed on 29 December 2021 agreements to sell its department store properties in Tallinn and Riga and to continue with long-term leaseback with the new owner. The sale and leaseback of the department store property in Tallinn was booked in the fourth quarter of 2021. The sale and leaseback of the department store property in Riga will be booked in the first quarter of 2022 because the registration of the sold shares could not be made until in January 2022. The proceeds from the sales of the properties were used, according to the restructuring programme, in full to reduce the secured restructuring debts. The sale and leaseback process of the department store property in the centre of Helsinki is proceeding as planned.

On 18 May 2021, the Board of Directors resolved, pursuant to the authorisation granted by the General Meeting, on a share issue of at most 100 000 000 new shares of the company, carried out in deviation from the shareholders' pre-emptive subscription rights. Furthermore, pursuant to the restructuring programme, the creditors of unsecured restructuring debt were entitled to convert their receivables under the payment programme of the restructuring programme to new senior secured bonds issued by the company.

A total of 79 335 175 conversion shares were subscribed for in the share issue, and the total number of Stockmann shares increased to a total of 154 436 944 shares. Trading with the conversion shares commenced on Nasdaq Helsinki Ltd on 7 July 2021. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares. The remainder of that part of the confirmed unsecured restructuring debt and hybrid loan debt which would have been eligible for share conversion in the share issue will be cut in accordance with the restructuring programme (Stock Exchange Release, 5 July 2021). Other operating income includes a restructuring debt cut of EUR 2.6 million.

On 18 May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring. Pursuant to the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66.1 million. Accordingly, Stockmann issued bonds to the aggregate principal amount of EUR 66.1 million. The issue date of the bonds was 5 July 2021. Trading of the bonds on the official list of Nasdaq Helsinki Ltd commenced on 7 July 2021 under the trading code 'STCJ001026'.

Following the share and bond conversions, the remaining confirmed unsecured restructuring debt under the payment programme of the restructuring programme amounts to approximately EUR 21.8 million. Under the restructuring programme, Stockmann also has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed (Stock Exchange Release, 5 July 2021).

## COVID-19

The COVID-19 pandemic, which broke out in Europe after the first week of March 2020, is still causing significant changes in Stockmann Group's operating environment and customer volumes. During the first half of 2021, the pandemic continued to have a negative impact on business, especially in customer volumes in the brick-and-mortar stores. The online sales were not able to fully compensate for the decline despite the strong increase in e-commerce. In the third quarter of 2021, the lifted restrictions related to COVID-19 had a positive effect on Stockmann Group's operating environment and customer volumes. In the fourth quarter of 2021, the Group's sales increased in both divisions despite the uncertainty regarding multiple changes in the COVID-19 restrictions.

The online sales grew rapidly in 2020 due to uncertainty surrounding the pandemic and government restrictions, which reduced customer traffic in the brick-and-mortar stores. This development was partly reversed in the second half of 2021 with vaccine rollout and eased restrictions, enabling the customers to return to the brick-and-mortar stores.

In the Lindex division, sales during the fourth quarter in brick-and-mortar stores were affected by new COVID-19 restrictions that closed stores in some markets. However, growth in online sales continued to increase significantly and more than fully compensated for the drop in sales in brick-and-mortar stores compared to 2019.

The Stockmann division's visitor and customer volumes were on a par or above the previous year in the fourth quarter despite ris-

ing COVID-19 cases. The rising number of Covid-19 cases led to new government-issued restrictions during the final days of December. The Stockmann division's fourth quarter sales exceeded the previous year's sales. This improvement is evenly distributed across all months of the quarter.

## OPERATING ENVIRONMENT

The fashion sales in Finland grew by 13% in the fourth quarter and by 8% in the whole year 2021. The fashion sales are still at a considerably lower level than before the COVID-19 pandemic. The fashion sales recovered steadily during the autumn, and the Christmas sales were clearly better than expected. The online sales slowed down during 2021 but sales are still increasing compared to the brick-and-mortar stores. The fashion industry has now been struggling with the pandemic for two years, although stores in Finland mainly have been kept open. Repeated restrictions and recommendations have had a direct impact on the fashion sales during this period. Older people in particular have been avoiding shopping at the stores. (Source: Fashion and Sports Commerce association).

In Sweden, fashion sales continued to increase in the fourth quarter. The fashion sales in January–December were up by 17.4%. Fashion sales in 2021 are still below sales in 2019, at -6.1%. (Source: Swedish Trade Federation, Stilindex).

The COVID-19 pandemic had a negative impact on retail trade in the Baltic countries in 2021 due to lockdown periods at the stores, limitations on the opening times and fewer tourists. Retail trade showed some recovery during the second half of the year and there was swift growth in the retail trade during the fourth quarter.

## REVENUE AND EARNINGS

### October–December 2021

The Stockmann Group's fourth-quarter revenue amounted to EUR 277.5 million (232.0). Revenue was up by 19.6% on the previous year in euros, or up by 17.2% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 8.6% to EUR 96.7 million (89.1). Revenue in the other countries amounted to EUR 180.8 million (142.9), an increase of 26.5%.

Gross profit was EUR 160.0 million (134.5) and the gross margin was 57.7% (58.0). The gross margin was down to 64.6% in Lindex, and 45.3% in Stockmann. The gross margin for the merchandise sales improved, but the total gross margin declined slightly due to a lower rent share.

Operating costs were down by EUR 1.1 million, or down by EUR 2.1 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 109.4 million (110.6).

The operating result for the quarter was EUR 50.6 million. In the previous year an impairment of EUR 250.0 million was booked for the quarter, therefore the operating result was EUR -256.0 million. The adjusted operating result for the fourth quarter improved and was EUR 29.6 million (-3.3). The adjusted operating result was clearly up for both Lindex and Stockmann.

Net financial expenses amounted to EUR 4.2 million (-4.8). The result before taxes was EUR 46.3 million (-251.2).

The sale and leaseback of the Tallinn department store property generated a capital gain of EUR 21.7 million, which is presented in other operating income during the last quarter. Additionally, other operating income for the period included EUR 4.5 million

in public funding (EUR 1.0 million during the last quarter) related to the COVID-19 situation and a health insurance premium refund of EUR 3.0 million for Lindex in Sweden.

### January–December 2021

The Stockmann Group's revenue for the period amounted to EUR 899.0 million (790.7). Revenue was up by 13.7% from the previous year in euros, or up by 11.2% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 5.8%, to EUR 294.9 million (278.7). Revenue in the other countries was up by 18.0%, to EUR 604.1 million (512.0), or up by 14.1% in comparable currency rates.

Gross profit was EUR 527.0 million (443.7) and the gross margin was 58.6% (56.1). The gross margin was up for both Lindex and Stockmann.

Operating costs were up by EUR 30.2 million, or up by EUR 26.6 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 374.0 million (343.8).

The operating result for the period was EUR 82.1 million (-269.6). The adjusted operating result for the period was EUR 68.3 million (-12.3).

Net financial expenses amounted to EUR 16.9 million (24.6). The result before taxes was EUR 65.2 million (-294.2).

Taxes for the period totalled EUR 17.3 million (-2.4). On 21 May 2021, the Finnish Supreme Administrative Court handed down its decision on intra-group financing in the Stockmann Group during 2009–2011 in favour of Stockmann. The decision overturned an earlier decision handed down by the Administrative Court of Helsinki, and the Finnish tax authorities will change Stockmann's taxation for the years 2009–2011 and refund the overpaid taxes and related interest. Therefore, Stockmann recognised a tax and interest refund total of EUR 2.9 million during the period.

The result for the period was EUR 47.9 million (-291.8). Earnings per share for the period were EUR 0.42 (-3.89). Adjusted earnings per share were EUR 0.30 (-0.46). Equity per share was EUR 1.74 (2.86).

## FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 84.3 million (37.4) in the fourth quarter and EUR 150.4 million (146.6) in January–December. Stockmann and Lindex utilised possibilities to delay certain VAT and tax payments, as a part of governmental Covid-19 subsidies during 2020 and 2021.

Interest for the secured restructuring debt has been paid, in accordance with the restructuring programme. In the restructuring programme a repayment schedule has been prepared for the unsecured restructuring debt of EUR 21.8 million. The repayments will begin in April 2022 and continue until April 2028.

The proceeds, EUR 48.5 million, from the sale and leaseback of the department store property in Tallinn were used to partly repay the secured restructuring debt in December 2021. The remaining secured restructuring debt as per the end of December 2021 of EUR 381.5 million will be repaid by 31 December 2022.

Total inventories were EUR 154.8 million (135.3) at the end of December. Inventories increased from the previous year at both Lindex and Stockmann.

At the end of December, interest-bearing liabilities totalled EUR 784.7 million (859.4). The interest-bearing liabilities, which are

included in the restructuring debt, and which according to the situation on 31 December 2021 are classified in full as current liabilities, were EUR 381.5 million (488.2). The non-current senior secured bonds were EUR 66.0 million (-). The lease liabilities according to IFRS 16 were EUR 337.2 million (371.2). EUR 85.7 million of the lease liabilities were related to Stockmann and EUR 251.5 million to Lindex (31 December 2020: Stockmann 92.9, Lindex 278.3).

Cash and cash equivalents totalled EUR 213.7 million (152.3) at the end of December. Assets on the balance sheet totalled EUR 1 416.5 million (1 425.3) at the end of December.

The equity ratio was 18.9% (14.5) and net gearing was 212.8% (340.7) 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 27.3% and net gearing would have been 76.8%.

The Group's capital employed at the end of December was EUR 1 052.9 million, or EUR 751.5 million excluding IFRS 16 items (1 065.6 or 707.2).

## CAPITAL EXPENDITURE

Capital expenditure totalled EUR 8.8 million (4.0) in the fourth quarter and EUR 16.9 million (18.5) 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 Riga and the Stockmann department stores in the Jumbo shopping centre and the centre of Helsinki, 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 8. Unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

## LINDEX

Lindex	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Revenue, EUR mill.	177.8	139.6	607.4	507.1
Gross margin, %	64.6	66.1	65.4	63.0
Operating result, EUR mill.	24.0	14.9	74.6	38.8
Adjusted operating result, EUR mill.	24.3	14.9	80.3	39.6
Capital expenditure, EUR mill.	6.6	1.5	12.0	8.2

### October–December 2021

Lindex's revenue for the quarter was up by 27.4%, to EUR 177.8 million (139.6), or up by 25.5% in local currency rates compared to the previous year. Compared to 2019, revenue in local currency rates increased by 8.8%. Sales in the brick-and-mortar stores increased by 29% compared to the same period in the previous year. Growth in online sales during the quarter was 12.0% and accounted for 19.8% (21.8) of total sales. Total sales for the quarter increased in all markets and business areas.

The gross margin was 64.6% (66.1). Lindex had a lower gross margin due to increased freight prices and the high currency effect of the stronger USD against SEK compared to the previous year. This was partly compensated by lower markdowns, however.

Operating costs increased by EUR 18.2 million, to EUR 76.9 million (58.8). The costs increased compared to the previous year's strong cost cuts and due to costs related to increased sales.

Lindex's operating result for the fourth quarter improved by EUR 9.1 million, to EUR 24.0 million (14.9). Lindex's strong sales growth during the quarter together with good cost control produced the good result.

### January–December 2021

Lindex's revenue increased by 19.8%, to EUR 607.4 million (507.1), or up by 16.8% in local currency rates compared to the previous year. Compared to 2019, revenue in local currency rates increased by 4.1%. Lindex's revenue for the full-year 2021 is the highest revenue ever. Growth in online sales during the period was 47.0% and accounted for 20.6% (15.6) of total sales.

The gross margin was 65.4% (63.0) for the period. The gross margin was up due to lower markdowns, better start margins and a high currency effect from the stronger USD against SEK compared to the previous year.

Operating costs increased by EUR 46.6 million, to EUR 254.2 million (207.6). Due to increased sales, the costs were higher. Also, the previous year's strong cost cuts affected the comparability.

The operating result for the period was EUR 74.6 million, which is almost double that compared to 2020 (38.8).

Lindex's adjusted operating result for the period doubled and amounted to EUR 80.3 million (39.6). This was Lindex's best result ever.

During the year Lindex continued to make progress within its sustainability promise and the circular transformation. Climate matters have been in focus throughout the year, both regarding the reduction of emissions in transportations and own operations and at the same time the continuation of the transformation towards a circular business model. Empowering women is another focus area for Lindex where the fashion company has made continued progress in its supply chain. Lindex's sustainability report, which summarises the year 2021 and describes the fashion company's progress in detail, will be released in Q1 2022.

Lindex has great ambitions going forward on its journey as a global, brand-led and sustainable fashion company. Lindex plans to make extensive investments in logistics and digitalisation in the coming years to enable a significant growth and at the same time transform to a more sustainable business and maintain strong profitability. Important investments will create long-term resilience in the ever-changing industry and enable Lindex to continue to stand strong and well positioned for the future.

### Store network

Lindex had 441 stores in total at the end of the fourth quarter: 409 own stores and 32 franchise stores. Lindex opened 1 new store and closed 5 stores during the quarter. In addition to Lindex's own online store, the division also sells its products in third parties' digital platforms

Lindex store network	Total 31.12.2020	Total 30.9.2021	Closed stores 10-12/2021	New stores 10-12/2021	Total 31.12.2021
Finland	61	59	0	0	59
Sweden	197	191	2	0	189
Norway	91	91	0	0	91
Estonia	9	9	0	0	9
Latvia	10	10	0	0	10
Lithuania	10	10	0	0	10
Czech Republic	28	27	0	0	27
Slovakia	12	12	0	1	13
UK	2	2	1	0	1
Denmark*	1	1	0	0	1
Iceland*	7	8	0	0	8
Bosnia and Herzegovina*	9	10	0	0	10
Serbia*	8	6	0	0	6
Kosovo*	2	1	0	0	1
Albania*	1	1	0	0	1
Saudi Arabia*	7	3	2	0	1
Qatar*	1	1	0	0	1
Tunisia*	2	2	0	0	2
Malta*	0	1	0	0	1
<b>Total</b>	<b>458</b>	<b>445</b>	<b>5</b>	<b>1</b>	<b>441</b>
Own stores	420	411	3	1	409
Franchising stores (*)	38	34	2	0	32

## STOCKMANN

Stockmann	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Revenue, EUR mill.	99.7	92.4	291.6	283.6
Gross margin, %	45.3	45.7	44.5	43.9
Operating result, EUR mill.	27.8	-17.6	11.6	-48.2
Adjusted operating result, EUR mill.	6.3	-17.6	-9.9	-48.2
Capital expenditure, EUR mill.	2.1	2.5	4.9	10.3

### October–December 2021

The Stockmann division's fourth-quarter revenue grew by 7.9% and amounted to EUR 99.7 million (92.4). Sales in the brick-and-mortar stores grew as a consequence of higher visitor volumes combined with an improved conversion rate as well as a larger average purchase by customer. The online store experienced a 16.1% decrease in revenue during the quarter compared to the previous year and accounted for 16.7% (21.5) of total sales.

Revenue in Finland came to EUR 78.4 million (73.7), an increase of 6.4% on the previous year. Revenue in department stores in the Baltics increased by 13.7%, to EUR 21.3 million (18.8).

The gross margin was 45.3% (45.7). The gross margin decreased compared to the previous year due to a different clearance mechanism compared to 2020, but it was still at a healthy level.

Operating costs decreased by EUR 13.7 million, to EUR 36.6 million (50.3). In December 2020 the costs were higher due to a provision for landlords' disputed claims for terminated lease agreements.

The operating result for the quarter was EUR 27.8 million (-17.6).

The adjusted operating result for the quarter was EUR 6.3 million (-17.6).

### January–December 2021

The Stockmann division's revenue amounted to EUR 291.6 million (283.6). The increase was derived from the brick-and-mortar sales as the easing of the COVID-19-related restrictions increased visitor volumes in the stores. Consequently, online sales and visitor volumes in the online store decreased compared to the previous year. The online store declined during the period by 2.2% and accounted for 15.9% (16.8) of total sales.

Revenue in Finland amounted to EUR 226.7 million (220.2), an increase of 3.0% from the previous year. Revenue in department stores in the Baltics was up 2.3%, to EUR 64.8 million (63.4).

The gross margin was up, to 44.5% (43.9). The gross margin increased mainly because regular sales consistently made up a higher share of sales than in the previous year.

Operating costs decreased by EUR 8.9 million, to EUR 124.1 million (133.0). The cost provision for landlords' disputed claims resulted in higher cost for the previous year.

The operating result for the period was EUR 11.6 million (-48.2).

The adjusted operating result for the period was EUR -9.9 million (-48.2).

Stockmann conducted a CSR survey of all its stakeholders for a materiality assessment, which will form the basis for a CSR strategy renewal in Q4 2021–Q1 2022.

### Properties

The restructuring programme is based on the sale and leaseback of the department store properties in Helsinki, Tallinn and Riga. Agreements about sale and leaseback of Tallinn and Riga properties were signed in December 2021. (Stock Exchange Release 29 December 2021). The sales of the department store property in Riga will be booked in the first quarter of 2022 because the closing of the sales of the Riga shares could not be made until January 2022.

The book value of the Helsinki property is EUR 227.1 million as at 31 December 2021, and it is presented as assets held for sale.

## SHARES AND SHARE CAPITAL

On account of the combination of the A and B share classes of Stockmann plc a total of 3 053 086 new shares issued to holders of A shares in a directed share issue without payment were registered with the Trade Register on 9 April 2021, in accordance with the resolution made by the Annual General Meeting on 7 April 2021. Simultaneously, the combination of the company's share classes as well as the amendments to the Articles of Association related thereto were registered with the Trade Register. (Stock exchange release 9.4.2021)

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

At the end of December, Stockmann had a total of 154 436 944 shares. The number of votes conferred by the shares was 154 436 944.

The Annual General Meeting resolved, in accordance with the proposal by the Board of Directors, to use the invested unrestricted equity fund, the other funds consisting of unrestricted equity on the company's balance sheet, and the share premium fund in their entirety to cover losses. The Annual General Meeting also decided that after covering the losses, the company's remaining share capital will be further reduced by EUR 67,556,538.26 by transferring these funds to the invested unrestricted equity fund. However, some creditors objected to the reduction of the company's share capital and the process for reduction of the company's share capital lapsed. According to the Finnish Companies Act, distributions to shareholders during the three years following the registration of the reduction of share capital in order to cover losses can only be made by following the creditor protection procedure. According to the restructuring programme, the company may not distribute the company's assets to shareholders during the implementation of the repayment schedule under the restructuring programme either.

At the end of December the share capital was EUR 77.6 million. At the end of December, the market capitalisation stood at EUR 333.6 million (86.9).

The price of a STOCKA share was EUR 2.16 at the end of December, compared with the price of a Series A share EUR 1.27 and the price of Series B share 1.16 at the end of 2020.

A total of 90.8 million shares were traded on Nasdaq Helsinki during the period. This corresponds to 79.6% of the average number of shares.

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

At the end of December, Stockmann had 45 054 shareholders, compared with 43 656 a year earlier.

## DISCLOSURE OF NON-FINANCIAL INFORMATION

The Stockmann Group is a Finnish listed company, engaging in the retail trade, whose business operations focus on offering a comprehensive range of high-quality products and services in multi-channel department stores, fashion stores and e-commerce. The product and service range is being developed in line with sustainable values, so that customers can be provided with an increasing volume of sustainable options. It consists of fashion, beauty and home products, as well as the supporting services. Stockmann is committed to a responsible business strategy and responsible business development in all its divisions. The company has 8 department stores and 441 fashion stores spread over 19 countries, including franchising stores.

Its daily operations are based on the Group's strategy and values, Stockmann's Code of Conduct, and the corporate social responsibility (CSR) strategies of its divisions. The CSR focus areas are identified through materiality assessments and stakeholder dialogue, CSR targets and indicators are then integrated into business operations, and their development is monitored on a regular basis. Thus, in 2021, a stakeholder survey was conducted in all countries of operation in order to update the Stockmann Division's CSR strategy, and a materiality assessment was carried out on the basis of its results. The Lindex division also conducted a comprehensive stakeholder survey to further develop its CSR work. More detailed information about the updated CSR strategy and programme will be provided during 2022.

The Group's continuous CSR development work is guided by Stockmann's CSR strategy and promise. According to its CSR promise, Stockmann will inspire and support its customers in making responsible choices, and will work for a more sustainable future. Lindex, on the other hand, commits to empowering and inspiring women everywhere, while respecting the planet and defending human rights.

Stockmann communicates openly about its CSR work and reports annually on its CSR focus areas, targets and developments in the Group's CSR Review, which is prepared under Global Reporting Initiative (GRI) standards. The CSR Review will be published in the week beginning 28 February 2022 at 'year2021.stockmanngroup.com'. Lindex will report on its sustainability in a separate report that will be available at lindex.com.

### Key commitments, codes of conduct and policies

Stockmann's operations comply with international and national laws and regulations as they stand at the time in question in its countries of operation. The Group's operations are also guided by international treaties and recommendations, such as the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the UN Sustainable Development Goals and the UN Guiding Principles on Business and Human Rights. In addition, Stockmann is committed to the UN Global Compact initiative, and promotes human rights, labour rights, environmental protection and anti-corruption measures in accordance with the initiative.

In 2021, the Stockmann Group was among the first companies to sign the new expanded International Accord for Health and Safety in the Textile and Garment Industry. The accord is a successor to the so-called Bangladesh Accord on Fire and Building Safety, which was signed by Stockmann in 2013, thus becoming the first company in Finland to do so. Further information about other international commitments is provided in Stockmann's CSR Report 2021 and on the Group's website.

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

By the end of 2021, 89% (76) of the Stockmann Division's personnel in Finland and 100% (81) of its personnel in Latvia had completed online training on the Code of Conduct. Online training is not yet in use in Estonia, but it will become part of training practices during 2022. During 2021, however, the Code of



Conduct was implemented in Estonia at personnel information meetings by updating local guidelines to align with the Code's principles and by discussing the subject with every new employee. In Finland, 90% (64) of the members of the management teams of Stockmann's support functions and department stores have completed training. For Estonia and Latvia, the corresponding figure is 100%. Our target is for 100% of the Group's personnel in all countries to have completed the training.

### Respecting human rights

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

Stockmann has recognised that the most significant human rights risks related to its business operations lie in the product supply chains and concern working conditions. A significant portion of Stockmann's own fashion brands, 94% (93), and those of Lindex, 98% (96), are manufactured in areas classified as high-risk by amfori BSCI. We are aware that these countries involve a risk that our Code of Conduct will be violated, and we are actively working to ensure compliance.

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

### Product safety and responsible supply chain

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

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

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. Product safety is ensured in collaboration with suppliers. Product testing and quality checks are carried out to ensure that the products fulfil all statutory quality and safety

requirements and any stricter requirements set by the company. During the reporting year, Stockmann and Lindex had no public product recalls.

### Prevention of corruption and bribery

The Stockmann Group's policies related to anti-corruption and anti-competitive practices are included in its Code of Conduct and are further specified in the Group's anti-corruption policy. Stockmann has zero tolerance towards all forms of bribery and corruption. Stockmann's 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 complying with local laws.

The Stockmann Group uses a Group-wide whistleblowing channel operated by an external supplier, which can be used anonymously by employees, partners and other stakeholders to report any suspected or detected violations of the Code of Conduct or other Group guidelines. Stockmann's employees can also report any suspicions to their supervisor, their unit's security manager, the Group management, the legal department or the Group's Internal Audit. All whistleblowing reports and discussions are taken seriously and handled confidentially. All incidents are reported to Internal Audit and to the Director of Legal Affairs. In 2021, one incident was reported through the channel. The incident was not related to corruption. It was investigated, and the necessary measures were carried out. Stockmann was not made aware of any legal cases, proceedings or decisions concerning corruption, anti-competitive behaviour or anti-trust practices in 2021.

### Customers

Stockmann engages in continuous dialogue with its customers to maintain and improve customer satisfaction. Efforts towards more effective customer dialogue include close cooperation with customers in service development, customer pilots and testing, customer surveys and panels, and customer satisfaction measurements. In addition, Stockmann actively uses social media and other feedback channels to better understand customer needs and expectations.

In 2021, the Stockmann Division's overall Net Promoter Score (NPS) was 46 (58). The department stores' scores were 54 (58) in Finland, 64 (63) in Estonia and 73 (66) in Latvia. The NPS for the Stockmann.com online store was 47 (34). The long-term NPS target level for the department stores was 70. In 2021, the Stockmann Division selected the Emotional Value Index (EVI), which measures emotional experience, as its new performance indicator. The division-level EVI targets will be revised separately for the first half (H1) and second half (H2) of each year. The Net Promoter Score (NPS) will no longer be used as of the beginning of 2022. The division-level EVI result for 2021 was 49. The EVI result was 65 for the department stores, 5 for customer service and 48 for the online store.

Due to a revised measurement method and a change in measurement volumes, the NPS for 2021 is not fully comparable to the result for 2020. We will continue to develop the customer experience systematically and purposefully in 2022, as well.

To inspire and support its customers in making responsible choices, Stockmann openly shares information about its CSR work, actively promotes the sustainability of its selection and services, and regularly participates in sustainability and charity projects. Sustainability aspects are part of customer satisfaction measurements. A separate sustainability survey for customers is carried out twice a year. The target score to be achieved by the end of 2022 is 4 (on a scale of 1 to 5). The result for 2021 was 3.7. Stockmann will continue to make systematic efforts to improve sustainability.

In its operations, Stockmann complies with the current competition and privacy laws and promotes free competition in its sector. There were no GDPR incidents in the Stockmann Division

in 2021. A notification concerning Lindex was filed with the local data protection ombudsman, but no further measures were deemed necessary. Stockmann's annual target is zero incidents of customer privacy breaches.

### Personnel

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

The coronavirus pandemic that broke out in the spring of 2020, continued to pose challenges for Stockmann's business operations. In 2021, the constraints resulting from the pandemic were addressed through country-specific temporary adjustment measures. The year was demanding for our employees, as the company continued to adjust its operations and cost levels to the changes in the operating environment caused by the coronavirus pandemic in all of the Stockmann Group's countries of operation. The company continued to implement cost-saving measures in both business divisions to improve cost efficiency in the exceptional circumstances caused by the pandemic. At the same time, the company implemented its revised strategy and process modifications to improve business performance and customer satisfaction. Organisational changes to improve profitability continued in the Stockmann Division. Major investments were also made in further developing employees' competence and work culture.

The Group's average number of employees was 5 649 (5 991) in 2021. In terms of full-time equivalents, the average number of employees was 3 886 (3 973). At the end of the year, the Group had 5 833 (5 639) employees, of whom 1 512 (1 616) were working in Finland. The number of employees working outside Finland was 4 321 (4 023), or 74.1% (71.3) of the total number of personnel. Among the Stockmann Group's employees, women represented 91% (90) and men 9% (10).

The Group's wages and salaries amounted to EUR 149.3 million in 2021, compared with EUR 140.8 million in 2020. The total employee benefit expenses were EUR 194.6 million (181.9), or 21.6% (23.0) of revenue.

### The environment

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

Energy efficiency is an important part of Stockmann's environmental work, as the energy consumption in Stockmann's own operations has been identified to be the most significant source of carbon dioxide emissions. The Group's energy consumption mainly consists of electricity and district heating and cooling. Energy is consumed by the lighting, ventilation, heating and cooling systems in the stores, distribution centres and offices, as well as by other equipment and machinery in these facilities, such as lifts and escalators. As part of active environmental efforts to reduce climate impacts, employees' environmental awareness

is maintained through training and regular internal communications.

Reporting on GHG emissions serves as a management tool in the Stockmann Group, providing a basis for determining where emissions should be reduced and for setting reduction targets. Stockmann's carbon footprint in 2021 covers the Stockmann and Lindex divisions in all countries of operation, excluding Lindex's franchising operations. Stockmann reports annually on its carbon dioxide emissions in the Group's CSR Review and in the international Carbon Disclosure Project (CDP) climate change survey. In 2021, Stockmann's CDP result continued to be on a good level of B- (B), similar to the three previous years. Stockmann's rating is higher than the global average (C) and on a par with the regional average for Europe (B). The rating reveals that Stockmann has taken coordinated action on climate issues.

During 2021, the Group's divisions continued to promote measures to reduce emissions. In keeping with its goal-oriented work, Stockmann made a commitment to set emission reduction targets in accordance with the criteria of the Science Based Targets initiative (SBTi). The goal is to set science-based climate targets to reduce greenhouse gas emissions in the Group's own operations and value chain.

The Stockmann Group has operations in 19 countries, which means that significant emissions arise from the distribution of goods to the stores and from imported freight. In order to reduce these emissions, we cooperate actively with transport partners, paying attention to the efficient and environmentally friendly logistics of product flows.

In 2021, the Stockmann Group's comparable GHG emissions decreased by 27% (14) and amounted to 24,700 tCO<sub>2</sub>e (33,700). The largest share of emissions, around 68%, came from the generation of purchased energy, especially electricity (Scope 2). The share of certified renewable energy purchased in the Stockmann Group in 2021 was 55% (34,580 MWh, of which Stockmann's share is 11 % and Lindex's 89 %).

Stockmann has identified the circular economy as one of the key themes in promoting sustainable business, and thus seeks to act accordingly, in line with the principles of the circular economy. Stockmann aims to reduce the environmental impacts of own-brand products and to increase the use of more sustainable materials in its own-brand products. Lindex aims to have 80% of its garments made from more sustainable materials, using more sustainable processes and more sustainable production facilities. In 2021, 78% (68) of the Lindex range was made from more sustainable materials, and around 99% (99) of all Lindex cotton was sustainably produced, such as organic cotton or Better Cotton. In 2021, 60% (60) of Stockmann's own-brand garments was made from more sustainable materials, and 90% (91) of its own brand knitwear was made from more sustainable cotton. Both indicators exceeded their target level. Stockmann's target was that, by 2021, 50% of its own-brand garments would be made from more sustainable materials, and that 80% of its own-brand knitwear would be made from more sustainable cotton. Active collaboration and dialogue with goods suppliers will continue so that information on the origin of products and sustainable materials can be made available to customers in a transparent manner, for both our own brands and our partners' brands.

### CSR risks and risk management

The Stockmann Group's most significant CSR-related risks have been identified as related to the supply chains of the product selections. The well-known international and domestic branded products in Stockmann's department stores form the majority of the department store's range. The suppliers of these products are expected to commit to the Stockmann Code of Conduct or to demonstrate a similar commitment. In addition, Stockmann's department stores have a wide range of Stockmann's own brands. The majority of the Lindex range consists of its

own-brand products. A significant proportion of the Group's own-brand products are manufactured in regions classified as high-risk countries by amfori BSCI. This proportion is 94% (93) for Stockmann, and 98% (96) for Lindex. In the management of its own-brand supply chains, the Group is exposed to various risks, such as the traceability and transparency of supply chains, the implementation of human and labour rights, and the environmental impacts of production and raw materials.

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

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

## STOCKMANN'S ASSESSMENT OF EU TAXONOMY ELIGIBLE ACTIVITIES

The objective of the European Union's classification system for sustainable financing is to link financing and climate targets in order to attain the targets set in the Paris Agreement. It is also intended to help investors, businesses and other economic actors and EU Member States direct their investments to sustainable targets. The classification system defines criteria for investments that promote a carbon-neutral and environmentally sustainable economy and are an important part of the EU's future climate policy actions. The sectors included in the criteria account for around 94 per cent of the EU's CO<sub>2</sub> emissions. The Taxonomy Regulation currently applies to listed companies with more than 500 employees, financial market participants, insurance companies and EU Member States. Stockmann, which is listed on the stock exchange and employs more than 500 people, must assess its EU taxonomy eligibility. The EU's taxonomy does not define criteria that are specific to Stockmann's business in the retail sector. Currently, criteria exist for 13 different sectors, including energy production, transport and forestry. The development of EU taxonomy will be monitored and internal understanding of the possible impact of the EU taxonomy framework on Stockmann Group's business operations will be enhanced.

### Stockmann's business in the retail sector

At the time of preparing this report, Stockmann's retail business is not included in the sectors that are within the scope of EU taxonomy, which means that the portion of revenue and capital and operating expenses within its scope is 0 per cent. However, the retail sector may have a significant impact on the other environmental objectives of the taxonomy, such as the circular economy, but applicable criteria have not yet been published. Stockmann has assessed the impacts of its business operations and has actively promoted the circular economy by optimising the use of packaging materials, using high-quality and sustainable materials in products, making increasing use of recyclable and recycled materials, enhancing the recycling of waste, increasing services that support sustainability and attempting to promote sustainable consumption habits. Stockmann has also systematically increased the energy efficiency of its operations

and disclosed its greenhouse gas emissions at the Group level for ten years. Stockmann has thus recognised the climate impact of its operations throughout the value chain and has undertaken measures and is committed to setting science-based SBT climate targets.

### Stockmann's real estate holdings

EU taxonomy defines criteria for sustainable financial operations in the real estate business. Under the Taxonomy Regulation, the acquisition and ownership of buildings (activity 7.7 'Acquisition and ownership of buildings') is classified as a sector covered by the taxonomy. At the time of preparing this report, Stockmann is in possession of real estate, the sale of which should be carried out by 31 March 2022 in accordance with the restructuring programme target timetable. In this respect, Stockmann's real estate business in its entirety is covered by the taxonomy classification.

In this report, Stockmann has assessed the eligibility of its business operations in the retail sector and its real estate business as follows for EU taxonomy:

KPI	Total (EUR million)	Eligible %	Non-eligible %
Turnover	899.0	1.3%	98.7%
Capex	64.8	0.5%	99.5%
OpEx	374.0	0.4%	99.6%

## BUSINESS CONTINUITY, RISKS, AND FINANCING SITUATION

Total cash as at 31 December 2020 was EUR 152.5 million. Due to normal business seasonality, the figure declined during the first quarter of the year but improved during Q2-Q4 and amounted to EUR 213.8 million at 31 December 2021. Both divisions have taken and will take action to improve the cash flow and net working capital position. The restructuring proceedings caused uncertainty among suppliers, but business relations are gradually returning to normal. Measures to adjust the cost structure and product intake due to the coronavirus situation have been implemented from the second quarter of 2020 onwards. During the restructuring proceedings, Stockmann plc renegotiated all department store lease agreements and office lease agreements. Thereby, lease costs and store sizes were adjusted downwards. These measures support the cash flow from 2021 onwards.

The Helsinki District Court approved the restructuring programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga, and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The proceeds from the sale and leaseback of the department store properties will mostly be used for repayment of the secured restructuring debt by 31 December 2022 at the latest. The aforementioned properties were initially required to be sold by 31 December 2021 at the latest at the risk of the lapsing of the restructuring programme, unless the supervisor decided to postpone the deadline for the sale until 31 December 2022 for a justified reason. The supervisor subsequently accepted a timeline with an estimated sale of the properties at the latest during Q1 2022 in order to reach the optimal outcome for the company and the creditors. The sales process of the department store property in the centre of Helsinki is proceeding as planned. Stockmann signed agreements to sell its department store properties in Tallinn and Riga on 29 December 2021 and to enter into long-term leaseback agreements with the new owner. The proceeds from the sales of the Tallinn property were, according to the restructuring programme, used in full to reduce the secured restructuring debts in December 2021. Thereafter the remaining secured restructuring debt was EUR 381.5 million. The sale and leaseback transaction of the Riga property was completed and

the proceeds from the sale, EUR 38.7 million, were used to repay the secured restructuring debt in January 2022

As a part of the restructuring programme, the company's A and B share series were combined as of 12 April 2021 so that each one (1) A share was entitled to receive 1.1 B shares. The combination is intended to improve the liquidity of the share and the company's ability to secure financing from the market.

Efforts have been made to build some flexibility into the restructuring programme by converting some of the unsecured debts into the company's shares or cutting them. Half of the hybrid bond was cut during Q1 2021 and the other half was mostly converted to equity in July 2021 and partly cut. In addition, 20% of the other undisputed restructuring debt was mostly converted into equity in July and partly cut.

An unsecured creditor was entitled to exchange the payment described in the repayment schedule for a secured bond issued by the company with a five-year bullet principal repayment. The conversions were completed in July and the size of the bond is EUR 66.1 million (Stock Exchange Release, 5 July 2021).

Stockmann plc has pledged Stockmann Sverige AB's (SSAB) shares and its receivables from SSAB as a security for the bond. The different maturity profile of the secured bond provides the company with flexibility for the initial years of the restructuring programme. The programme enables Stockmann to make up a EUR 50 million tap issue on the above-mentioned secured bond. This tap issue can be used to cover short-term liquidity needs.

The remaining unsecured restructuring debt is EUR 21.8 million. A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments will begin in April 2022.

Lindex opened foreign exchange hedging limits in September and is gradually increasing the hedging levels towards the normal level. The Group's scope for arranging new financing is 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 leaseback of properties, and repayment of restructuring debt according to Stockmann plc's corporate restructuring programme may lead to termination of the restructuring or bankruptcy.

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. Risks related to production and supply may arise from unusual situations such as an escalation in the COVID-19 pandemic or a new epidemic leading to government-imposed restrictions, a lack of transport capacity, strikes, political uncertainties or disputes, any of which may stop or cause delays in production or supply of merchandise and which in turn may affect business negatively. The management and the Board of Directors regularly assess the operational and strategic risks associated with the current situation.

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. In their reply, the Swedish tax authorities concluded that Stockmann does not have the right to appeal to the European Court of Justice to gain the rejected interest deductions, and that the decision of the European Court of Justice of 20 January 2021 is of no significance regarding Stockmann's right to deduct these interest expenses. The processing of the case continues in the Court of Appeal (Stock Exchange Release, 14 May 2021).

LähiTapiola Keskustakiinteistöt Ky, the landlord of Stockmann's Tapiola department store, has initiated arbitration proceedings against Stockmann in which the company claims up to EUR 43.4

million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim of LähiTapiola Keskustakiinteistöt Ky in the restructuring programme to the extent that it exceeds EUR 3.5 million. In connection with the same, LähiTapiola Keskustakiinteistöt Ky has filed a claim against Stockmann, Stockmann AS and the administrator and/or the supervisor at the Helsinki District Court to leave the matter in abeyance. In addition, LähiTapiola Keskustakiinteistöt Ky has appealed to the Court of Appeal regarding the decision of the Helsinki District Court to certify the restructuring programme on 9 February 2021 to the extent that the Helsinki District Court has investigated a claim by Stockmann AS instead of rejecting the claim and instructing LähiTapiola Keskustakiinteistöt Ky to deliver its claim to be reviewed in a different process. In addition, Nordika II SHQ Oy, the landlord of Stockmann's Takomotie office space, has filed a claim with the Helsinki District Court, in which the company claims compensation amounting to a maximum of EUR 14.5 million from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. This claim has been disputed by the supervisor in the restructuring programme to the extent that it exceeds EUR 1.2 million. In the same claim, Nordika II SHQ Oy has named the administrator and Stockmann as respondents.

The lessor of the Tampere department store, Mutual Insurance Fund Fennia, has commenced arbitration proceedings against Stockmann, in which the company claims up to EUR 11.9 million in compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim to the extent that it exceeds EUR 2.8 million. In addition, Mutual Insurance Fund Fennia has filed two claims with the Helsinki District Court with Stockmann, with the administrator and the supervisor as respondents in the first claim and Stockmann AS as respondent in the other claim. In the claims to the Helsinki District Court, Mutual Insurance Fund Fennia requests the court to confirm that the damages payable to Fennia are the maximum amount of EUR 12 million. Moreover, the second lessor of the Tampere department store, Tampereen Seudun Osuuspankki, has initiated proceedings at the Pirkanmaa District Court, in which the company claims up to EUR 20.3 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. In the restructuring programme, the supervisor has disputed the claim presented by Tampereen Seudun Osuuspankki during the restructuring proceedings (at which time the maximum amount of the claim was EUR 17.7 million) to the extent that it exceeds EUR 2.0 million.

In addition to the above claims, the former subtenant of the Tampere department store, Pirkanmaan Osuuskauppa, has initiated arbitration proceedings in which it claims up to EUR 5.4 million compensation from Stockmann in accordance with, among others, section 27, subsection 1 of the Restructuring Act. The supervisor of the restructuring proceedings has disputed the claim for the most part. Pirkanmaan Osuuskauppa has also appealed regarding the decision of the Helsinki District Court on 9 February 2021 to certify the restructuring programme to the extent that the Helsinki District Court viewed that the damages payable to Pirkanmaan Osuuskauppa are restructuring debt instead of debt that has arisen after the application for restructuring proceedings came into force pursuant to section 32 of the Restructuring Act. The Helsinki Court of Appeal rejected Pirkanmaan Osuuskauppa's appeal in its court decision on 4.11.2021. Furthermore, ECR Finland Investment I Oy, the owner of Kirjatalo, has appealed the decision by Helsinki District Court on 9 February 2021 to certify the restructuring programme. ECR Finland Investment I Oy has requested that the Appeal Court confirm that its claim is based on an obligation in accordance with section 15 of the Restructuring Act, and thus, such a claim would be considered debt that has arisen after the application for restructuring proceedings came into force. Alternatively, if the court considers that the claim of ECR Finland Investment I Oy concerns restructuring

debt within the meaning of section 3 of the Restructuring Act, ECR Finland Investment I Oy requests that it would in any case be entitled to receive a payment for its receivable despite the payment block in accordance with section 17 of the Restructuring Act. The Helsinki Court of Appeal rejected ECR Finland Investment I Oy's appeal in its court decision on 4.11.2021.

With regard to the other disputed receivables mentioned in the restructuring programme, conciliation negotiations are underway and some of them have already been settled amicably. The disputes mentioned in the corporate restructuring programme concerning HOK-Elanto Liiketoiminta Oy and the landlord of the Jumbo department store have been settled.

## RISK FACTORS

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

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

Risks related to production and supply may arise from unusual situations such as an escalation 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 currently only partly hedging the foreign

exchange risks 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 the sufficiency of liquidity and on the financial position. Failure to meet the requirements, the sale and leaseback 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

The sales of the department store property in Riga will be booked in the first quarter of 2022 because the closing of the sales of the Riga shares could not be made until in January 2022.

On 27 January 2022, the company announced that it had received and verified three subscription forms from entitled persons whose previously conditional or disputed receivables subject to the payment programme of the restructuring programme have been clarified and the final amounts of such receivables have been confirmed. The subsequent bonds duly subscribed for by such entitled persons amount to the aggregate principal amount of EUR 94,333. The receivables of the entitled persons will be converted, by way of set-off, to subsequent bonds. The subsequent bonds are settled through the clearance system of Euroclear Finland Ltd and will be recorded on the book-entry accounts maintained by Euroclear Finland Ltd as soon as practically possible.

Pursuant to the restructuring programme, the entitled persons are also entitled to convert 20% of their receivables that have been confirmed by 1 December 2021 to the shares in the company. Stockmann announced the results of the share issuance with a separate release.

The company still has disputed, conditional and maximum amount based restructuring debt under the restructuring programme in respect of which the final amount subject to the payment programme will be confirmed later, and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed.

Stockmann submitted an application for the issued subsequent bonds to be admitted to trading on the list of Nasdaq Helsinki Ltd together with the fungible bonds already trading under the trading code "STCJ001026". Trading on the subsequent bonds is expected to commence on or about 1 February 2022. (Stock Exchange release 27.1.2022)

On 27 January 2022, the Company's Board of Directors decided, in accordance with the restructuring programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 28,139 new shares of the Company (the "Conversion Shares") in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the restructuring programme were confirmed to their final amounts by 1 December 2021 (the "Share Issue") and has approved the subscriptions made in the Share Issue.

The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the Share Issue, the total number of shares in the Company will increase by 28 139 shares to a total of 154 465 083 shares. After the Share Issue, the Company will continue to have restructuring debt under the restructuring programme that is conditional, a maximum amount or disputed, in respect of which the amount subject to the payment programme will be confirmed later, and the creditors of such restructuring debt will be entitled to conversion after their respective restructuring debt receivables have been confirmed. (Stock Exchange release 27.1.2022)

On 28 January 2022, the 28 139 Conversion Shares subscribed for in the Share Issue were registered in the trade register maintained by the Finnish Patent and Registration Office. Following the registration of the Conversion Shares, the total number of issued shares in the Company is 154 465 083.

The Conversion Shares will, as of their registration and recording on the book-entry accounts of the subscribers, confer same rights as the company's other shares, including a right to dividends and other shareholder rights. The recording on the book-entry accounts of the subscribers is expected to take place on or about 1 February 2022. Trading with the Conversion Shares is expected to commence on or about 1 February 2022 under the trading code "STOCKA". (Stock Exchange release 28.1.2022)

The Supreme Court has granted Pirkanmaan Osuuskauppa leave to appeal to the extent that the appeal concerns the claim for damages arising from the termination of the sublease agreement are restructuring debt or debt that has arisen during the corporate restructuring proceedings. LähiTapiola Keskustakinteistöt Oy and ECR Finland Investment I Oy were not granted leave to appeal.

## **GUIDANCE FOR 2022**

Stockmann expects an increase in the Group's revenue and that the adjusted operating result will be clearly positive assuming that no major COVID-19 restrictions are imposed.

## **MARKET OUTLOOK FOR 2022**

Uncertainty in the global economy is expected to persist throughout 2022, and the COVID-19 pandemic will continue to have an impact on the economy across the world, until the coronavirus situation is under better control. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence as well as inflationary pressures.

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

## **CORPORATE GOVERNANCE STATEMENT**

Stockmann will publish a separate Corporate Governance Statement for 2021 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published during the week starting on 28 February 2022 (week 9).

Helsinki, 24 February 2022

STOCKMANN plc  
Board of Directors

# CONDENSED FINANCIAL STATEMENTS

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

## CONSOLIDATED INCOME STATEMENT

EUR mill.	1.1.-31.12.2021	1.1.-31.12.2020
<b>REVENUE</b>	<b>899.0</b>	790.7
Other operating income	31.9	9.7
Materials and consumables	-372.0	-347.0
Wages, salaries and employee benefit expenses	-194.6	-181.9
Depreciation, amortisation and impairment losses	-102.9	-379.2
Other operating expenses	-179.4	-161.9
<b>Total expenses</b>	<b>-848.9</b>	-1 069.9
<b>OPERATING PROFIT/LOSS</b>	<b>82.1</b>	-269.6
Financial income	2.7	20.7
Financial expenses	-19.6	-45.4
<b>Total financial income and expenses</b>	<b>-16.9</b>	-24.6
<b>PROFIT/LOSS BEFORE TAX</b>	<b>65.2</b>	-294.2
Income taxes	-17.3	2.4
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>47.9</b>	-291.8
<b>Profit/loss for the period attributable to:</b>		
Equity holders of the parent company	47.9	-291.8
<b>Earnings per share, EUR:</b>		
From the period result (undiluted and diluted*)	0.42	-3.89

\*) Earnings per share for comparable periods has been restated to reflect the current amount of shares

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.-31.12.2021	1.1.-31.12.2020
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>47.9</b>	-291.8
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>		
Exchange differences on translating foreign operations, before tax	-6.0	37.8
Exchange differences on translating foreign operations, net of tax	-6.0	37.8
Cash flow hedges, before tax	1.1	1.4
Cash flow hedges, net of tax	1.1	1.4
<b>Other comprehensive income for the period, net of tax</b>	<b>-4.9</b>	39.2
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>43.0</b>	-252.6
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent company	43.0	-252.6

2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 are reclassified from financial items to other operating expenses.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	31.12.2021	31.12.2020
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Goodwill	271.5	277.5
Trademark	88.7	90.6
Intangible rights	27.6	27.6
Other intangible assets	1.1	1.4
Advance payments and construction in progress	2.1	1.6
<b>Intangible assets, total</b>	<b>391.1</b>	<b>398.7</b>
<b>Property, plant and equipment</b>		
Machinery and equipment	40.6	44.5
Modification and renovation expenses for leased premises	4.8	4.2
Right-of-use assets	296.6	351.4
Advance payments and construction in progress	1.2	11.6
<b>Property, plant and equipment, total</b>	<b>343.2</b>	<b>411.8</b>
Investment properties	0.5	0.5
Non-current receivables	3.8	1.7
Non-current lease receivables		3.9
Other investments	0.2	0.2
Deferred tax assets	23.8	27.8
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>762.6</b>	<b>844.6</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>154.8</b>	<b>135.3</b>
<b>Current receivables</b>		
Interest-bearing receivables	0.0	0.0
Lease receivables		0.5
Income tax receivables	0.1	0.3
Non-interest-bearing receivables	45.7	45.0
<b>Current receivables, total</b>	<b>45.8</b>	<b>45.8</b>
<b>Cash and cash equivalents</b>	<b>213.7</b>	<b>152.3</b>
<b>CURRENT ASSETS, TOTAL</b>	<b>414.3</b>	<b>333.4</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>239.5</b>	<b>247.3</b>
<b>ASSETS, TOTAL</b>	<b>1 416.5</b>	<b>1 425.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	77.6	144.1
Share premium fund		186.1
Invested unrestricted equity fund	72.0	250.4
Other funds	1.2	43.8
Translation reserve	14.4	20.3
Retained earnings	102.9	-544.4
Hybrid bond		105.8
<b>Equity attributable to equity holders of the parent company</b>	<b>268.2</b>	<b>206.2</b>
<b>EQUITY, TOTAL</b>	<b>268.2</b>	<b>206.2</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	40.6	35.9
Non-current interest-bearing financing liabilities	66.0	
Non-current lease liabilities	264.3	290.7
Non-current non-interest-bearing liabilities and provisions	37.8	0.2
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>408.6</b>	<b>326.9</b>
<b>CURRENT LIABILITIES</b>		
Current interest-bearing financing liabilities	381.5	488.2
Current lease liabilities	72.9	80.5
<b>Current non-interest-bearing liabilities</b>		
Trade payables and other current liabilities	223.1	249.6
Income tax liabilities	46.4	39.6
Current provisions	0.0	17.0
<b>Current non-interest-bearing liabilities, total</b>	<b>269.6</b>	<b>306.2</b>
<b>CURRENT LIABILITIES, TOTAL</b>	<b>724.0</b>	<b>874.9</b>
<b>LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>15.7</b>	<b>17.4</b>
<b>LIABILITIES, TOTAL</b>	<b>1 148.3</b>	<b>1 219.1</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>1 416.5</b>	<b>1 425.3</b>

2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).



**CONSOLIDATED CASH FLOW STATEMENT**

EUR mill.	1.1.-31.12.2021	1.1.-31.12.2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/loss for the period	47.9	-291.8
<b>Adjustments for:</b>		
Depreciation, amortisation and impairment losses	102.3	379.2
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	-21.6	0.0
Interest and other financial expenses	19.6	45.4
Interest income	-2.7	-20.7
Income taxes	17.3	-2.4
Other adjustments	0.6	15.9
<b>Working capital changes:</b>		
Increase (-) / decrease (+) in inventories	-21.5	13.9
Increase (-) / decrease (+) in trade and other current receivables	-10.1	7.3
Increase (+) / decrease (-) in current liabilities	48.4	25.3
Interest expenses paid	-28.7	-30.3
Interest received from operating activities	1.0	0.8
Income taxes paid from operating activities	-2.0	4.1
<b>Net cash from operating activities</b>	<b>150.4</b>	<b>146.6</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of tangible and intangible assets	48.3	
Purchase of tangible and intangible assets	-17.0	-17.8
Security deposit	-2.3	
Exchange rate gain on the hedge of a net investment and internal loan*)		7.1
Dividends received from investing activities	0.0	1.6
<b>Net cash used in investing activities</b>	<b>28.9</b>	<b>-9.2</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan conversion costs	-0.4	
Proceeds from current liabilities		53.3
Repayment of current liabilities	-48.5	-45.4
Proceeds from non-current liabilities		75.4
Repayment of non-current liabilities		-6.4
Payment of lease liabilities	-66.3	-80.2
Interest on hybrid bond		-8.2
<b>Net cash used in financing activities</b>	<b>-115.2</b>	<b>-11.5</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>64.1</b>	<b>125.9</b>
Cash and cash equivalents at the beginning of the period	152.3	24.9
Cheque account with overdraft facility		-2.3
<b>Cash and cash equivalents at the beginning of the period</b>	<b>152.3</b>	<b>22.7</b>
Net increase/decrease in cash and cash equivalents	64.1	125.9
Effects of exchange rate fluctuations on cash held	-2.7	3.7
Cash and cash equivalents at the end of the period	213.7	152.3
<b>Cash and cash equivalents at the end of the period</b>	<b>213.7</b>	<b>152.3</b>

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

Year 2020 figures have been restated on configuration and customisation costs in cloud computing arrangements from cash flows from investing activities to cash flows from operating activities.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premium fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	Total
<b>EQUITY 1.1.2020</b>	144.1	186.1	-1.3	250.4	43.8	-17.5	-241.8	363.8	105.8	<b>469.6</b>
Impact of change in accounting method							-2.6	-2.6		<b>-2.6</b>
<b>EQUITY 1.1.2020, restated</b>	144.1	186.1	-1.3	250.4	43.8	-17.5	-244.4	361.2	105.8	<b>467.1</b>
Profit/loss for the period							-291.8	-291.8		<b>-291.8</b>
Exchange differences on translating foreign operations						37.8		37.8		<b>37.8</b>
Cash flow hedges			1.3					1.3		<b>1.3</b>
<b>Total comprehensive income for the period, net of tax</b>			1.3			37.8	-291.8	-252.6		<b>-252.6</b>
Interest paid on hybrid bond							-8.2	-8.2		<b>-8.2</b>
<b>Other changes in equity total</b>							-8.2	-8.2		<b>-8.2</b>
<b>EQUITY 31.12.2020</b>	144.1	186.1		250.4	43.8	20.3	-544.4	100.4	105.8	<b>206.2</b>

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

Retained earnings for prior year 2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).

## NOTES TO THE FINANCIAL STATEMENTS, CONDENSED

### ACCOUNTING POLICIES

#### Configuration or customisation costs in a cloud computing arrangement

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact cloud computing arrangements. The Group's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. The adoption of the agenda decisions has resulted in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and prior periods presented.

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

#### Directed share issue without payment, the combination of share classes and a reduction of the share capital

In accordance with the resolution made by the Annual General Meeting the combination of the A and B share classes of Stockmann plc a total of 3,053,086 new shares issued to holders of A shares in a directed share issue without payment. New shares were registered with the Trade Register on 9 April 2021. After the registration of the new shares and the combination of share series, the total amount of the Company's shares is 75,101,769 shares. The total amount of votes that the shares in the company carry after the registration is 75,101,769 votes. Earnings per share have been adjusted retrospectively for all periods presented to correspond to the number of shares after the directed share issue without payment of 75,101,769 shares.

In addition to the share issue and the combination of the share classes, the Trade Register has on 9 April 2021, in accordance with the resolution of the Annual General Meeting, registered a reduction of the share capital by EUR 66,540,827.74 to cover accumulated losses. After the reduction of the share capital, the company's share capital amounts to EUR 77,556,538.26. The company also applied for notice to be given to creditors in order to further reduce the share capital by EUR 67,556,538.26 and to transfer these funds into the invested unrestricted equity fund. The last-mentioned reduction of the share capital was conditional upon a creditor protection procedure in accordance with the Finnish Companies Act, and it was not registered, as some of the Company's creditors objected to the reduction.

#### Corporate restructuring programme

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The properties must be sold by 31 December 2021 at the latest at the risk of the restructuring programme lapsing unless the Supervisor postpones the deadline for the sale until 31 December 2022 for a justified reason. The supervisor has subsequently accepted a timeline with an estimated sale of the properties latest during Q1 2022 to reach an optimal outcome for the company and the creditors.

Stockmann entered into sales agreements and long-term leaseback agreements with the new owner related to its department store properties in Tallinn and Riga on 29 December 2021. According to the terms of the agreements, the sale-and-leaseback transaction for Tallinn property was recognised in the reporting period and the proceeds from the sales was, in accordance with the restructuring programme, used in full to reduce the secured restructuring debts in December 2021. The sale-and-leaseback has been treated in the Consolidated Financial Statements by reducing the amount of assets classified as held for sale, determining the lease liability and the amount of the right-of-use asset

that Stockmann retains and recognising a gain on rights transferred. The transaction has reduced the amount of assets classified as held for sale by EUR 7.6 million, increased the lease liabilities by EUR 22.2 million and increased the amount of right-of-use assets by EUR 3.5 million. The net of gain on rights transferred and the cost related to sales transaction of EUR 21.7 million has been recognised under other operating income in the income statement. The corresponding transaction of Riga property was realised in January 2022. The sale and leaseback process of the department store property in Helsinki city center is proceeding as planned.

On 18 May 2021, the Board of Directors resolved, pursuant to the authorisation granted by the General Meeting, on a share issue of at most 100 000 000 new shares of the company, carried out in deviation from the shareholders' pre-emptive subscription rights. Furthermore, pursuant to the restructuring programme, the creditors of unsecured restructuring debt were entitled to convert their receivables under the payment programme of the restructuring programme to new senior secured bonds issued by the company.

A total of 79,335,175 conversion shares were subscribed for in the share issue and they were registered in the Trade register on 6 July 2021. The total number of Stockmann shares increased to a total of 154,436,944 shares. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares. The remainder of that part of the confirmed unsecured restructuring debt and hybrid loan debt which would have been eligible for share conversion in the share issue was cut in accordance with the restructuring programme. Other operating income includes a restructuring debt cut of EUR 2.6 million.

On 18 May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring. Pursuant to the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66,149,032. Accordingly, Stockmann issued bonds to the aggregate principal amount of EUR 66,149,032. The issue date of the bonds was 5 July 2021.

Following the share and bond conversions, the remaining confirmed unsecured restructuring debt under the payment programme of the restructuring programme amounts to approximately EUR 21.8 million. However, Stockmann has under the restructuring programme also restructuring debt that is disputed, conditional or conditional and maximum in respect of which the amount subject to the payment programme will be confirmed later, and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all Stockmann plc's derivative contracts on 6 April 2020. Consequently, the Group did not hedge against risks arising from fluctuations in foreign exchange rates until August 2021. Lindex opened foreign exchange hedging limits in September and is gradually increasing the hedging levels towards the normal level.

#### Going concern

Stockmann Group Consolidated Financial Statements 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 the implementation of the restructuring programme prepared for Stockmann Plc. The profitability of the Group's business is dependent on future market conditions and the Group's ability to execute its business plan successfully.

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

As a part of the restructuring programme, the company's A and B share series were combined so that each one (1) A share was entitled to receive 1.1 B shares. The combination aimed to improve the liquidity of the share and the company's ability to secure financing from the market. Stockmann also issued new shares to holders of restructuring debt and hybrid bond, and thereby the equity was strengthened.

Debt financing was also restructured in line with the programme. A new secured five-year bond was issued to the holders of the restructuring debt, and a seven-year repayment schedule was established for the remaining restructuring debt. Secured restructuring debt has been partly repaid in 2021 and 2022 with the proceeds from the sale and leaseback -transactions of the department store properties in Tallinn and Riga. The remaining secured restructuring debt will be repaid by end of 2022 with the proceeds from the sale and leaseback -transaction of the department store property in Helsinki.

Stockmann group cash increased during 2021 and amounted to EUR 213.7 million end of the year. Implementation of the restructuring programme is progressing as planned. Stockmann assesses that the requirements in the programme will be duly completed. However, management has assessed that a risk of uncertainty exists as to the sale of the Helsinki real estate. If the sale of the Helsinki real estate is not finalised and the remaining secured restructuring debt paid by the end of 2022, there may be a significant uncertainty concerning the continuity of Stockmann's business operations. The management's conclusion is that with the sale of Helsinki real estate the company is a going concern.

Stockmann group's scope for arranging new financing is limited during the execution of the corporate restructuring programme. However, the programme enables Stockmann to raise up to EUR 50 million new debt funding via the secured bond, which was issued 2021.

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 connection with the deployment of the corporate restructuring programme and with respect to the uncertainty due to still ongoing coronavirus pandemic, and its analysis confirms the adequacy of liquidity and financing and thus supports the preparation of this consolidated financial statements in accordance with the principle of business continuity.

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

The COVID-19 pandemic, which broke out in Europe in March 2020, is still causing significant changes in Stockmann Group's operating environment, customer volumes and cash flows. Uncertainty in the global economy will continue and the retail market is expected to remain challenging due to changes in consumer behaviour and confidence as well as inflationary pressures. Since the duration and the impacts of the pandemic cannot be reliably forecasted, its effects on the actual results, financial position and cash flows are 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 recognized.

The amount of deferred tax assets from the confirmed losses of the previous financial periods recognized on Stockmann's balance sheet as of 31 December 2021 was EUR 17.6 million. The recognition of deferred tax assets involves significant discretion and estimates on the management's part. These estimates and assumptions involve risks and uncertainties. Deferred tax assets from the confirmed losses of the previous financial periods are recognized only if the company's management estimates that as adequate amount of taxable income can be generated in the future to utilise the unused losses. As part of Stockmann plc's restructuring programme approved by the Helsinki District Court on 9 February 2021, the company has sold and leased back the real estate properties Tallinn and Riga. The sale-and-leaseback process of the department store property in Helsinki is proceeding as planned. The proceeds from the sales of the properties are mainly be used to repay the secured restructuring debt by 31 December 2022. Stockmann's management estimates that the gains from the sales of the properties will significantly exceed the amount of accumulated tax losses. In the company's view, the sale of the properties thus generates sufficient taxable income to utilise tax losses and to recognize deferred tax assets in accordance with the convincing evidence criterion of IAS 12.35.

Following the initiation of the restructuring proceedings, some suppliers and landlords presented Stockmann plc with additional claims, the largest of which relate to the termination of long-term leases of business premises in accordance with the Corporate Restructuring Act with two months' notice. Stockmann has recognised part of the receivables based on management's assessment and in accordance with the restructuring programme as a provision in the financial statements on 31 December 2021. The amount of the provision on 31 December 2021 was EUR 17.5 million. The amount of the disputed claims, which is presented as a contingent liability on 31 December 2021, was EUR 102 million. The estimates and assumptions presented in the half year financial report are based on the management's best knowledge at the time of preparation of this half year financial report. The key uncertainties as well as estimates and assumptions are otherwise presented in the financial statements for 2021.

#### **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.

The goodwill of EUR 271.5 million and the Lindex brand value of EUR 88.7 million on the annual reporting date are allocated to the Lindex segment. In the impairment testing, the cash flow forecasts for Lindex are based on market-area forecasts and are approved by management. The cash flow forecasts cover a five-year period with an average of 4.5 per cent growth and also have an effect on the terminal period. Long-term forecasts, which were updated during the financial year, take into account changes in the economy compared with the previous year. Lindex's cash flows beyond this management-approved forecast period were extrapolated using a steady 2.5 per cent growth rate. For Lindex's Gross Margin beyond this management-approved forecast period a gross margin ratio of 60.2% was set.

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

The discount rate determined is a pre-tax rate. The discount rate of Lindex is based on the market interest rate and country-specific risk pertaining to Sweden and Finland; the discount rate used for Lindex is 11.5% (9.7% in 2020).

Based on the impairment testing carried out, there is headroom of EUR 220.2 million.

#### **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 reporting period, the Stockmann Group received in its various operating countries a total of EUR 4.5 million in government grants related to the COVID-19 situation. These government grants are reported as other operating income in the income statement.

#### **Income taxes**

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. Consequently, Stockmann Sverige AB is requested by the tax authorities to pay EUR 35 million in additional taxes, including related interest. Stockmann has appealed against decisions in Sweden to the Court of Appeal in Gothenburg. 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. The Swedish tax authorities have concluded that the decision of the European Court of Justice is of no significance regarding Stockmann's right to deduct the interest expenses and that Stockmann does not have the right to appeal to the European Court of Justice to gain the rejected interest deductions. The processing of the case continues in the Court of Appeal.

The profits of Stockmann Plc's Branch in Estonia have been included in the taxable income of the parent office in Finland. The profits of the Branch will be income taxable in Estonia, at the time when the profits are distributed to the parent office in Finland. The untaxed retained earnings in Estonia including the profit of the reporting period total EUR 86.6 million and the calculated Estonian income tax would be EUR 17.3 million. According to the tax treaty between Estonia and Finland, the income tax which will be paid in Estonia is deductible from the income tax in Finland under certain conditions.

## GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	177.8	139.6	607.4	507.1
Stockmann	99.7	92.4	291.6	283.6
<b>Group total</b>	<b>277.5</b>	<b>232.0</b>	<b>899.0</b>	<b>790.7</b>
Reported operating profit/loss, EUR mill. *)	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	24.0	14.9	74.6	38.8
Stockmann	27.8	-17.6	11.6	-48.2
Unallocated	-1.3	-3.3	-4.1	-10.2
Goodwill impairment		-250.0		-250.0
<b>Group total</b>	<b>50.6</b>	<b>-256.0</b>	<b>82.1</b>	<b>-269.6</b>
Financial income	0.1	15.8	2.7	20.7
Financial expenses	-4.4	-11.0	-19.6	-45.4
<b>Consolidated profit/loss before taxes</b>	<b>46.3</b>	<b>-251.2</b>	<b>65.2</b>	<b>-294.2</b>
Adjustments to Operating profit/loss, EUR mill.	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	-0.3	0.0	-5.7	-0.9
Stockmann	21.5		21.5	
Unallocated	-0.3	-2.7	-2.0	-6.4
Goodwill impairment		-250.0		-250.0
<b>Group total</b>	<b>21.0</b>	<b>-252.7</b>	<b>13.8</b>	<b>-257.3</b>
Adjusted Operating profit/loss, EUR mill. *)	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	24.3	14.9	80.3	39.6
Stockmann	6.3	-17.6	-9.9	-48.2
Unallocated	-1.0	-0.7	-2.1	-3.7
<b>Group total</b>	<b>29.6</b>	<b>-3.3</b>	<b>68.3</b>	<b>-12.3</b>
Depreciation, amortisation and impairment losses, EUR mill. *)	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	19.8	20.2	77.3	81.4
Stockmann	5.8	11.3	25.5	47.8
Goodwill impairment		250.0		250.0
<b>Group total</b>	<b>25.7</b>	<b>281.5</b>	<b>102.9</b>	<b>379.2</b>
Capital expenditure, EUR mill. *) **)	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Lindex	35.2	3.3	54.9	27.4
Stockmann	6.0	33.9	9.9	58.3
<b>Group total</b>	<b>41.2</b>	<b>37.3</b>	<b>64.8</b>	<b>85.8</b>
**) Including right-of-use-assets				
Assets, EUR mill. *)			1.1.-31.12.2021	1.1.-31.12.2020
Lindex			941.0	881.2
Stockmann			460.1	543.7
Unallocated			15.3	0.4
<b>Group total</b>			<b>1 416.5</b>	<b>1 425.3</b>
IFRS 16 Lease liabilities, EUR mill.			1.1.-31.12.2021	1.1.-31.12.2020
Lindex			251.5	278.3
Stockmann			85.7	92.9
<b>Total</b>			<b>337.2</b>	<b>371.2</b>

\*) 2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 are reclassified from financial items to other operating expenses.

## INFORMATION ON MARKET AREAS

Revenue, EUR mill.	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Finland	96.7	89.1	294.9	278.7
Sweden*) and Norway	137.3	109.6	466.0	389.2
Baltic countries and other countries	43.4	33.3	138.0	122.8
<b>Market areas total</b>	<b>277.5</b>	<b>232.0</b>	<b>899.0</b>	<b>790.7</b>
Finland %	34.9%	38.4%	32.8%	35.2%
International operations %	65.1%	61.6%	67.2%	64.8%

Operating profit/loss, EUR mill. **)	Q4 2021	Q4 2020	1.1.-31.12.2021	1.1.-31.12.2020
Finland	3.5	-21.3	-15.2	-55.2
Sweden*) and Norway	21.8	13.6	68.6	34.4
Baltic countries and other countries	25.3	1.8	28.6	1.2
<b>Market areas total</b>	<b>50.6</b>	<b>-6.0</b>	<b>82.1</b>	<b>-19.6</b>
Goodwill impairment		-250.0		-250.0
<b>Group total</b>	<b>50.6</b>	<b>-256.0</b>	<b>82.1</b>	<b>-269.6</b>

Non-current assets, EUR mill. **)	1.1.-31.12.2021	1.1.-31.12.2020
Finland	352.9	398.8
Sweden and Norway	578.2	606.0
Baltic countries and other countries	47.0	58.5
<b>Market areas total</b>	<b>978.1</b>	<b>1 063.4</b>
Finland %	36.1%	37.5%
International operations %	63.9%	62.5%

\*) Includes franchising income

\*\*) 2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 are reclassified from financial items to other operating expenses.

**KEY FIGURES OF THE GROUP**

	<b>31.12.2021</b>	31.12.2020
Equity ratio, % *)	<b>18.9</b>	14.5
Net gearing, % *)	<b>212.8</b>	340.7
Cash flow from operating activities per share, year-to-date, EUR	<b>1.32</b>	2.03
Interest-bearing net debt, EUR mill.	<b>570.8</b>	702.5
Number of shares at the end of the period, thousands	<b>154 437</b>	72 049
Average no of shares, adjusted for share issue, undiluted and diluted, thousands	<b>114 009</b>	75 102
Market capitalisation, EUR mill.	<b>333.6</b>	86.9
Operating profit/loss, % of revenue *)	<b>9.1</b>	-34.1
Equity per share, EUR	<b>1.74</b>	2.86
Return on equity, rolling 12 months, % *)	<b>20.2</b>	-86.7
Return on capital employed, rolling 12 months, % *)	<b>8.0</b>	-20.1
Average number of employees, converted to full-time equivalents	<b>3 886</b>	3 973
Capital expenditure, year-to-date, EUR mill. *) **)	<b>16.9</b>	18.5

\*) 2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 are reclassified from financial items to other operating expenses.  
 \*\*) Exclusive right-of-use assets

**DEFINITIONS OF KEY FIGURES****Performance measures according to IFRS**

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

**Alternative performance measures**

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

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

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

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

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

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

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

**EXCHANGE RATES OF EURO**

<b>Closing rate for the period</b>	<b>31.12.2021</b>	31.12.2020
NOK	<b>9.9888</b>	10.4703
SEK	<b>10.2503</b>	10.0343
<b>Average rate for the period</b>	<b>31.12.2021</b>	31.12.2020
NOK	<b>10.1635</b>	10.7261
SEK	<b>10.1452</b>	10.4875

## INFORMATION PER QUARTER

## Consolidated income statement per quarter

EUR mill.	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Continuing operations</b>								
<b>Revenue</b>	<b>277.5</b>	237.8	228.0	155.7	232.0	207.6	182.7	168.4
Other operating income	25.7	3.2	1.5	1.5	1.6	2.8	5.3	0.0
Materials and consumables	-117.5	-96.3	-90.2	-68.0	-97.5	-88.5	-83.9	-77.1
Wages, salaries and employee benefit expenses	-53.9	-46.7	-48.3	-45.6	-49.3	-44.3	-38.5	-49.7
Depreciation, amortisation and impairment losses	-25.7	-25.7	-26.4	-25.1	-281.5	-31.5	-32.6	-33.6
Other operating expenses	-55.5	-39.6	-38.3	-46.0	-61.3	-31.6	-33.3	-35.7
Total expenses	-252.7	-208.3	-203.2	-184.8	-489.6	-196.0	-188.3	-196.1
<b>Operating profit/loss</b>	<b>50.6</b>	32.7	26.4	-27.6	-256.0	14.5	-0.3	-27.7
Financial income	0.1	0.1	1.4	1.0	15.8	-0.2	4.9	0.2
Financial expenses	-4.4	-4.3	-4.2	-6.7	-11.0	-9.7	-13.1	-11.6
<b>Total financial income and expenses</b>	<b>-4.2</b>	-4.2	-2.8	-5.7	4.8	-9.9	-8.2	-11.4
Profit/loss before tax	46.3	28.5	23.6	-33.3	-251.2	4.6	-8.5	-39.1
Income taxes	-11.1	-5.6	-4.4	3.8	3.9	-1.1	-4.3	3.9
<b>Net profit/loss for the period</b>	<b>35.3</b>	22.9	19.2	-29.4	-247.3	3.4	-12.8	-35.2

## Earnings per share per quarter\*)

EUR	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
From continuing operations (undiluted and diluted)	0.23	0.15	0.26	-0.39	-3.20	0.01	-0.20	-0.50
From the period result (undiluted and diluted)	0.23	0.15	0.26	-0.39	-3.20	0.01	-0.20	-0.50

\*) Earnings per share for comparable periods has been restated to reflect the current amount of shares

## Segment information per quarter

EUR mill.	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Revenue</b>								
Lindex	177.8	168.9	162.0	98.7	139.6	146.0	122.1	99.4
Stockmann	99.7	68.9	66.0	56.9	92.4	61.6	60.6	68.9
<b>Group total</b>	<b>277.5</b>	237.8	228.0	155.7	232.0	207.6	182.7	168.4
<b>Reported operating profit/loss</b>								
Lindex	24.0	31.2	32.3	-13.0	14.9	21.6	17.3	-15.0
Stockmann	27.8	0.0	-4.0	-12.2	-17.6	-4.8	-15.2	-10.6
Unallocated	-1.3	1.5	-1.9	-2.4	-3.3	-2.4	-2.4	-2.0
Goodwill impairment					-250.0			
<b>Group total</b>	<b>50.6</b>	32.7	26.4	-27.6	-256.0	14.5	-0.3	-27.7
<b>Adjustments to Operating profit/loss</b>								
Lindex	-0.3	0.0	0.0	-5.4	0.0	-0.8		
Stockmann	21.5		0.1	-0.1				
Unallocated	-0.3	-0.2	-0.5	-1.0	-2.7	-1.4	-1.3	-1.1
Goodwill impairment					-250.0			
<b>Group total</b>	<b>21.0</b>	-0.2	-0.4	-6.5	-252.7	-2.2	-1.3	-1.1
<b>Adjusted Operating profit/loss</b>								
Lindex	24.3	31.2	32.3	-7.6	14.9	22.5	17.3	-15.0
Stockmann	6.3	0.0	-4.0	-12.1	-17.6	-4.8	-15.2	-10.6
Unallocated	-1.0	1.7	-1.4	-1.4	-0.7	-1.0	-1.2	-0.9
<b>Group total</b>	<b>29.6</b>	32.9	26.8	-21.1	-3.3	16.7	0.9	-26.6

## Information on market areas

EUR mill.	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Revenue</b>								
Finland	96.7	72.9	68.9	56.4	89.1	65.1	60.6	63.9
Sweden*) and Norway	137.3	126.1	123.1	79.5	109.6	108.4	95.7	75.5
Baltic countries and other countries	43.4	38.9	36.0	19.8	33.3	34.2	26.4	28.9
<b>Group total</b>	<b>277.5</b>	237.8	228.0	155.7	232.0	207.6	182.7	168.4
Finland %	34.9%	30.6%	30.2%	36.2%	38.4%	31.4%	33.2%	38.0%
International operations %	65.1%	69.4%	69.8%	63.8%	61.6%	68.6%	66.8%	62.0%
<b>Operating profit/loss</b>								
Finland	3.5	1.1	-6.9	-12.9	-21.3	-5.6	-14.9	-13.4
Sweden*) and Norway	21.8	29.2	30.9	-13.2	13.6	17.8	15.4	-12.3
Baltic countries and other countries	25.3	2.4	2.4	-1.4	1.8	2.2	-0.8	-1.9
<b>Market areas total</b>	<b>50.6</b>	32.7	26.4	-27.6	-6.0	14.5	-0.3	-27.7
Goodwill impairment					-250.0			
<b>Group total</b>	<b>50.6</b>	32.7	26.4	-27.6	-256.0	14.5	-0.3	-27.7

\*) Includes franchising income

Previous quarters are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in Q4 2020 are reclassified from financial items to other operating expenses.



## CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	31.12.2021	31.12.2020
Mortgages on land and buildings *)	1 501.7	1 671.7
Pledged subsidiary shares **)	280.1	
Pledged loan receivables ***)	405.8	
Pledges and guarantees	0.1	0.2
Electricity commitments	0.3	0.7
Liabilities of adjustments of VAT deductions made on investments to immovable property	2.5	2.9
<b>Total</b>	<b>2 190.5</b>	<b>1 675.5</b>

\*) Bookvalue of land and buildings

\*\*) Bookvalue of subsidiary shares

\*\*\*) Bookvalue of loan receivables from subsidiary SEK 4 160 million

Lease agreements on the Group's business premises, EUR mill.	31.12.2021	31.12.2020
Within one year	4.7	3.2
After one year	11.5	6.3
<b>Total</b>	<b>16.2</b>	<b>9.5</b>

Group's lease payments, EUR mill.	31.12.2021	31.12.2020
Within one year	0.2	0.2
After one year	0.5	0.4
<b>Total</b>	<b>0.7</b>	<b>0.6</b>

Group's derivative contracts, EUR mill.	31.12.2021	31.12.2020
<b>Nominal value</b>		
Currency derivatives	45.9	
Electricity derivatives	1.1	1.6
<b>Total</b>	<b>47.0</b>	<b>1.6</b>

## CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	31.12.2021	31.12.2020
Acquisition cost at the beginning of the period	1 647.7	2 138.8
Translation difference +/-	-26.5	49.6
Increases during the period	64.8	85.8
Decreases during the period	-76.2	-228.2
Transfers to non-current assets classified as held for sale	-1.7	-398.3
Transfers between items during the period	5.5	
Acquisition cost at the end of the period	1 613.4	1 647.7
Accumulated depreciation and impairment losses at the beginning of the period	-836.7	-697.3
Translation difference +/-	11.5	0.5
Depreciation on reductions during the period	53.3	87.6
Accumulated depreciation on transfers to non-current assets classified as held for sale	1.5	151.8
Transfers between items during the period	-5.4	
Depreciation, amortisation and impairment losses during the period	-102.9	-379.2
Accumulated depreciation and impairment losses at the end of the period	-878.7	-836.7
Carrying amount at the beginning of the period	811.0	1 441.4
Carrying amount at the end of the period	734.8	811.0

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

Goodwill, EUR mill.	31.12.2021	31.12.2020
Carrying amount at the beginning of the period	277.5	506.6
Translation difference +/-	-6.0	20.9
Impairment losses		-250.0
Carrying amount at the end of the period	271.5	277.5

2020 figures are restated according to IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements (IAS 38).

## RIGHT-OF-USE ASSETS

EUR mill.	31.12.2021	31.12.2020
Acquisition cost at the beginning of the period	476.9	570.1
Translation difference +/-	-8.3	14.3
Increases during the period	47.9	67.2
Decreases during the period	-47.9	-174.8
Acquisition cost at the end of the period	468.6	476.9
Accumulated depreciation and impairment losses at the beginning of the period	-125.5	-84.4
Translation difference +/-	2.9	10.5
Depreciation on reductions during the period	25.6	34.9
Depreciation, amortisation and impairment losses during the period	-75.0	-86.4
Accumulated depreciation and impairment losses at the end of the period	-172.0	-125.5
Carrying amount at the beginning of the period	351.4	485.7
Carrying amount at the end of the period	296.6	351.4

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

<b>Financial assets, EUR mill.</b>	Level	<b>Carrying amount 31.12.2021</b>	<b>Fair value 31.12.2021</b>	Carrying amount 31.12.2020	Fair value 31.12.2020
<b>Derivative contracts, hedge accounting applied</b>	2	<b>1.3</b>	<b>1.3</b>		
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2				
Electricity derivatives	1	<b>0.4</b>	<b>0.4</b>		
<b>Financial assets at amortised cost</b>					
Non-current receivables		<b>3.8</b>	<b>3.8</b>	1.7	1.7
Non-current lease receivables				3.9	3.9
Current lease receivables				0.5	0.5
Current receivables, non-interest-bearing*)		<b>44.2</b>	<b>44.2</b>	45.5	45.5
Cash and cash equivalents*)		<b>213.8</b>	<b>213.8</b>	152.5	152.5
Other investments	3	<b>0.2</b>	<b>0.2</b>	0.2	0.2
<b>Financial assets by measurement category, total</b>		<b>263.7</b>	<b>263.7</b>	204.4	204.4
<b>Financial liabilities, EUR mill.</b>	Level	<b>Carrying amount 31.12.2021</b>	<b>Fair value 31.12.2021</b>	Carrying amount 31.12.2020	Fair value 31.12.2020
<b>Derivative contracts, hedge accounting applied</b>	2	<b>-0.1</b>	<b>-0.1</b>	0.0	0.0
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2				
<b>Financial liabilities at amortised cost</b>					
Non-current interest-bearing liabilities	2	<b>66.0</b>	<b>55.1</b>		
Non-current lease liabilities		<b>264.3</b>	<b>264.3</b>	290.7	290.7
Non-current non-interest-bearing liabilities		<b>20.3</b>	<b>20.3</b>		
Current liabilities, interest-bearing	2	<b>381.5</b>	<b>381.5</b>	488.2	468.0
Current lease liabilities		<b>72.9</b>	<b>72.9</b>	80.5	80.5
Current liabilities, non-interest-bearing*)		<b>223.4</b>	<b>223.4</b>	250.0	250.0
<b>Financial liabilities by measurement category, total</b>		<b>1 028.3</b>	<b>1 028.3</b>	1 109.4	1 089.2
<b>Change in fair value of other investments, EUR mill.</b>				<b>31.12.2021</b>	31.12.2020
Carrying amount Jan. 1				<b>0.2</b>	0.3
<b>Total</b>				<b>0.2</b>	0.2

\*) 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 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 managements' judgement. 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 valued at fair value during the reporting period.

**CASH FLOWS BASED ON AGREEMENTS IN FINANCIAL LIABILITIES AT 30 JUNE 2021**

EUR mill.	Carrying amount	1.1.2022-31.12.2022	1.1.2023-31.12.2023	1.1.2024-31.12.2024	1.1.2025-31.12.2025	1.1.2026 -	Total
Non-current restructuring debts	19.8		-2.0	-2.0	-2.0	-13.9	-19.8
Current restructuring debts	383.5	-384.7					-384.7
<b>Restructuring debts total</b>	<b>403.3</b>	<b>-384.7</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-13.9</b>	<b>-404.5</b>
Non-current Bond (5-y Bullet)	66.0	-0.1	-0.1	-0.1	-0.1	-66.2	-66.5
Current trade payables and other current liabilities	137.9	-137.9					-137.9
Non-current lease liabilities	264.3		-66.8	-57.3	-48.5	-121.4	-293.9
Current lease liabilities	72.9	-74.0					-74.0
Lease liabilities, total	337.2	-74.0	-66.8	-57.3	-48.5	-121.4	-368.0
<b>Total</b>	<b>944.4</b>	<b>-596.7</b>	<b>-68.8</b>	<b>-59.3</b>	<b>-50.5</b>	<b>-201.5</b>	<b>-976.8</b>

The cash flows presented are based on the restructuring programme 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 the end of Q1 2022. At the end of June 2021 Restructuring debts amounted to EUR 539.9 mill. In July 2021 EUR 66.1 mill. was converted into a new bond, which will be repaid in 2025 and to which annual interest of EUR 0.1 mill. will be paid. EUR 19.1 mill. was converted into equity in July 2021 and EUR 2.7 mill. was cut. EUR 381,5 mill. presented in current financing liabilities will be repaid during Q1 2022 together with interest. Secured restructuring debt was reduced in January 2022 by EUR 38,7 mill. with proceeds from sales of Riga real estate. The remaining unsecured restructuring debt EUR 21.8 mill. will be paid according to restructuring programme during 2022-2028. Provisions regarding disputed landlords' claims are not included in the cash flows. Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

**RESTRUCTURING DEBT**

EUR mill.	31.12.2021
<b>Non-current non-interest-bearing restructuring debt, unsecured *)</b>	<b>19.8</b>
Current interest-bearing restructuring debt, secured	381.5
Current non-interest-bearing restructuring debt, unsecured **)	2.0
<b>Restructuring debt total</b>	<b>403.3</b>
Restructuring debt related to non-current provisions	17.5
<b>Provisions related to restructuring debt***)</b>	<b>17.5</b>
<b>Total</b>	<b>420.8</b>

Stockmann plc's intra-group restructuring liabilities amount to EUR 63.9 million.

\*) Non-current part of the remaining unsecured restructuring debt after the debt cut and conversions into equity and a secured interest-bearing 5 year bullet bond. The non-current part will be paid according to the restructuring programme during 2023-2028.

\*\*) Current part of the remaining unsecured restructuring debt after the debt cut and conversions into equity and a secured interest-bearing 5 year bullet bond. The current part will be paid in April 2022.

\*\*\*) Consists of disputed landlords' claims for terminated lease agreements.

**FINANCIAL INCOME AND EXPENSES**

EUR mill.	31.12.2021	31.12.2020
Dividend income from other investments	0.0	1.6
Interest income on bank deposits, other investments and currency derivatives	1.0	0.0
Interest income from lease contracts	0.0	0.7
Other financial income	1.7	17.8
Foreign exchange differences	0.0	0.5
<b>Financial income, total</b>	<b>2.7</b>	<b>20.7</b>
Interest expenses on financial liabilities measured at amortised cost	-7.2	-20.3
Interest expenses from lease contracts	-12.2	-21.2
Other financial expenses		-3.8
Foreign exchange differences	-0.2	0.0
<b>Financial expenses, total</b>	<b>-19.6</b>	<b>-45.4</b>
<b>Financial income and expenses, total</b>	<b>-16.9</b>	<b>-24.6</b>

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

The costs related to disputed landlords' claims for terminated lease agreements in 2020 are reclassified from financing items to other operating expenses.

**ASSETS HELD FOR SALE**

EUR mill.	31.12.2021	31.12.2020
Intangible assets and property, plant and equipment	239.3	246.6
Other receivables	0.1	0.5
Cash and cash equivalents	0.1	0.2
Deferred tax liabilities	15.3	17.0
Other liabilities	0.4	0.4
<b>Net assets</b>	<b>223.8</b>	<b>230.0</b>



**STOCKMANN**

Stockmann plc  
Aleksanterinkatu 52 B. P.O. Box 220  
FI-00101 HELSINKI, FINLAND  
Tel. +358 9 1211  
[stockmanngroup.com](http://stockmanngroup.com)