HALF YEAR FINANCIAL REPORT 2020

STOCKMANN

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Improvement in performance in June, fashion sales higher than the industry average

April–June 2020:
- Consolidated revenue was EUR 182.7 million (242.3), down 23.2% in comparable currency rates.
- Gross margin was 54.1% (58.6).
- Operating result was EUR -3.1 million (10.2).
- The adjusted operating result was EUR -1.8 million (-16.2).
- Earnings per share were EUR -0.24 (-0.10).
- Adjusted earnings per share were EUR -0.20 (-0.01).
- Stockmann plc filed for corporate restructuring on 6 April 2020 (Stock Exchange Release 6 April 2020).

January–June 2020:
- Consolidated revenue was EUR 351.1 million (449.5), down 20.6% in comparable currency rates.
- Gross margin was 54.2% (56.1).
- Operating result was EUR -33.5 million (-11.2).
- The adjusted operating result was EUR -31.2 million (-4.4).
- Earnings per share were EUR -0.79 (-0.56).
- Adjusted earnings per share were EUR -0.73 (-0.47).

Guidance for 2020:
Due to the rapid changes that took place in the business environment, Stockmann's previous guidance, published on 13 February 2020, is no longer valid. Stockmann will provide a new guidance once visibility in our markets is clearer.

CEO Jari Latvanen:
The global coronavirus pandemic has had a profound impact on our business performance, but this spring's transformation and efficiency measures have produced results. We adapted our operations in order to ensure the safety of our customers and personnel; we held Stockmann's main campaign of the spring exclusively online and developed new services suited to the coronavirus restrictions. We also cut our costs significantly through furloughs and other cost saving measures. National restrictions limited the operations of Stockmann's stores in the Baltic countries, and the pandemic also had a large impact on the operations of the Lindex store chain in all market areas.

In terms of revenue, we performed better than expected in March–June, especially in home and beauty categories. The amount of capital tied up in stock is lower than a year ago in both divisions, and the company's cash reserves has been significantly strengthened. The lifting of coronavirus restrictions has increased customer flows at the Stockmann department stores and Lindex stores since late May. The strong growth in the online sales of both Stockmann and Lindex continued in the second quarter. During the first half of the year, the Stockmann division launched around 50 new brands and delivered more online store orders than throughout the whole of last year, while the growth of Lindex's online store was 102% in the second quarter.

Our cost control measures have had a significant impact. Swift adjustment measures in both Lindex and Stockmann, combined with last year's cost savings programme, reduced the Group's fixed costs by about EUR 35 million compared with the previous year. We will continue to adapt our cost structure to the situation in our operating environment. The corporate restructuring of the Stockmann parent company will make it possible to renegotiate the terms of the lease agreements, with the aim of achieving a lower cost level.

The result for the first half was, however, weak, despite the recovery of the business, the strong growth in online sales and significant cost saving measures.

We will continue to develop our operations with a strong focus on the customer, upgrade our digital service channels in both divisions, continue to renew the Stockmann department stores and to bring out new brands for our customers on a regular basis.

KEY FIGURES

	4–6/2020	4–6/2019	**1–6/2020**	1–6/2019	1–12/2019
Revenue, EUR mill.	**182.7**	242.3	**351.1**	449.5	960.4
Gross margin, %	**54.1**	58.6	**54.2**	56.1	56.3
Operating result (EBIT), EUR mill.	**−3.1**	10.2	**−33.5**	−11.2	13.3
Adjusted operating result (EBIT), EUR mill.	**−1.8**	16.2	**−31.2**	−4.4	29.0
Result for the period, EUR mill.	**−15.0**	−5.5	**−52.4**	−37.9	−54.3
Earnings per share, undiluted and diluted, EUR	**−0.24**	−0.10	**−0.76**	−0.56	−0.84
Personnel, average	**5 738**	7 007	**6 168**	6 961	7 002
Cash flow from operating activities, EUR mill.	**108.3**	48.0	**85.9**	27.9	102.3
Capital expenditure, EUR mill.	**4.0**	9.3	**10.3**	15.8	33.8
Equity per share, EUR			**10.43**	10.96	11.12
Net gearing, %			**109.9**	121.7	112.4
Equity ratio, %			**35.5**	37.2	38.1

ITEMS AFFECTING COMPARABILITY

EUR million	**4–6/2020**	4–6/2019	**1–6/2020**	1–6/2019	1–12/2019
Operating result (EBIT)	**−3.1**	10.2	−33.5	**−11.2**	13.3
Adjustments to EBIT					
Restructuring and transformation measures	**1.3**	6.1	2.4	**6.1**	15.2
Gain on sale of properties		−0.1		**0.7**	0.4
Adjustments total	**1.3**	6.0	2.4	**6.8**	15.6
Adjusted operating result (EBIT)	**−1.8**	16.2	−31.2	**−4.4**	29.0

CORPORATE RESTRUCTURING PROCEEDINGS

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

Since it is the view of the management and the Board of Directors that the company's business remains viable and can be restored to a sound basis, the Board of Directors of Stockmann decided, taking into consideration the company's financial structure, to file for corporate restructuring of the parent company Stockmann plc on 6 April 2020. The coronavirus and the restrictions it has caused have, and will continue to have, a significant effect on the company's customer volumes, cash flow and result.

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

On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as an administrator of the restructuring proceedings. According to the decision of the District Court, the draft restructuring programme must be filed before 11 December 2020.

COVID-19

The coronavirus epidemic, which broke out in Europe after the first week of March, caused significant changes in the Stockmann Group's operating environment and customer volumes decreased suddenly. The negative effects of the coronavirus epidemic on the market environment persisted in the second quarter. The national restrictions were partially lifted in May, which was reflected as positive development in customer flows at Stockmann department stores and Lindex stores.

During the second quarter other operating income came to EUR 5.3 million as a result of public funding related to the COVID-19 situation, which mainly Lindex, in various countries has received from government authorities or other corresponding public bodies.

OPERATING ENVIRONMENT

Consumer confidence improved in the second quarter. In June, sales of women's wear picked up, growing by 3.5% in Finland. Growth in fashion sales in Finland in January–June was -23% (-1.5, source: Statistics Finland, Fashion and Sport Commerce Association, TMA).

In Sweden, the fashion market saw negative growth in January–June, at -17.7% (-2.1, source: Swedish Trade Federation, Stilindex).

The coronavirus epidemic has had a negative impact on economic growth in the Baltic countries. Year-on-year economic growth is expected to be about 10% lower than in the previous year.

REVENUE AND EARNINGS

April–June 2020

The Stockmann Group's second-quarter revenue amounted to EUR 182.7 million (242.3). Revenue was down by 24.6% from the previous year in euros, or down by 23.2% in comparable currency rates.

Revenue in Finland fell by 28.0% to EUR 60.6 million (84.2). Revenue in the other countries amounted to EUR 122.1 million (158.1), a decrease of 22.7%.

During the second quarter other operating income came to EUR 5.3 million as a result of public funding related to the COVID-19 situation, which mainly Lindex in various countries of operation has received from government authorities or other corresponding public bodies.

Gross profit was EUR 98.8 million (142.0) and the gross margin was 54.1% (58.6). The gross margin decreased in both Lindex and Stockmann.

Operating costs were down by EUR 24.6 million, or down by EUR 19.9 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 71.8 million (96.4).

The operating result for the second quarter was EUR -3.1 million (10.2). The operating result declined in Stockmann and Lindex. The adjusted operating result for the second quarter was EUR -1.8 million (16.2).

Net financial expenses amounted to EUR 8.2 million (13.6). Net financial expenses for the quarter included a positive income item of EUR 4.6 million due to the amendment of a lease for office premises and EUR 3.7 million amendment expenses from a financial agreement concluded in 2019. The result before taxes was EUR -11.3 million (-3.3).

January–June 2020

The Stockmann Group's revenue for the period amounted to EUR 351.1 million (449.5). Revenue was down by 21.9% from the previous year in euros, or down by 20.6% in comparable currency rates.

Revenue in Finland fell by 27.1% to EUR 124.5 million (170.7). Revenue in the other countries was down by 18.7% to EUR 226.6 million (278.8), or down by 16.5% in comparable currency rates.

Gross profit was EUR 190.1 million (252.3) and the gross margin was 54.2% (56.1). The gross margin was up in Lindex but down in Stockmann.

Operating costs were down by EUR 35.6 million, or down by EUR 31.1 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 157.2 million (192.8).

The operating result for the period was EUR -33.5 million (-11.2). The adjusted operating result for the period was EUR -29.5 million (-4.4).

Net financial expenses amounted to EUR 19.5 million (27.3). The result before taxes was EUR -53.1 million (-38.5).

Taxes for the period totalled EUR 0.7 million (0.6).

The result for period was EUR -52.4 million (-37.9). Earnings per share for the period were EUR -0.79 (-0.56). Adjusted earnings per share were EUR -0.73 (-0.47). Equity per share was EUR 10.43 (EUR 10.96).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 108.3 million (48.0) in the second quarter and EUR 85.9 million (27.9) in January–June. The increase in cash and cash equivalents is partly due to the corporate restructuring of the parent company, due to which there is currently a prohibition of collection of debts taken before the restructuring and a prohibition of collection of interest. Furthermore, inventories declined from the previous year.

Total inventories were EUR 134.8 million (149.3) at the end of June. Inventories declined from the previous year at both Lindex and Stockmann.

Interest-bearing liabilities, which are included in the current restructuring debt, and which according to the situation on 30 June 2020 are classified in full as current liabilities, were EUR 478.8 million (447.5), excluding IFRS 447.5 lease liabilities.

At the time of initiation of the restructuring proceedings, the company's existing external debt financing of EUR 584.8 million, consisting of a bond, bank financing, commercial papers and a hybrid bond, was frozen and is included in the restructuring debt. At the end of June, interest-bearing liabilities, including IFRS 16 lease liabilities, totalled EUR 968.3 million (994.4). EUR 207.1 million of the lease liabilities are related to Stockmann and EUR 282.4 million to Lindex (1 January 2020: Stockmann 235.1, Lindex 294.7; and 30 June 2019: Stockmann 243.2, Lindex 303.7).

Cash and cash equivalents totalled EUR 125.5 million (15.7) at the end of June. Assets on the balance sheet totalled EUR 2 118.0 million (2 121.8) at the end of June.

The equity ratio was 35.5% (37.2) and net gearing was 109.9% (121.7%) at the end of June. IFRS 16 has a significant impact on the equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 46.5% and net gearing would have been 47.0%.

The Group's capital employed at the end of June was EUR 1 719.9 million, or EUR 1 230.4 million excluding IFRS 16 items (1 784.3 or 1 237.4).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 4.0 million (9.3) in the second quarter and EUR 10.3 million (15.8) in January–June. Most of the capital expenditure was used for both Lindex's and Stockmann's digitalisation projects, the renovation of the Stockmann Delicatessen in Tallinn and the Stockmann Jumbo and Helsinki City Centre department stores, and Lindex's store refurbishments.

REVENUE AND EARNINGS BY DIVISION

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

LINDEX

Lindex	4–6/2020	4–6/2019	1–6/2020	1–6/2019	1–12/2019
Revenue, EUR mill.	**122.1**	154.0	**221.6**	268.5	575.8
Gross margin, %	**63.3**	64.3	**62.4**	62.1	62.7
Operating result, EUR mill.	**17.2**	20.1	**2.0**	9.1	38.2
Adjusted operating result, EUR mill.	**17.2**	20.1	**2.0**	9.1	40.9
Capital expenditure, EUR mill.	**2.1**	5.5	**5.2**	9.4	20.3

April–June 2020

Lindex's revenue for the quarter was down by 20.7%, to EUR 122.1 million (154.0), or down by 18.4% in comparable currency rates. Sales declined in all markets, especially in the countries where stores were closed due to national restrictions. Growth in the online store was 102.1%, and the online store accounted for 16.2% (6.6) of total sales in the quarter.

The gross margin was 63.3% (64.3).

Operating costs decreased by EUR 12.8 million, to EUR 44.9 million (57.7). The costs declined mainly due to cost savings related to the coronavirus epidemic.

The operating result for the quarter decreased by EUR 2.9 million to EUR 17.2 million (20.1).

January–June 2020

Lindex's revenue declined by 17.5%, to EUR 221.6 million (268.5). In comparable currency rates, revenue was down by 15.1%. Growth in the online store was 79.0%.

The gross margin was 62.4% (62.1) for the period.

Operating costs decreased by EUR 15.5 million, to EUR 100.0 million (115.5). The costs declined mainly due to cost savings related to the coronavirus epidemic.

The operating result for the period was EUR 2.0 million (9.1).

Store network

Lindex opened 3 stores and closed 3 stores during the second quarter.

Lindex store network	Total 31.12.2019	Total 31.3.2020	Closed stores 4–6/2020	New stores 4–6/2020	**Total 30.6.2020**
Finland	63	61	0	0	**61**
Sweden	199	198	0	0	**198**
Norway	92	92	0	0	**92**
Estonia	9	9	0	0	**9**
Latvia	10	10	0	0	**10**
Lithuania	9	9	0	0	**9**
Czech Republic	27	27	0	1	**28**
Slovakia	13	13	0	0	**13**
UK	2	2	0	0	**2**
Denmark*	1	1	0	0	**1**
Iceland*	6	6	0	0	**6**
Bosnia and Herzegovina*	9	9	0	0	**9**
Serbia*	6	6	0	2	**8**
Kosovo*	2	2	0	0	**2**
Albania*	1	1	0	0	**1**
Saudi Arabia*	11	10	2	0	**8**
Qatar*	2	2	1	0	**1**
Tunisia*	2	2	0	0	**2**
Total	**464**	**460**	**3**	**3**	**460**
Own stores	424	421	0	1	**422**
Franchising stores (*)	40	39	3	2	**38**

STOCKMANN

Stockmann	4–6/2020	4–6/2019	1–6/2020	1–6/2019	1–12/2019
Revenue, EUR mill.	**60.6**	88.3	**129.5**	181.0	384.7
Gross margin, %	**35.6**	48.8	**40.0**	47.4	47.1
Operating result, EUR mill.	**−17.8**	−6.4	**−31.1**	−14.5	−10.5
Adjusted operating result, EUR mill.	**−17.8**	−3.2	**−31.1**	−10.5	−7.9
Capital expenditure, EUR mill.	**1.9**	3.8	**5.1**	6.3	13.5

April–June 2020

The Stockmann division's second-quarter revenue amounted to EUR 60.6 million (88.3). Revenue was down by 31.4%. Sales declined sharply due to the coronavirus situation. Growth in the online store was 128.5%, and the online store accounted for 27.7% (8.3) of total sales in the quarter.

Revenue in Finland came to EUR 47.7 million (66.8), a decrease of 28.5% from the previous year. Revenue in the Baltic department stores fell by 16.3%, to EUR 12.9 million (21.5).

The gross margin was 35.6% (48.8). The gross margin declined mostly due to the coronavirus situation, which affected both the rental income from tenants and merchandise sales margin.

Operating costs declined by EUR 10.2 million, to EUR 25.0 million (35.2), owing to lower personnel costs and support function costs.

The operating result for the second quarter was EUR -17.8 million (-6.4). The adjusted operating result was EUR -17.8 million (-3.2).

January–June 2020

The Stockmann division's revenue amounted to EUR 129.5 million (181.0). Sales were approximately at the previous year's level in January and February but fell sharply thereafter due to the coronavirus situation, leading to a drop in revenue for the whole period. Growth in the online store was 106.5%.

Revenue in Finland amounted to EUR 100.4 million (141.8), a decrease of 29.2% from the previous year. Revenue in the Baltic department stores was down 25.7%, to EUR 29.1 million (39.2).

The gross margin was 40.0% (47.4).

Operating costs declined by EUR 18.4 million, to EUR 53.3 million (71.6), owing to lower personnel costs and support function costs.

The operating result for the period was EUR -31.1 million (-14.5). The adjusted operating result was EUR -31.1 million (-10.5).

Properties

On 1 January 2020, the fair value of Stockmann's three department store properties was EUR 667.7 million. The weighted average market yield requirement used in the fair value calculation was 5.1% (4.8). Depreciation on the properties is subtracted from the fair value during the year. At the end of the half year period, the revalued amount of the Stockmann properties was EUR 657.8 million.

The department store properties have a gross leasable area (GLA) of 87 370 m2, of which Stockmann was using 74% at the end of June and the rest was used by external partners. The occupancy rate at the properties remained high, at 97.3% (98.0).

Property	Gross leasable area. m2 30.6.2020	Occupancy rate. % 30.6.2020	Usage by Stockmann, % 30.6.2020
Helsinki flagship building	50 724	97.9	66
Tallinn department store building	21 527	93.8	82
Riga department store building	15 119	100.0	86
Total	**87 370**	**97.3**	**74**

PERSONNEL

The Stockmann Group's average number of personnel during the reporting period was 6 168 (6 961). In terms of full-time equivalents, the average number of employees was 3 875 (4 924).

At the end of June, the Stockmann Group's personnel numbered 5 809 (7 101), of whom 1 770 (2 092) were working in Finland. The number of employees working outside Finland was 4 039 (5 009), representing 70% (71) of the entire personnel.

The Group's wages and salaries amounted to EUR 67.4 million in the period, compared with EUR 82.6 million in the same period in 2019. Employee benefit expenses totalled EUR 88.2 million (107.8), which is equivalent to 25.1% (24.0) of revenue.

CHANGES IN MANAGEMENT

Lindex's CFO Annelie Forsberg has been appointed as a member of the Stockmann Group's Management Team as of 1 August 2020.

SHARES AND SHARE CAPITAL

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

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

The share capital remained at EUR 144.1 million. At the end of June, the market capitalisation stood at EUR 87.5 million (166.6).

The price of a Series A share was EUR 1.52 at the end of June, compared with EUR 2.26 at the end of 2019, while the price of a Series B share was EUR 0.99, compared with EUR 2.06 at the end of 2019.

A total of 1.2 million (0.7) Series A shares and 22.0 million (6.9) Series B shares were traded on Nasdaq Helsinki during the period. This corresponds to 3.9% (2.1) of the average number of Series A shares and 53.0% (16.6) of the average number of Series B shares.

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

At the end of June, Stockmann had 44 938 shareholders, compared with 44 310 a year earlier.

DECISIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Stockmann plc was held on Thursday 4 June 2020 at 14:00 at the premises of Roschier Attorneys Ltd in Helsinki. Shareholders and their proxy representatives could participate in the meeting and exercise their rights only by voting in advance and by making counterproposals and presenting questions in advance. The meeting could not be attended on-site. The exceptional meeting procedure was based on the temporary legislation approved by the Finnish Parliament to limit the spread of the COVID-19 pandemic.

The Annual General Meeting adopted the financial statements for the financial year 1 January–31 December 2019, granted discharge from liability to the responsible directors and officers and, in accordance with the proposal of the Board of Directors, resolved not to pay a dividend for the 2019 financial year.

The General Meeting also decided on the composition and remuneration of the Board of Directors and the selection and remuneration of the auditor in accordance with the proposals presented. The remuneration policy for the company's governing bodies was approved by the General Meeting.

In accordance with the proposal of the Shareholders' Nomination Board, the Annual General Meeting resolved that the number of members on the Board of Directors be reduced by two, and that six members be elected to the Board. In accordance with the Nomination Board's proposal, Stefan Björkman, Esa Lager, Leena Niemistö, Lauri Ratia, Tracy Stone and Dag Wallgren were re-elected as members of the Board of Directors. Eva Hamilton and Peter Therman had announced earlier that they will no longer be available as members. They ended their duties on the Board of Directors by resigning on 18 March 2020 because the previously convened Annual General Meeting was cancelled due to the COVID-19 pandemic. The Board members' term of office will continue until the end of the next Annual General Meeting.

Henrik Holmbom, Authorised Public Accountant, and Marcus Tötterman, Authorised Public Accountant, were re-elected as the regular auditors. KPMG Oy Ab, a firm of authorised public accountants, will continue as the deputy auditor. The auditors will be paid as per an invoice approved by the Board of Directors.

The Board of Directors, which convened after the Annual General Meeting, elected Lauri Ratia as its Chairman, and Leena Niemistö as its Vice Chair.

The Board of Directors decided to establish an Audit Committee and a Compensation Committee from amongst its members. Esa Lager was elected as Chairman of the Audit Committee, and Stefan Björkman and Dag Wallgren were elected as the other members of the committee. Lauri Ratia was elected as Chairman of the Compensation Committee and Stefan Björkman and Leena Niemistö as the other members of the committee.

The company's Board of Directors decided to file an application for corporate restructuring proceedings in accordance with the Finnish Restructuring of Enterprises Act to the District Court of Helsinki on 6 April 2020. As the District Court of Helsinki has, by a decision issued on 8 April 2020, ruled to initiate the corporate restructuring proceedings upon application by a creditor, the continuation of the restructuring proceedings is not dependent on continuing the company's own filing for restructuring proceedings. The Annual General Meeting voted in favour of continuing the restructuring proceedings.

The District Court has appointed Jyrki Tähtinen, Attorney-at-Law, of Borenius Attorneys Ltd as an administrator of the corporate restructuring proceedings. According to the decision of the District Court, the draft restructuring programme must be filed before 11 December 2020.

BUSINESS CONTINUITY, RISKS AND FINANCING SITUATION

The view of the management and the Board of Directors is that Stockmann's business remains viable and can be restored to a sound basis. The coronavirus and the restrictions imposed because of it have had, and will continue to have, a material effect on the company's customer volumes and cash flow. Stockmann plc's decision to file for restructuring was supported by creditors representing more than half of the company's debts, and Stockmann will continue to have a constructive dialogue with its finance providers during the restructuring phase.

As a result of the filing for restructuring, the District Court ordered a temporary prohibition of collection and enforcement for Stockmann plc, and approximately EUR 645 million of the Group's external debts (interest-bearing loans including the hybrid bond which is treated as equity, trade payables and other short-term liabilities) are subject to restructuring. The situation caused uncertainty among suppliers, but business relations are gradually returning to normal. The measures to adjust the cost structure and product intake due to the coronavirus will be implemented from the second quarter onwards. These measures will support the cash flow.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all of Stockmann plc's derivative contracts on 6 April 2020. The realised foreign exchange gains at the time the contracts were closed, totalling EUR 8.9 million, have been treated by reducing the amount of restructuring debt owed to the financing banks. The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates.

The prolonged effects of the coronavirus will have an impact on Stockmann's liquidity and financial position and the value of its assets. The management and the Board of Directors regularly assess the operational and strategic risks associated with the situation. Risks are also assessed as part of the ongoing restructuring proceedings.

By 28 December 2020 Stockmann will provide the Swedish tax authorities with a security which will cover the EUR 27 million in tax and its interest, which is related to the tax authorities' decision to reassess Stockmann Sverige AB's taxes for the years 2013–2018.

Stockmann is preparing a draft restructuring programme. As part of the preparation of the programme, Stockmann will assess sale and leaseback alternatives for its real estate properties. The process concerning strategic alternatives for the ownership of Lindex is currently on hold.

GUIDANCE FOR 2020

Due to the rapid changes that took place in the business environment, Stockmann's previous guidance, published on 13 February 2020, is no longer valid. Stockmann will provide a new guidance once visibility in our markets is clearer.

OUTLOOK FOR 2020

The outbreak of the coronavirus epidemic has caused significant changes in the Stockmann Group's operating environment, and it has had a material impact on the company's customer volumes and cash flow.

Uncertainty in the global economy is expected to persist throughout 2020, and the coronavirus pandemic is having a significant impact on the economy across the world. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence, which are also affected by the coronavirus situation.

Stockmann updated its guidance on 18 March 2020: Due to the rapid changes that took place in the business environment, Stockmann's previous guidance, published on 13 February 2020, is no longer valid. Stockmann will provide a new guidance once visibility in our markets is clearer.

Stockmann is working on drawing up a draft restructuring programme, which according to the decision of the District Court, must be filed before 11 December 2020.

Helsinki, 23 July 2020

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS

This Half year financial report has been prepared in compliance with IAS 34. The figures are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.6.2020**	1.1.–30.6.2019	1.1.–31.12.2019
REVENUE	**351.1**	449.5	960.4
Other operating income	**5.3**	0.0	0.0
Materials and consumables	**−160.9**	−197.2	−419.5
Wages, salaries and employee benefit expenses	**−88.2**	−107.8	−211.1
Depreciation, amortisation and impairment losses	**−71.8**	−70.7	−139.6
Other operating expenses	**−69.0**	−84.9	−176.9
Total expenses	**−389.9**	−460.7	−947.1
OPERATING PROFIT/LOSS	**−33.5**	−11.2	13.3
Financial income	**5.1**	0.5	1.1
Financial expenses	**−24.6**	−27.9	−53.7
Total financial income and expenses	**−19.5**	−27.3	−52.7
PROFIT/LOSS BEFORE TAX	**−53.1**	−38.5	−39.3
Income taxes	**0.7**	0.6	−14.9
NET PROFIT/LOSS FOR THE PERIOD	**−52.4**	−37.9	−54.3
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−52.4**	−37.9	−54.3
Earnings per share, EUR:			
From the period result (undiluted and diluted)	**−0.79**	−0.56	−0.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.6.2020**	1.1.–30.6.2019	1.1.–31.12.2019
PROFIT/LOSS FOR THE PERIOD	**−52.4**	−37.9	−54.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in revaluation surplus (IAS 16), before tax			5.1
Changes in revaluation surplus (IAS 16), tax			−1.0
Changes in revaluation surplus (IAS 16), net of tax			4.1
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**10.3**	−8.5	−5.8
Exchange differences on translating foreign operations, net of tax	**10.3**	−8.5	−5.8
Cash flow hedges, before tax	**1.0**	−1.0	−1.7
Cash flow hedges, tax		0.2	
Cash flow hedges, net of tax	**1.0**	−0.8	−1.7
Other comprehensive income for the period, net of tax	**11.3**	−9.3	−3.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−41.1**	−47.2	−57.7
Total comprehensive income attributable to:			
Equity holders of the parent company	**−41.1**	−47.2	−57.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.6.2020**	30.6.2019	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**504.3**	501.0	506.6
Trademark	**86.6**	86.1	87.0
Intangible rights	**33.2**	40.5	39.0
Other intangible assets	**1.6**	2.0	1.8
Advance payments and construction in progress	**2.5**	2.4	2.6
Intangible assets, total	**628.2**	631.9	637.0
Property, plant and equipment			
Land and water	**100.6**	102.5	100.6
Buildings and constructions	**557.2**	568.6	567.1
Machinery and equipment	**48.5**	58.7	55.4
Modification and renovation expenses for leased premises	**4.6**	4.7	4.9
Right-of-use assets	**447.7**	505.3	485.7
Advance payments and construction in progress	**10.8**	1.8	5.6
Property, plant and equipment, total	**1 169.3**	1 241.7	1 219.3
Investment properties	**0.5**	0.5	0.5
Non-current receivables	**0.4**	0.3	0.4
Non-current lease receivables	**15.0**	16.3	15.7
Other investments	**0.2**	0.3	0.3
Deferred tax assets	**17.3**	16.2	16.3
NON-CURRENT ASSETS, TOTAL	**1 831.0**	1 907.3	1 889.4
CURRENT ASSETS			
Inventories	**134.8**	149.3	145.8
Current receivables			
Interest-bearing receivables	**0.2**	0.1	0.1
Lease receivables	**1.3**	1.2	1.3
Income tax receivables	**3.5**	4.0	4.6
Non-interest-bearing receivables	**21.6**	44.2	37.1
Current receivables, total	**26.6**	49.5	43.0
Cash and cash equivalents	**125.5**	15.7	24.9
CURRENT ASSETS, TOTAL	**287.0**	214.6	213.7
ASSETS, TOTAL	**2 118.0**	2 121.8	2 103.2

EUR mill.	**30.6.2020**	30.6.2019	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**144.1**	144.1	144.1
Share premium fund	**186.1**	186.1	186.1
Revaluation surplus	**329.0**	333.6	329.0
Invested unrestricted equity fund	**250.4**	250.4	250.4
Other funds	**43.5**	43.4	42.5
Translation reserve	**-7.2**	-20.1	-17.5
Retained earnings	**-300.2**	-231.9	-239.6
Hybrid bond	**105.8**	84.3	105.8
Equity attributable to equity holders of the parent company	**751.6**	789.9	800.9
EQUITY, TOTAL	**751.6**	789.9	800.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**125.0**	127.5	125.4
Non-current interest-bearing financing liabilities		413.2	364.5
Non-current lease liabilities	**401.9**	455.4	438.6
Non-current non-interest-bearing liabilities and provisions	**0.3**	3.3	1.6
NON-CURRENT LIABILITIES, TOTAL	**527.2**	999.4	930.0
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**478.8**	34.3	47.8
Current lease liabilities	**87.6**	91.5	91.2
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**230.9**	181.8	194.6
Income tax liabilities	**41.7**	20.0	37.4
Current provisions	**0.2**	4.9	1.1
Current non-interest-bearing liabilities, total	**272.7**	206.7	233.2
CURRENT LIABILITIES, TOTAL	**839.2**	332.5	372.2
LIABILITIES, TOTAL	**1 366.4**	1 331.9	1 302.3
EQUITY AND LIABILITIES, TOTAL	**2 118.0**	2 121.8	2 103.2

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.6.2020**	1.1.–30.6.2019	1.1.–31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**−52.4**	−37.9	−54.3
Adjustments for:			
Depreciation, amortisation and impairment losses	**71.8**	70.7	139.6
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.0**	0.9	0.7
Interest and other financial expenses	**24.6**	27.9	53.7
Interest income	**−5.1**	−0.5	−1.1
Income taxes	**−0.7**	−0.6	14.9
Other adjustments	**−1.0**	2.6	−1.2
Working capital changes:			
Increase (-) /decrease (+) in inventories	**10.5**	−9.9	−5.3
Increase (-) / decrease (+) in trade and other current receivables	**15.3**	2.0	8.0
Increase (+) / decrease (-) in current liabilities	**37.1**	−2.4	−0.2
Interest expenses paid	**−19.4**	−27.1	−52.1
Interest received from operating activities	**0.5**	0.5	1.1
Other financing items from operating activities		−1.1	−1.4
Income taxes paid from operating activities	**4.8**	2.8	−0.3
Net cash from operating activities	**85.9**	27.9	102.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets	**−10.1**	−16.4	−33.9
Proceeds from sale of tangible and intangible assets		139.8	139.7
Exchange rate gain on the hedge of a net investment and internal loan*)	**7.1**	7.4	11.1
Net cash used in investing activities	**−3.1**	130.7	116.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of hybrid bond			21.5
Proceeds from current liabilities	**53.3**	32.4	45.4
Repayment of current liabilities	**−45.4**	−226.9	−226.9
Proceeds from non-current liabilities	**75.4**	89.0	166.7
Repayment of non-current liabilities	**−15.3**	−37.4	−165.1
Payment of lease liabilities	**−40.9**	−37.6	−73.9
Interest on hybrid bond	**−8.2**	−6.6	−6.6
Net cash used in financing activities	**18.9**	−187.1	−238.8
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**101.8**	−28.4	−19.8
Cash and cash equivalents at the beginning of the period	**24.9**	43.4	43.4
Cheque account with overdraft facility	**−2.3**	−0.4	−0.4
Cash and cash equivalents at the beginning of the period	**22.7**	43.0	43.0
Net increase/decrease in cash and cash equivalents	**101.8**	−28.4	−19.8
Effects of exchange rate fluctuations on cash held	**1.0**	−0.6	−0.6
Cash and cash equivalents at the end of the period	**125.5**	15.7	24.9
Cheque account with overdraft facility		−1.8	−2.3
Cash and cash equivalents at the end of the period	**125.5**	14.0	22.7

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2019	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Profit/loss for the period								−37.9	−37.9		**−37.9**
Exchange differences on translating foreign operations							−8.5		−8.5		**−8.5**
Cash flow hedges				−0.8					−0.8		**−0.8**
Total comprehensive income for the period, net of tax				−0.8			−8.5	−37.9	−47.2		**−47.2**
Disposal of revalued assets			−24.7					24.7			
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes								0.0	0.0		**0.0**
Other changes in equity total			−24.7					18.1	−6.6		**−6.6**
EQUITY 30.6.2019	144.1	186.1	333.6	−0.4	250.4	43.8	−20.1	−231.9	705.6	84.3	**789.9**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2019	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Profit/loss for the period								−54.3	−54.3		**−54.3**
Changes in revaluation surplus (IAS 16)			4.1						4.1		**4.1**
Exchange differences on translating foreign operations							−5.8		−5.8		**−5.8**
Cash flow hedges				−1.7					−1.7		**−1.7**
Total comprehensive income for the period, net of tax			4.1	−1.7			−5.8	−54.3	−57.7		**−57.7**
Proceeds from hybrid bond										22.2	**22.2**
Hybrid bond expenses										−0.7	**−0.7**
Disposal of revalued assets			−24.7					24.7			
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes			−8.6					8.6	0.0		**0.0**
Other changes in equity total			−33.3					26.7	−6.6	21.5	**15.0**
EQUITY 31.12.2019	144.1	186.1	329.0	−1.3	250.4	43.8	−17.5	−239.6	695.0	105.8	**800.9**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2020	144.1	186.1	329.0	−1.3	250.4	43.8	−17.5	−239.6	695.0	105.8	**800.9**
Profit/loss for the period								−52.4	−52.4		**−52.4**
Exchange differences on translating foreign operations							10.3		10.3		**10.3**
Cash flow hedges				1.0					1.0		**1.0**
Total comprehensive income for the period, net of tax				1.0			10.3	−52.4	−41.1		**−41.1**
Interest paid on hybrid bond								−8.2	−8.2		**−8.2**
Other changes in equity total								−8.2	−8.2		**−8.2**
EQUITY 30.6.2020	144.1	186.1	329.0	−0.3	250.4	43.8	−7.2	−300.2	645.8	105.8	**751.6**

NOTES TO THE FINANCIAL STATEMENTS, CONDENSED

ACCOUNTING POLICIES

This half year financial report has been prepared in compliance with IAS 34. The accounting policies and calculation methods applied are the same as those in the 2019 financial statements. The figures are unaudited.

Corporate restructuring proceedings

The coronavirus epidemic (COVID-19), which broke out in Europe in March, caused significant changes in the Stockmann Group's operating environment and there was a sudden decrease in customer volumes. Since the company's business remains viable and can be restored to a sound basis, the Board of Directors of Stockmann plc decided to file for corporate restructuring proceedings with the District Court of Helsinki on 6 April 2020. On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as administrator of the restructuring proceedings. According to the decision of the District Court, the draft restructuring programme must be prepared before 11 December 2020. The Annual General Meeting resolved on 4 June 2020 in favour of continuing the restructuring proceedings in accordance with the proposal of the Board of Directors. The Group's subsidiaries, i.e. the Stockmann department stores in the Baltic countries and Lindex, are not in the scope of the restructuring proceedings.

In restructuring proceedings under the Restructuring of Enterprises Act (47/1993), a company's business and debts may be organised and arranged. As a result of such restructuring proceedings, the company may be permitted to continue its operations or, if the proceedings fail, to file for bankruptcy. The most important duty of the administrator of the restructuring proceedings is to prepare a draft restructuring programme in cooperation with the various parties. Arrangements concerning the repayment of debts form a key part of the restructuring programme. Debts can be arranged by (i) changing the repayment schedule; (ii) allocating the payments made by the debtor primarily to the repayment of capital, after which they can be allocated to the costs of the debt, including interest; (iii) reducing the costs of the debt, including the interest rate; and (iv) reducing the amount of outstanding debt. The initiation of the restructuring proceedings does not mean that all of the debtor's debts will fall due for repayment. Under the Act, 'restructuring debt' refers to all debts that have arisen before a company files an application for restructuring proceedings. Debts that are not deemed restructuring debt will be repaid pursuant to their original terms and conditions.

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

Note Restructuring debt presents an itemisation of the Stockmann Group's secured and unsecured restructuring debts and note Maturity table of financial liabilities presents the maturities of all the Group's debts as at 30 June 2020. The debts covered by the restructuring proceedings are classified as current liabilities because the restructuring programme in which the arrangement for the repayment of the restructuring debts will be agreed on has not yet been prepared, and the amounts of these debts to be repaid as well as their maturities involve a degree of uncertainty.

Furthermore, following the initiation of the restructuring proceedings, a few suppliers and lessors have presented Stockmann plc with some additional claims totalling around EUR 49 million. The largest of these additional claims are related to the termination of a long-term lease for office premises in accordance with the Restructuring of Enterprises Act with a notice of two months. However, in the restructuring proceedings, these claims will be assessed as part of the entire restructuring process, and normally only a small fraction of the additional claims is included in the restructuring debt. For this reason, the company estimates that the claims presented are not eligible to be recognised as liabilities at the close of the first half of the year.

The change in the lease in question has been treated in the half year financial report by reducing the carrying amount of the right-of-use asset and redetermining the lease liability for the remaining lease period. The positive impact of the change in the lease, a total of EUR 4.6 million, has been recognised under financial income and expenses in the income statement.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all of Stockmann plc's derivative contracts on 6 April 2020. The realised foreign exchange gains at the time the contracts were closed, totalling EUR 8.9 million, have been treated by reducing the amount of restructuring debt owed to the financing banks. The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates.

At the time of preparation of the half year financial report, the company's restructuring programme has not yet been submitted to the District Court of Helsinki, nor has the District Court approved it, and therefore the Board of Directors of the company is not aware of the contents of the draft restructuring programme prepared by the administrator.

Business continuity

This Stockmann Group half year financial report has been prepared based on the principle of business continuity. The Group's ability to continue its operations is dependent on the profitability of its business and on whether a viable restructuring programme will be prepared and approved 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.

To improve the profitability of its business, Stockmann plc has begun to adapt its costs to the change in its revenue level. To reduce costs, the company is actively engaged in negotiations with its lessors on the terms and conditions of its leases and has adapted its goods purchases so as to match expected demand. Stockmann plc has taken advantage of opportunities for delaying payments to the authorities due to the coronavirus pandemic, as well as postponing planned investments to ensure adequate liquidity.

In this half year financial report, assets and liabilities are presented without any adjustments that could potentially be proposed or approved as part of the restructuring programme. The restructuring programme prepared in the restructuring proceedings may thus alter the carrying amounts presented by the Group in this half year financial report. Furthermore, this half year financial report does not present or account for the consequences of the restructuring proceedings, such as the realisable value of the Group's assets or whether they are sufficient for covering all debts, the amounts and seniority of the loans being restructured or other debs, or the impacts on the consolidated income statement of the changes that potentially could be made to the Group's business as a result of the final restructuring programme.

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

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

Since the publication of the 2019 Annual Report, economic conditions in Europe have deteriorated significantly as a result of the outbreak of the coronavirus epidemic (COVID-19) in March. The coronavirus and the restrictions imposed because of it had a material impact on Stockmann's operating environment as well as the company's customer volumes and cash flows. Since we are unable to forecast the final duration and impacts of the epidemic, its effects on the actual results, financial position and cash flows could differ from the current estimates and assumptions made by the management.

As the half year financial report is prepared in accordance with the IFRS, it has been necessary to make forward-looking estimates and assumptions. At the half year point, the assumptions are related particularly to the basis for continuity and the valuations of assets. The effects of the restructuring proceedings have not been assessed and no assumptions relating to them have been made because the restructuring programme has not yet been prepared.

The actual amounts may differ from the estimates and assumptions. 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 2019.

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 consequences of COVID-19 can be considered a significant event that during the period has resulted in adverse changes in the economic environment in which Lindex operates, and therefore the Stockmann Group performed impairment testing on goodwill and the Lindex brand on 30 June 2020.

The goodwill of EUR 504.3 million and the Lindex brand value of EUR 86.6 million on the half year reporting date are allocated to the Lindex segment. When determining Lindex's value in use, the recoverable cash flows are discounted to their present value using the same testing principle presented in the financial statements for 2019. The cash flow forecasts are based on market-area forecasts that are approved by management, cover a five-year period and also have an effect on the terminal period. The updated long-term forecasts take into account the effects of COVID-19 and the changes in the state of the economy compared with the previous year. The coronavirus pandemic is estimated to have a significant impact on sales at Lindex stores in 2020, although this is partly offset by substantial growth in online sales. According to the management's estimate, the pandemic will also have a somewhat negative impact on cash flows in 2021, but thereafter the sales trend is estimated to recover to the level preceding the outbreak of COVID-19, due to the acceleration of the development of Lindex's online store. Therefore, it is expected that the effect of a drop in the sales of two individual years on the estimated total future cash flows will be partly compensated with the growth assumptions for future years and for the terminal value used. Lindex's cash flows beyond the management-approved forecast period have been extrapolated using a steady 1.7 per cent growth rate.

The sensitivity of goodwill and the Lindex brand value to change, i.e. their risk, can be tested by altering the key calculation parameters. The starting value used in the sensitivity analysis is the value in use based on the future cash flows of the goodwill and the Lindex brand as at 30 June 2020. In the impairment testing, Lindex's recoverable cash flows are about 2 per cent higher than Lindex's value on the consolidated balance sheet. As a consequence of the above-described negative cash flow effects and the risk premium added to the discount rate, the buffer between Lindex's carrying amount and the recoverable cash flows determined on the basis of the testing is smaller than in the financial statements for 2019. The sensitivity analysis tested sensitivity relative to the discount rate used in the valuation calculations and the change in sales growth used. The valuation calculations use a sales growth of -5 – +5% and a discount rate of 9.8%. When the sales growth assumption is raised by 1–5 percentage points, the value in use increases by an average of 18.2 per cent. Conversely, a decrease of 1–5 percentage points results in the value in use being decreased by an average of 15.5 per cent. When the discount rate is decreased by 0.5–1.5 percentage points, the value in use increases by an average of 16.2 per cent, while an increase of 0.5–1.5 percentage points reduces the value in use by an average of 9.8 per cent.

On the basis of the impairment testing there is no need for impairment entries.

Valuation of real estate

Land areas and buildings in own use that are recognised on the balance sheet as property, plant and equipment in accordance with IAS 16, are carried at a revalued amount in accordance with section 31 of IAS 16. Land areas and buildings are recognised on the balance sheet at a revalued amount, which is their fair value at the date of revaluation less subsequent depreciation and impairment. The assets are revalued annually or whenever there are signs that the fair value of land areas and buildings differs materially from their carrying amount. The subcomponents used in determining fair value are presented in the financial statements for 2019.

At the half year reporting date, the management estimates that there are no identified significant changes in the assumptions affecting the determination of the fair value of the real estate assets. The value of real estate in this half year financial report, amounting to EUR 657.8 million, is based on the fair values of EUR 667.7 million determined by an external appraiser on 31 December 2019, less depreciation according to plan for January–June 2020 totalling EUR 10.0 million.

In future, the values of real estate properties may be impacted by factors that could potentially be proposed or approved as part of the restructuring programme and proceedings.

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. In the first half of the year, the Stockmann Group received in its various operating countries a total of EUR 5.3 million in government grants related to the COVID-19 situation. These government grants are reported as other operating income in the income statement.

GROUP'S OPERATING SEGMENTS*

Revenue, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex	**122.1**	154.0	**221.6**	268.5	575.8
Stockmann	**60.6**	88.3	**129.5**	181.0	384.7
Group total	**182.7**	242.3	**351.1**	449.5	960.4

Reported operating profit/loss, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex	**17.2**	20.1	**2.0**	9.1	38.2
Stockmann	**−17.8**	−6.4	**−31.1**	−14.5	−10.5
Unallocated	**−2.4**	−3.5	**−4.5**	−5.8	−14.4
Group total	**−3.1**	10.2	**−33.5**	−11.2	13.3
Financial income	**4.9**	0.3	**5.1**	0.5	1.1
Financial expenses	**−13.1**	−13.8	**−24.6**	−27.9	−53.7
Consolidated profit/loss before taxes	**−11.3**	−3.3	**−53.1**	−38.5	−39.3

Adjustments to Operating profit/loss, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex					−2.7
Stockmann		−3.2		−3.9	−2.6
Unallocated	**−1.3**	−2.8	**−2.4**	−2.8	−10.3
Group total	**−1.3**	−6.0	**−2.4**	−6.8	−15.6

Adjusted Operating profit/loss, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex	**17.2**	20.1	**2.0**	9.1	40.9
Stockmann	**−17.8**	−3.2	**−31.1**	−10.5	−7.9
Unallocated	**−1.2**	−0.6	**−2.1**	−3.0	−4.1
Group total	**−1.8**	16.2	**−31.2**	−4.4	29.0

Depreciation, amortisation and impairment losses, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex	**20.3**	21.2	**41.5**	42.1	81.3
Stockmann	**15.1**	14.2	**30.3**	28.6	58.3
Group total	**35.4**	35.3	**71.8**	70.7	139.6

Capital expenditure, EUR mill. *)	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Lindex	**4.0**	23.2	**19.9**	39.5	65.5
Stockmann	**2.9**	4.4	**6.4**	16.4	26.7
Group total	**6.9**	27.5	**26.3**	56.0	92.1

*) Including right-of-use-assets

Assets, EUR mill.	30.6.2020	30.6.019	31.12.2019		
Lindex	**1 106.0**	1 071.7	1 076.2		
Stockmann	**995.8**	1 048.1	1 026.3		
Unallocated	**16.2**	2.0	0.7		
Group total	**2 118.0**	2 121.8	2 103.2		

IFRS 16 Lease liabilities, EUR mill.	30.6.2020	30.6.019	31.12.2019		
Lindex	**282.4**	303.7	294.7		
Stockmann	**207.1**	243.2	235.1		
Total	**489.5**	546.9	529.8		

* Segment information 2019 is adjusted for comparison purposes

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Finland	**60.6**	84.2	**124.5**	170.7	367.0
Sweden*) and Norway	**95.7**	118.3	**171.2**	205.8	437.8
Baltic countries and other countries	**26.4**	39.7	**55.3**	73.0	155.7
Market areas total	**182.7**	242.3	**351.1**	449.5	960.4
Finland %	**33.2%**	34.7%	**35.5%**	38.0%	38.2%
International operations %	**66.8%**	65.3%	**64.5%**	62.0%	61.8%

Operating profit/loss, EUR mill.	Q2 2020	Q2 2019	1.1.–30.6.2020	1.1.–30.6.2019	1.1.–31.12.2019
Finland	**−16.2**	−9.6	**−31.0**	−19.3	−24.2
Sweden*) and Norway	**15.3**	19.1	**2.8**	7.4	34.3
Baltic countries and other countries	**−2.1**	0.7	**−5.3**	0.8	3.2
Market areas total	**−3.1**	10.2	**−33.5**	−11.2	13.3

Non-current assets, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Finland	**834.4**	895.2	875.4
Sweden and Norway	**834.9**	849.5	848.4
Baltic countries and other countries	**147.9**	147.9	152.2
Market areas total	**1 817.1**	1 892.6	1 876.0
Finland %	**45.9%**	47.3%	46.7%
International operations %	**54.1%**	52.7%	53.3%

*) Includes franchising income

KEY FIGURES OF THE GROUP

	30.6.2020	30.6.2019	31.12.2019
Equity ratio, %	**35.5**	37.2	38.1
Net gearing, %	**109.9**	121.7	112.4
Cash flow from operating activities per share, year-to-date, EUR	**1.19**	0.39	1.42
Interest-bearing net debt, EUR mill.	**826.3**	961.0	900.2
Number of shares at the end of the period, thousands	**72 049**	72 049	72 049
Weighted average number of shares, undiluted and diluted, thousands	**72 049**	72 049	72 049
Market capitalisation, EUR mill.	**87.5**	166.6	154.5
Operating profit/loss, % of revenue	**−9.6**	−2.5	1.4
Equity per share, EUR	**10.43**	10.96	11.12
Return on equity, rolling 12 months, %	**−8.9**	−6.6	−6.6
Return on capital employed, rolling 12 months, %	**−0.2**	−1.0	0.9
Average number of employees, converted to full-time equivalents	**3 875**	4 924	4 891
Capital expenditure, year-to-date, EUR mill. *)	**10.3**	15.8	33.8

*) Excluding right-of-use assets

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

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

Alternative performance measures

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

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

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

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

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

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

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

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

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

EXCHANGE RATES OF EURO

Closing rate for the period	**30.6.2020**	30.6.2019	31.12.2019
NOK	**10.912**	9.6938	9.8638
SEK	**10.4948**	10.5633	10.4468
Average rate for the period	**1.1.–30.6.2020**	1.1.–30.6.2019	1.1.–31.12.2019
NOK	**10.743**	9.7294	9.8505
SEK	**10.6622**	10.5187	10.5871

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Continuing operations								
Revenue	**182.7**	168.4	285.7	225.3	242.3	207.2	304.5	232.5
Other operating income	**5.3**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value changes on investment properties							0.0	−0.2
Materials and consumables	**−83.9**	−77.1	−124.0	−98.3	−100.3	−96.9	−135.3	−95.9
Wages, salaries and employee benefit expenses	**−38.5**	−49.7	−53.5	−49.8	−54.3	−53.5	−58.3	−51.3
Depreciation, amortisation and impairment losses	**−35.4**	−36.3	−34.8	−34.1	−35.3	−35.4	−38.9	−13.9
Other operating expenses	**−33.3**	−35.7	−50.9	−41.1	−42.1	−42.8	−74.7	−76.2
Operating profit/loss	**−3.1**	−30.5	22.4	2.1	10.2	−21.4	−2.8	−4.9
Financial income	**4.9**	0.2	0.3	0.3	0.3	0.3	0.3	0.1
Financial expenses	**−13.1**	−11.6	−12.6	−13.3	−13.8	−14.1	−9.5	−7.9
Total financial income and expenses	**−8.2**	−11.4	−12.3	−13.1	−13.6	−13.8	−9.2	−7.8
Profit/loss before tax	**−11.3**	−41.8	10.1	−11.0	−3.3	−35.2	−12.0	−12.7
Income taxes	**−3.7**	4.4	−8.3	−7.3	−2.2	2.8	5.0	−1.1
Profit/loss from continuing operations	**−15.0**	−37.4	1.9	−18.2	−5.5	−32.4	−7.0	−13.8
Profit/loss from discontinued operations							−1.4	
Net profit/loss for the period	**−15.0**	−37.4	1.9	−18.2	−5.5	−32.4	−8.4	−13.8

Earnings per share per quarter

EUR	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
From continuing operations (undiluted and diluted)	**−0.24**	−0.55	−0.01	−0.27	−0.10	−0.47	−0.12	−0.21
From the period result (undiluted and diluted)	**−0.24**	−0.55	−0.01	−0.27	−0.10	−0.47	−0.14	−0.21

Segment information per quarter *

EUR mill.	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue								
Lindex	**122.1**	99.4	159.7	147.6	154.0	114.5	164.3	147.0
Stockmann	**60.6**	68.9	126.0	77.7	88.3	92.7	140.2	85.5
Group total	**182.7**	168.4	285.7	225.3	242.3	207.2	304.5	232.5
Reported operating profit/loss								
Lindex	**17.2**	−15.2	15.8	13.4	20.1	−11.0	14.8	10.8
Stockmann	**−17.8**	−13.3	10.9	−6.9	−6.4	−8.1	7.8	−14.6
Unallocated	**−2.4**	−2.0	−4.2	−4.4	−3.5	−2.3	−0.4	−1.1
Goodwill impairment							−25.0	
Group total	**−3.1**	−30.5	22.4	2.1	10.2	−21.4	−2.8	−4.9
Adjustments to Operating profit/loss								
Lindex			−2.3	−0.4			0.0	0.0
Stockmann			1.4	−0.1	−3.2	−0.8	−1.3	−10.8
Unallocated	**−1.3**	−1.1	−4.6	−2.8	−2.8			
Goodwill impairment							−25.0	
Group total	**−1.3**	−1.1	−5.5	−3.3	−6.0	−0.8	−26.3	−10.8
Adjusted Operating profit/loss								
Lindex	**17.2**	−15.2	18.1	13.8	20.1	−11.0	14.8	10.8
Stockmann	**−17.8**	−13.3	9.5	−6.8	−3.2	−7.3	9.1	−3.8
Unallocated	**−1.2**	−0.9	0.4	−1.5	−0.6	−2.3	−0.4	−1.1
Group total	**−1.8**	−29.4	28.0	5.4	16.2	−20.6	23.5	5.9

Information on market areas

EUR mill.	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue								
Finland	**60.6**	63.9	116.7	79.6	84.2	86.5	124.1	80.4
Sweden** and Norway	**95.7**	75.5	121.8	110.3	118.3	87.4	126.6	110.9
Baltic countries and other countries	**26.4**	28.9	47.2	35.4	39.7	33.3	53.9	41.2
Group total	**182.7**	168.4	285.7	225.3	242.3	207.2	304.5	232.5
Finland %	**33.2%**	38.0%	40.8%	35.3%	34.7%	41.8%	40.7%	34.6%
International operations %	**66.8%**	62.0%	59.2%	64.7%	65.3%	58.2%	59.3%	65.4%
Operating profit/loss								
Finland	**−16.2**	−14.8	4.8	−9.7	−9.6	−9.8	3.4	−19.0
Sweden** and Norway	**15.3**	−12.5	14.7	12.3	19.1	−11.7	10.0	8.9
Baltic countries and other countries	**−2.1**	−3.2	2.9	−0.5	0.7	0.1	8.9	5.1
Market areas total	**−3.1**	−30.5	22.4	2.1	10.2	−21.4	22.2	−4.9
Goodwill impairment							−25.0	
Group total	**−3.1**	−30.5	22.4	2.1	10.2	−21.4	−2.8	−4.9

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

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Mortgages on land and buildings *)	1 671.7	1 671.7	1 671.7
Pledges and guarantees	1.6	1.6	1.7
Electricity commitments	1.1	1.3	1.2
Liabilities of adjustments of VAT deductions made on investments to immovable property	2.8	3.6	4.0
Total	**1 677.2**	1 678.3	1 678.6
*) Fair value of land and buildings	658.3	671.6	668.2
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 million and further capital securities in amount of EUR 21 million in November 2019. The accrued interest on the bond at the end of period was:	4.7	2.7	7.5

Lease agreements on the Group's business premises, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	9.7	10.9	15.8
Total	**9.7**	10.9	15.8

Group's lease payments, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Within one year	0.2	0.4	0.2
After one year	0.4	0.5	0.5
Total	**0.6**	0.9	0.7

Group's derivative contracts, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Nominal value			
Currency derivatives	11.4	434.7	460.0
Electricity derivatives	2.0	2.0	1.7
Total	**13.3**	436.7	461.7

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Acquisition cost at the beginning of the period	2 607.4	2 549.8	2 549.8
Fair value change from revaluation of the real estates			5.1
Translation difference +/-	-10.1	-35.8	-25.3
Increases during the period	26.3	56.0	92.1
Decreases during the period	-54.7	-4.4	-14.4
Transfers between items during the period		0.0	0.0
Acquisition cost at the end of the period	2 568.8	2 565.6	2 607.4
Accumulated depreciation and impairment losses at the beginning of the period	-750.5	-633.3	-633.3
Translation difference +/-	10.1	8.4	8.1
Depreciation on reductions during the period	41.3	4.2	14.3
Depreciation, amortisation and impairment losses during the period	-71.8	-70.7	-139.6
Accumulated depreciation and impairment losses at the end of the period	-770.8	-691.4	-750.5
Carrying amount at the beginning of the period	1 856.9	1 916.6	1 916.6
Carrying amount at the end of the period	1 798.0	1 874.2	1 856.9

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

Goodwill, EUR mill.	30.6.2020	30.6.2019	31.12.2019
Carrying amount at the beginning of the period	506.6	516.1	516.1
Translation difference +/-	-2.3	-15.2	-9.5
Carrying amount at the end of the period	504.3	501.0	506.6

RIGHT-OF-USE ASSETS

EUR mill.	30.6.2020	30.6.2019	31.12.2019
Acquisition cost at the beginning of the period	570.1	517.5	517.5
Translation difference +/-	3.1	-9.2	-5.7
Increases during the period	16.0	40.2	58.4
Decreases during the period	-12.9	0.0	-0.1
Acquisition cost at the end of the period	576.2	548.5	570.1
Accumulated depreciation and impairment losses at the beginning of the period	-84.4		
Translation difference +/-	0.3	0.2	-0.5
Depreciation on reductions during the period	-0.5	0.0	0.0
Depreciation, amortisation and impairment losses during the period	-43.9	-43.4	-83.9
Accumulated depreciation and impairment losses at the end of the period	-128.5	-43.2	-84.4
Carrying amount at the beginning of the period	485.7	517.5	517.5
Carrying amount at the end of the period	447.7	505.3	485.7

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

Financial assets, EUR mill.	Level	**Carrying amount 30.6.2020**	**Fair value 30.6.2020**	Carrying amount 30.6.2019	Fair value 30.6.2019	Carrying amount 31.12.2019	Fair value 31.12.2019
Derivative contracts, hedge accounting applied	2	**0.0**	**0.0**	1.5	1.5	0.0	0.0
Financial assets at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2			0.3	0.3	0.3	0.3
Electricity derivatives	1			0.3	0.3	0.1	0.1
Financial assets at amortised cost							
Non-current receivables		**0.4**	**0.4**	0.3	0.3	0.4	0.4
Non-current lease receivables		**15.0**	**15.0**	16.3	16.3	15.7	15.7
Current receivables, interest-bearing		**0.2**	**0.2**	0.1	0.1	0.1	0.1
Current lease receivables		**1.3**	**1.3**	1.2	1.2	1.3	1.3
Current receivables, non-interest-bearing		**21.6**	**21.6**	42.2	42.2	36.7	36.7
Cash and cash equivalents		**125.5**	**125.5**	15.7	15.7	24.9	24.9
Other investments	3	**0.2**	**0.2**	0.3	0.3	0.3	0.3
Financial assets by measurement category, total		**164.3**	**164.3**	78.2	78.2	79.6	79.6

Financial liabilities, EUR mill.	Level	**Carrying amount 30.6.2020**	**Fair value 30.6.2020**	Carrying amount 30.6.2019	Fair value 30.6.2019	Carrying amount 31.12.2019	Fair value 31.12.2019
Derivative contracts, hedge accounting applied	2	**0.5**	**0.5**	2.0	2.0	9.3	9.3
Financial liabilities at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2			0.1	0.1	0.0	0.0
Electricity derivatives	1			0.7	0.7		
Financial liabilities at amortised cost							
Non-current interest-bearing liabilities	2			413.2	405.1	364.5	363.0
Non-current lease liabilities		**401.9**	**401.9**	455.4	455.4	438.6	438.6
Current liabilities, interest-bearing	2	**478.8**	**442.5**	34.3	34.3	47.8	47.9
Current lease liabilities		**87.6**	**87.6**	91.5	91.5	91.2	91.2
Current liabilities, non-interest-bearing		**230.3**	**230.3**	179.7	179.7	185.3	185.3
Financial liabilities by measurement category, total		**1 199.2**	**1 162.9**	1 176.9	1 168.8	1 136.7	1 135.3

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:
Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.
Level 2: The valuation techniques use as input data quoted market prices which are regularly available from stock exchanges. brokers or pricing services. Level 2 financial instruments are over-the-counter (OTC) derivative contracts which are classified either for recognition at fair value on the income statement or as hedging instruments.
Level 3: Techniques which require most management's judgment.

There were no transfers between levels during the financial year.

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

Change in fair value of other investments, EUR mill.	**30.6.2020**	30.6.2019	31.12.2019
Carrying amount 1.1.	**0.3**	0.3	0.3
Translation difference +/-	**0.0**	0.0	
Total	**0.2**	0.3	0.3

MATURITY TABLE OF FINANCIAL LIABILITIES

EUR mill.	Carrying amount	2020 *	2021	2022	2023	2024+	Total
Bonds	248.9	261.9					261.9
Loans from financial institutions	156.1	160.6					160.6
Other interest-bearing liabilities	73.9	74.1					74.1
Short-term interest bearing financial liabilities total	478.8	496.5					496.5
Trade payables and other current liabilities	230.9	224.1					224.1
Lease liability	489.5	54.0	99.3	92.2	80.8	187.6	513.9
Total	1 199.2	774.6	99.3	92.2	80.8	187.6	1 234.5

Amounts include accrued interest as of 31.12.2020.
* Liabilities within restructuring procedure are classified as current liabilities, as there is uncertainty of their maturity and payment amounts.
The payment arrangements for the restructuring debt will be agreed in the restructuring program, which has not yet been prepared.
The contractual maturities and the essential terms of the financing debts are presented in the Financial review 2019.

RESTRUCTURING DEBT

EUR mill.	**30.6.2020**
Current interest-bearing restructuring debt	
Secured	**426.5**
Unsecured	**53.5**
Current interest-bearing restructuring debt total*	**480.0**
Current non-interest-bearing restructuring debt	
Secured	**7.1**
Unsecured	**49.8**
Current non-interest-bearing restructuring debt total**	**56.9**
Current restructuring debt total	**536.9**
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020	**108.1**
Restructuring debt total	**645.0**

* Included in consolidated statement of financial position item Current interest-bearing financing liabilities EUR 478.8 mill. Doesn't include periodisation of loan arrangement fees of EUR 1.1 mill.
** Included in consolidated statement of financial position item Current non-interest-bearing liabilities.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**1.1.–30.6.2020***	1.1.–30.6.2019	1.1.–31.12.2019
Interest income on bank deposits, other investments and currency derivatives	**0.0**	0.1	0.2
Interest income from lease contracts	**0.4**	0.5	0.9
Other financial income	**4.6**		
Foreign exchange differences	**0.0**		
Financial income, total	**5.1**	0.5	1.1
Interest expenses on financial liabilities measured at amortised cost	**-9.9**	−13.0	−24.9
Interest expenses on lease contracts	**-10.9**	−13.9	−27.0
Change in fair value of financial assets at fair value through profit or loss	**0.0**	−0.1	−0.1
Other financial expenses	**-3.7**	−0.5	−1.4
Foreign exchange differences		−0.3	−0.3
Financial expenses, total	**-24.6**	−27.9	−53.7
Financial income and expenses, total	**-19.5**	−27.3	−52.7

*Includes EUR 4.6 mill. gain on the change in the lease agreement of office premises, EUR 3.2 mill. interest expenses from restructuring debt and EUR 3.7 mill. amendment fees according to the financing agreement, which was concluded in 2019.

STOCKMANN

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