HALF YEAR FINANCIAL REPORT
Q2 2021

STOCKMANN

STOCKMANN plc, Half year financial report 23.7.2021 at 8:00 EET

Stockmann Group improved the result in both divisions and updates its guidance

April–June 2021:
- Consolidated revenue was EUR 228.0 million (182.7), up 21.4% in comparable currency rates.
- Gross margin was 60.5% (54.1).
- Operating result was EUR 26.3 million (-0.4).
- The adjusted operating result was EUR 26.7 million (0.8).
- Earnings per share were EUR 0.25 (-0.20).
- Adjusted earnings per share were EUR 0.26 (-0.18).

January–June 2021:
- Consolidated revenue was EUR 383.7 million (351.1), up 6.5% in comparable currency rates.
- Gross margin was 58.8% (54.2).
- Operating result was EUR -1.4 million (-28.3).
- The adjusted operating result was EUR 5.6 million (-25.9).
- Earnings per share were EUR -0.14 (-0.70).
- Adjusted earnings per share were EUR -0.05 (-0.67).

Updated guidance for 2021:
Stockmann expects a clear increase to the Group revenue and the adjusted operating result to be clearly positive assuming that no major COVID-19 restrictions are imposed.

Previous guidance (published on 30.4.2021):
The prolonged COVID-19 pandemic gives rise to a lack of clarity in Stockmann's business environment. As the outlook is unclear, Stockmann will provide a new guidance when the market visibility improves.

CEO Jari Latvanen:
Both divisions improved their results. The Group's adjusted operating profit improved from EUR 0.8 million to EUR 26.7 million during Q2. Also the Group's cash increased during Q2 and amounted to EUR 155 million at the end of June. During the first six months, lease liabilities decreased and net gearing improved. The restructuring debt conversions to equity and new bond, in accordance with the restructuring programme, were successfully completed in July, and they will further strengthen the financial position.

The market started to recover and it is very positive that Lindex is even above and Stockmann is in line with market growth. Visitor flows in brick-and-mortar stores intensified during the second quarter. Especially the fashion categories improved clearly during Q2.

Lindex had very strong performance with improved sales and result in all markets and business areas. The sales in both physical stores and online have increased. Together with better gross margin and continued cost savings, these made a good contribution to the positive result.

The positive development is also shown in Stockmann division's profitability, which is clearly improving. By adapting the combination of marketing measures, department store development and virtual events, Stockmann has been able to react quickly to fluctuation in the market. Stockmann's online revenue increased by 82% compared to 2019 first half and decreased by 22% compared to 2020 first half. The lack of tourists is still visible in the brick-and-mortar stores.

KEY FIGURES

	4–6/2021	4–6/2020	**1–6/2021**	1–6/2020	1–12/2020
Revenue, EUR mill.	**228.0**	182.7	**383.7**	351.1	790.7
Gross margin, %	**60.5**	54.1	**58.8**	54.2	56.1
Operating result (EBIT), EUR mill.	**26.3**	−0.4	**−1.4**	−28.3	−252.4
Adjusted operating result (EBIT), EUR mill.	**26.7**	0.8	**5.6**	−25.9	4.9
Result for the period, EUR mill.	**19.1**	−12.9	**−10.4**	−48.1	−291.6
Earnings per share, undiluted and diluted, EUR	**0.25**	−0.17	**−0.14**	−0.64	−3.88
Personnel, average	**5 637**	5 738	**5 484**	6 168	5 991
Cash flow from operating activities, EUR mill.	**51.6**	108.3	**34.7**	85.9	147.4
Capital expenditure, EUR mill.	**2.2**	4.0	**4.6**	10.3	19.4
Equity per share, EUR			**2.63**	5.89	2.90
Net gearing, %			**304.9**	194.6	336.1
Equity ratio, %			**14.3**	24.8	14.6

Where applicable, figures have been adjusted to correspond the change in accounting policy.

ITEMS AFFECTING COMPARABILITY

EUR million	**4–6/2021**	4–6/2020	**1–6/2021**	1–6/2020	1–12/2020
Operating result (EBIT)	**26.3**	−0.4	**−1.4**	−28.3	−252.4
Adjustments to EBIT					
Lindex goodwill impairment					250.0
Restructuring and transformation measures	**0.4**	1.3	**7.0**	2.4	7.3
Adjusted operating result (EBIT)	**26.7**	0.8	**5.6**	−25.9	4.9

CORPORATE RESTRUCTURING PROCEEDINGS

By a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, and the restructuring proceedings have ended. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The properties' sale and lease-back projects are progressing in accordance with the restructuring programme.

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 have been registered with the Trade Register on 9 April 2021, in accordance with the resolution made by the Annual General Meeting on 7 April 2021. Following the combination, the company has only a single class of shares, all shares of which shall carry one (1) vote per share and have equal rights also in all other respects. (Stock Exchange Release 9.4.2021)

Half of the hybrid bond was cut during Q1 2021 and the other half will be converted to equity. 20% of the other restructuring debt will be converted into equity or cut. (Interim Management Statement 30.4.2021)

Stockmanns's Board of Director's resolved on a share issue of at most 100,000,000 new shares in the company to the Creditors Eligible for Conversion. (Stock Exchange Release 18.5.2021)

Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring programme approved by Helsinki District Court on 9 February 2021. (Stock Exchange Release 18.5.2021)

COVID-19

The COVID-19 pandemic is still having impact on Stockmann Group's operating environment and customer volumes. During the second quarter in 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.

During the second quarter, other operating income came to EUR 1.5 million as a result of public funding related to the COVID-19 situation received mainly by Lindex in various countries.

OPERATING ENVIRONMENT

The coronavirus situation still affected the visitor traffic in all markets. The increase in social interaction during the second quarter is visible particularly in the fashion sales figures. Fashion sales in Finland in January-June were up 8.2% compared with the last year (-23.0). Compared with the pre-COVID year 2019, the sales in Finland were still at a lower level, -20.5%.(Source: Fashion and Sports Commerce association). The number of tourists remained on a very low level during the period due to the COVID-19 pandemic and travel restrictions.

Fashion retail continues to recover after the big decline during the pandemic. In Sweden, fashion sales increased in the second quarter. The fashion sales in January–June were up by 5.2% (-17.3) (Source: Swedish Trade Federation, Stilindex).

The COVID-19 pandemic still had a negative impact on visitor numbers in the Baltic department stores during the second quarter due to retail restrictions and lockdowns imposed by governments, due to changes in shopping habits, all related to precautionary measures and remote working requirements to combat the COVID-19 pandemic and due to significantly fewer tourists.

REVENUE AND EARNINGS

April–June 2021

The Stockmann Group's second-quarter revenue amounted to EUR 228.0 million (182.7). Revenue was up by 24.8% on the previous year in euros, or up by 21.4% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 13.7% to EUR 68.9 million (60.6). Revenue in the other countries amounted to EUR 159.1 million (122.1), an increase of 30.3%.

Gross profit was EUR 137.9 million (98.8) and the gross margin was 60.5% (54.1). The gross margin was up both in Lindex and Stockmann.

Operating costs were up by EUR 14.8 million, or up by EUR 15.6 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 86.5 million (71.8).

The operating result for the quarter was EUR 26.3 million (-0.4). The operating result was up both in Lindex and Stockmann. The adjusted operating result for the second quarter was EUR 26.7 million (0.8).

Net financial expenses amounted to EUR 2.8 million (8.2). The result before taxes was EUR 23.5 million (-8.6).

January–June 2021

The Stockmann Group's revenue for the period amounted to EUR 383.7 million (351.1). Revenue was up by 9.3% from the previous year in euros, or up by 6.5% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 0.6%, to EUR 125.3 million (124.5). Revenue in the other countries was up by 14.0% to EUR 258.4 million (226.6), or up by 9.6% in comparable currency rates.

Gross profit was EUR 225.5 million (190.2) and the gross margin was 58.8% (54.2). The gross margin was up both in Lindex and Stockmann.

Operating costs were up by EUR 20.8 million, or up by EUR 16.2 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 178.0 million (157.2).

The operating result for the period was EUR -1.4 million (-28.3). The adjusted operating result for the period was EUR 5.6 million (-25.9).

Net financial expenses amounted to EUR 8.5 million (19.5). The result before taxes was EUR -9.8 million (-47.8).

Taxes for the period totalled EUR 0.5 million (0.3). 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, thus Stockmann recognised a tax and interest refund total of EUR 2.9 million during the period.

The result for the period was EUR -10.4 million (-48.1). Earnings per share for the period were EUR -0.14 (-0.70). Adjusted earnings per share were EUR -0.05 (-0.67). Equity per share was EUR 2.63 (5.89).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 51.6 million (108.3) in the second quarter and EUR 34.7 million (85.9) in January–June. In 2020 the restructuring proceedings had a positive impact on net working capital and cash flow. However the increase in cash balance and cash equivalents is partly due to the corporate restructuring of the parent company, due to which restructuring debt or related interest for unsecured restructuring debt has not been paid. 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. The secured restucturing debt will be repaid by 31 December 2022.

Total inventories were EUR 148.7 million (134.8) at the end of June. Inventories increased 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 2021 are classified in full as current liabilities, were EUR 430.0 million (478.8), excluding IFRS 16 lease liabilities.

At the end of June, interest-bearing liabilities, including IFRS 16 lease liabilities, totalled EUR 757.8 million (968.3). EUR 66.6 million of the lease liabilities are related to Stockmann and EUR 261.3 million to Lindex (1 January 2021: Stockmann 92.9, Lindex 278.3; and 30 June 2020: Stockmann 207.1, Lindex 282.4). Stockmann renegotiated its lease agreeements during the restructuring, and consequently the lease liabilities declined.

Cash and cash equivalents totalled EUR 155.6 million (125.5) at the end of June. Assets in the balance sheet totalled EUR 1 383.3 million (1 710.4) at the end of June.

The equity ratio was 14.3% (24.8) and net gearing was 304.9% (194.6) 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 19.6% and net gearing would have been 157.4%.

The Group's capital employed at the end of June was EUR 955.1 million, or EUR 627.3 million excluding IFRS 16 items (1,392.9 or 903.4).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 2.2 million (4.0) in the second quarter and EUR 4.6 million (10.3) 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

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

LINDEX

Lindex	4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Revenue, EUR mill.	**162.0**	122.1	**260.7**	221.6	507.1
Gross margin, %	**67.1**	63.3	**66.2**	62.4	63.0
Operating result, EUR mill.	**32.2**	17.2	**19.0**	2.0	38.6
Adjusted operating result, EUR mill.	**32.2**	17.2	**24.4**	2.0	39.4
Capital expenditure, EUR mill.	**2.2**	2.1	**3.5**	5.2	8.6

April–June 2021

Lindex's revenue for the quarter was up by 32.7%, to EUR 162.0 million (122.1), or up by 27.3% in comparable currency rates against the Swedish krona. Sales increased strongly compared with both the previous year and 2019, despite the challenges due to the continued periodical closing of stores in the majority of Lindex's sales markets. The situation for the brick-and-mortar stores improved significantly due to reopening in May and June. Total sales for the quarter increased in all markets and business areas. Growth in the online sales during the quarter was 51.4% and accounted for 19.5% (16.2) of the total sales.

The gross margin was 67.1% (63.3). Lindex had a better gross margin due to increased full price sales, reduced markdowns and better intake margins.

Operating costs increased by EUR 12.6 million, to EUR 57.5 million (44.9). The costs increased compared to previous year's strong cost cuts and due to increased sales.

The operating result for the quarter improved by EUR 15.0 million, to EUR 32.2 million (17.2). A good sales growth and strengthened margin, as well as good cost control, have all contributed to the strong result.

January–June 2021

Lindex's revenue increased by 17.7%, to EUR 260.7 million (221.6). In comparable currency rates against the Swedish krona, revenue was up 12.9%. Growth in the online sales during the period was 73.2% and accounted for 23.0% (13.3) of the total sales.

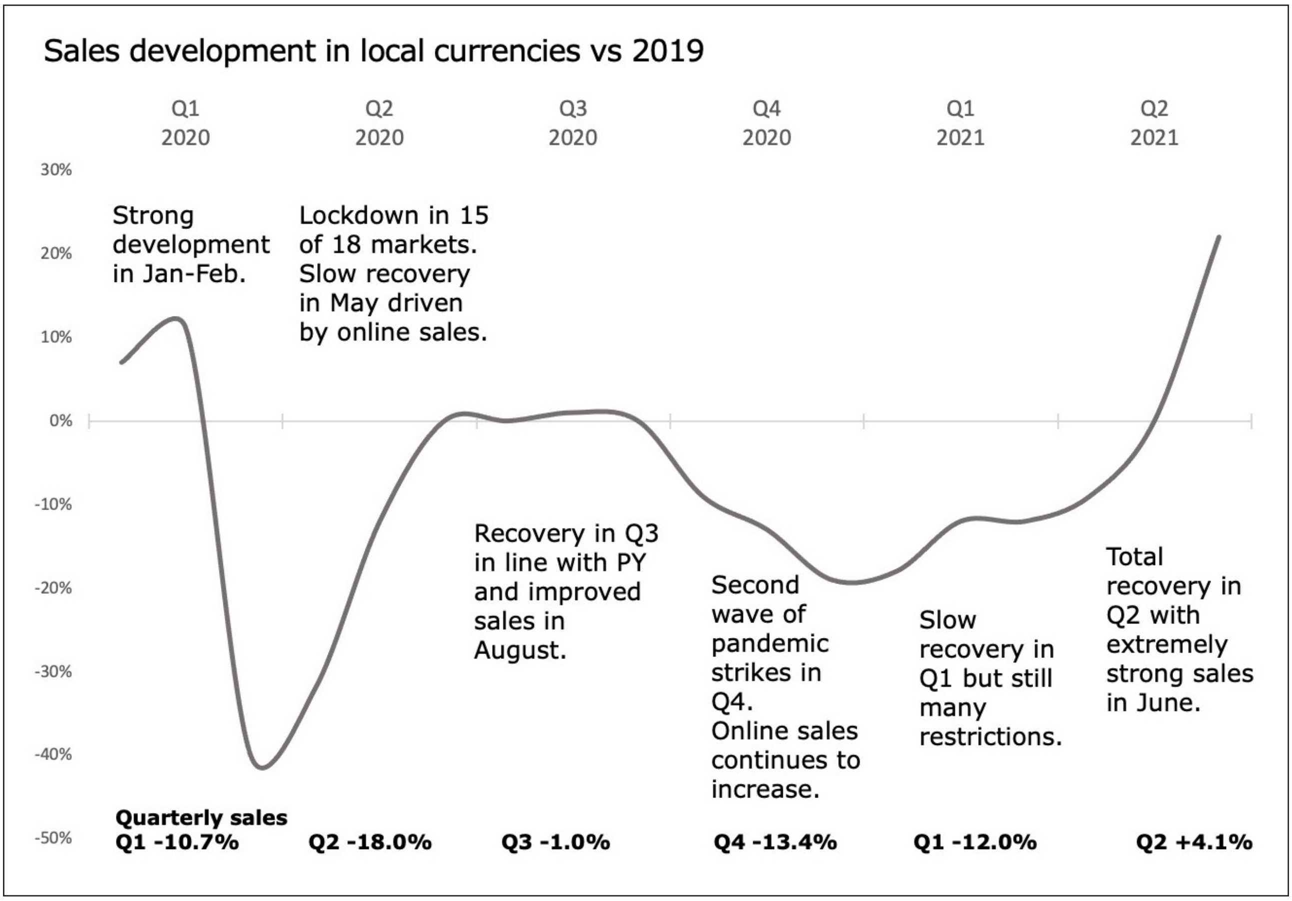
The gross margin was 66.2% (62.4) for the period.

Operating costs inreased by EUR 17.8 million, to EUR 117.8 million (100.0).

The operating result for the period was EUR 19.0 million (2.0).

Lindex's adjusted operating result for the first half of the year amounted to EUR 24.4 million, a significant improvement compared to both 2020 (2.0) and 2019 (9.1).

Lindex's sales development during the COVID-19 pandemic



Lindex has taken important steps within its sustainability promise and the circular transformation. Lindex's second-hand clothing pilot scheme and a new circular business model are an example of the fashion company's efforts to prolong the lifetime of clothing and save natural resources. Exploring circular business models is an important part of Lindex' circular transformation and reaching its climate goal – to reduce the CO2 emissions in its entire value chain by 50% by 2030. Another important step, in Lindex's work to achieve its climate goal, is that the fashion company has switched to biofuel for all ocean freight. Lindex is one of the first players globally to take this step and is thereby decarbonising its entire ocean freight shipments.

Lindex has been ranked as one of the global leaders in the transition to more sustainable materials and circularity by Textile Exchange. At present, more than 70% of Lindex's garments are made from recycled or more sustainably sourced materials and the company is continuing its work to reach its goal of 100% by 2025.

Store network

Lindex opened 2 stores and closed 4 stores during the second quarter. Lindex entered a new market, Malta, during the second quarter.

Lindex store network	Total 31.12.2020	Total 31.3.2021	Closed stores 4–6/2021	New stores 4–6/2021	**Total 30.6.2021**
Finland	61	61	0	0	**61**
Sweden	197	196	1	0	**195**
Norway	91	91	0	1	**92**
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	0	**12**
UK	2	2	0	0	**2**
Denmark*	1	1	0	0	**1**
Iceland*	7	7	0	0	**7**
Bosnia and Herzegovina*	9	9	0	0	**9**
Serbia*	8	7	0	0	**7**
Kosovo*	2	2	0	0	**2**
Albania*	1	1	0	0	**1**
Saudi Arabia*	7	6	3	0	**3**
Qatar*	1	1	0	0	**1**
Tunisia*	2	2	0	0	**2**
Malta*	0	0	0	1	**1**
Total	**458**	**454**	**4**	**2**	**452**
Own stores	420	418	1	1	**418**
Franchising stores (*)	38	36	3	1	**36**

STOCKMANN

Stockmann	**4–6/2021**	4–6/2020	**1–6/2021**	1–6/2020	1–12/2020
Revenue, EUR mill.	**66.0**	60.6	**123.0**	129.5	283.6
Gross margin, %	**44.1**	35.6	**43.0**	40.0	43.9
Operating result, EUR mill.	**−3.9**	−15.2	**−16.0**	−25.8	−30.8
Adjusted operating result, EUR mill.	**−4.0**	−15.2	**−16.0**	−25.8	−30.8
Capital expenditure, EUR mill.	**0.0**	1.9	**1.1**	5.1	10.8

April–June 2021

The Stockmann division's second-quarter revenue grew by 9.0% and amounted to EUR 66.0 million (60.6). Merchandise sales in the brick-and-mortar stores increased significantly despite only a minor increase in visitor numbers compared to the previous quarter and are ahead of last year's figures. The easing of restrictions during the spring 2021 is visible in the Q2 2021 sales figures. The online store experienced a 22.3% decrease in sales during the quarter compared to the previous year and accounted for 20,3% (29,2) of the total sales.

Revenue in Finland came to EUR 50.5 million (47.7), an increase of 5.8% on the previous year. Revenue in the Baltic department stores increased by 20.5%, to EUR 15.5 million (12.9).

The gross margin was 44.1% (35.6). The gross margin increased compared to last year due to increased full price sales and reduced markdowns.

Operating costs increased by EUR 3.1 million, to EUR 29.1 million (26.0), due to higher personnel costs.

The operating result for the quarter was EUR -3.9 million (-15.2).

The adjusted operating result for the quarter was EUR -4.0 million (-15.2).

January–June 2021

The Stockmann division's revenue amounted to EUR 123.0 million (129.5). A reversal of the constant growth which online store sales experienced during 2020 is visible to a limited extent during the second quarter of 2021. Additionally, lower visitor traffic due to coronavirus related restrictions in 2021 affected sales figures negatively in Q1 compared to last year. Growth in the online store during the period was 2.5% and accounted for 19.8% (18.1) of the total sales.

Revenue in Finland amounted to EUR 95.9 million (100.4), a decrease of 4.4% from the previous year. Revenue in the Baltic department stores was down 7.2%, to EUR 27.1 million (29.1).

The gross margin was 43.0% (40.0). The gross margin increased mostly because the regular sales consistently made up a higher share of sales than in the previous year.

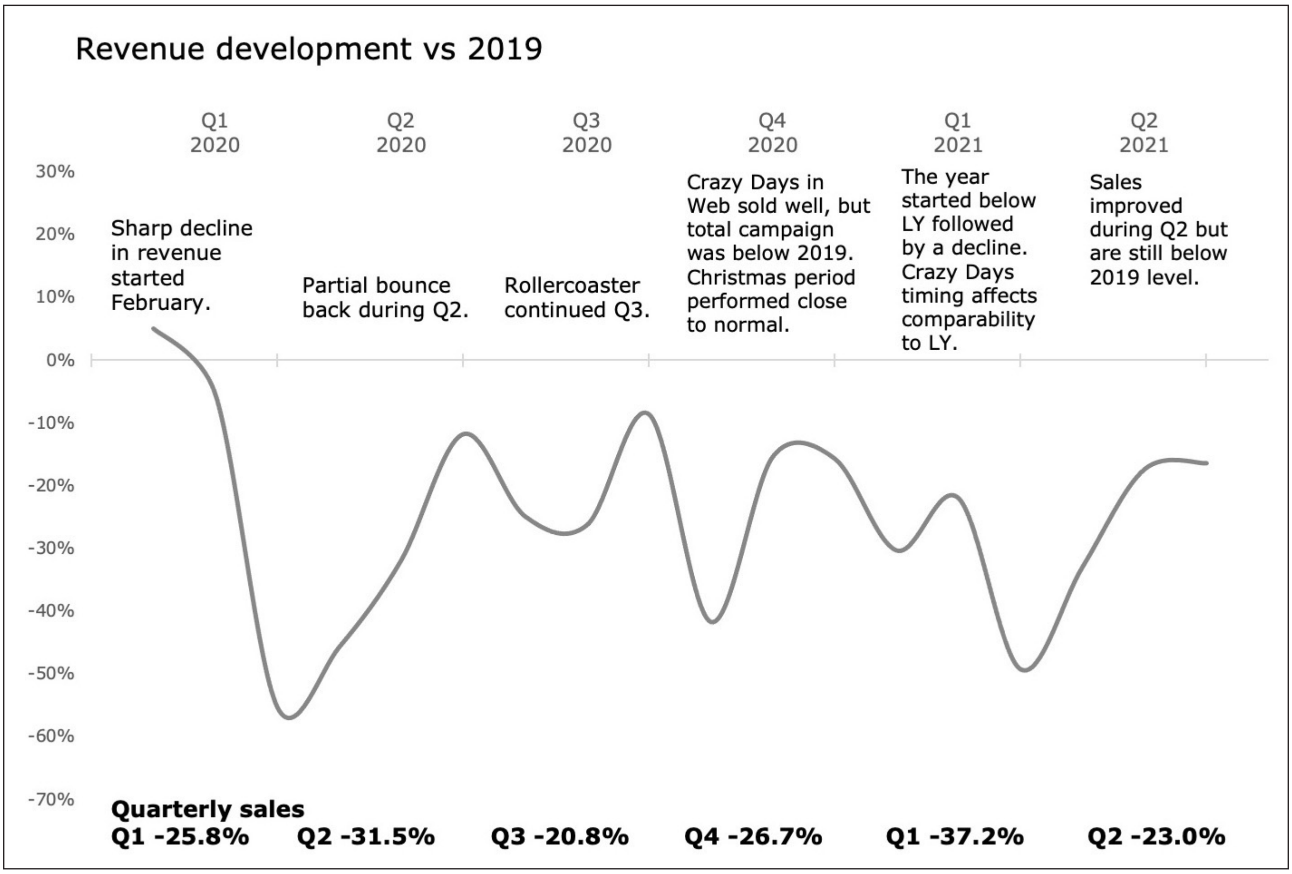
Operating costs increased by EUR 3.2 million, to EUR 59.8 million (56.6).

The operating result for the period was EUR -16.0 million (-25.8).

The adjusted operating result for the period was EUR -16.0 million (-25.8).

To develop the circular economy Stockmann launched the second-hand fashion shop Relove in the Helsinki Flagship store, added a new fossil-free online store delivery option in cooperation with Budbee to reduce the climate impact and utilised recycled store furniture in the Jumbo department store renovation during the period. Stockmann also commenced sustainability dialogue with its stakeholders to conduct a materiality assessment for a CSR strategy renewal.

Stockmann division's revenue development during the COVID-19 pandemic



Properties

As a result of the change in the accounting policy in Q4 2020, the accounting value of Stockmann Group's real estate properties decreased from EUR 667.6, million to EUR 254.9 million and the amount of equity decreased from EUR 800.9 million to 469,6 million as at 31 December 2019.

The main impact in the consolidated income statement relates to a decrease in previously reported depreciations and deferred income taxes. Thus the change decreases the previously reported 2020 depreciations by EUR 10.8 million. Adjusted figures are presented in the Stock Exchange Release published on 28 January 2021.

The restructuring programme is based on the sale and leaseback of the department store properties in Helsinki, Tallinn and Riga. Therefore the properties' value of EUR 247.0 million is presented as assets held for sale in the balance sheet.

PERSONNEL

The Stockmann Group's average number of personnel during the reporting period was 5,484 (6,168). In terms of full-time equivalents, the average number of employees was 3,598 (3,875).

At the end of June, the Stockmann Group's personnel numbered 5,927 (5,809), of whom 1,581 (1,770) were working in Finland. The number of employees working outside Finland was 4,346 (4,039), representing 73% (70) of the entire personnel.

The Group's wages and salaries amounted to EUR 71.4 million in the period, compared with EUR 67.4 million in the same period in 2020. Employee benefit expenses totalled EUR 93.9 million (88.2), which is equivalent to 24.5% (25.1) of revenue.

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 June, Stockmann had a total of 75,101,769 shares. The number of votes conferred by the shares was 75,101,769.

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, as well as to reduce the company's share capital by EUR 66,540,827.74 to cover losses. 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.

After covering the losses, the company's remaining share capital shall be additionally reduced by EUR 67,556,538.26 by transferring these funds to the invested unrestricted equity fund. After the measures proposed above, Stockmann's invested unrestricted equity fund would amount to EUR 67,556,538.26, other funds recorded on the balance sheet as unrestricted equity would amount to EUR 0, the share premium fund would amount to EUR 0 and the share capital would amount to EUR 10,000,000.00. At the end of June the share capital was EUR 77.6 million. At the end of June, the market capitalisation stood at EUR 108.9 million (87.5).

The price of a STOCKA share was EUR 1.45 at the end of June, 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 7.8 million shares (1.2 million Series A shares and 22.0 million Series B shares) were traded on Nasdaq Helsinki during the period. This corresponds to 13.8% 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 June, Stockmann had 42,888 shareholders, compared with 44,938 a year earlier.

BUSINESS CONTINUITY, RISKS AND FINANCING SITUATION

Total cash as per 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 the second quarter and amounted to EUR 155.6 million at the end of Q2 2021. Both divisions have taken and will take actions to improve the cash and net working capital position. The restructuring proceedings caused uncertainty among suppliers, but business relations are gradually returning to normal. The measures to adjust the cost structure and product intake due to the still continuing 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 lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The proceeds from the sale and lease-back of the department store properties will mostly be used for repayment of the secured restructuring debt at the latest by 31 December 2022.

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 un-disputed restructuring debt was mostly converted into equity in July and partly cut.

A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments will begin in April 2022. 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 on 5.7.2021).

Stockmann plc has pledged Stockmann Sverige Ab´s (SSAB) shares and it´s receivables from SSAB as a security for the bond. The different maturity profile of the secured bond brings flexibility for the company for the first years of the restructuring programme. The programme enables Stockmann to make up a EUR 50 million tap-issue on the abovementioned secured bond. This tap-on issue can be used to cover short term liquidity needs.

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

The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates or interest rate risks. The Group's possibilities to arrange new financing are limited during the execution of the corporate restructuring programme. This may have an effect on sufficiency of liquidity and on the financial position. Failure to meet the requirements, sale and lease-back of properties and repayment of restructuring debt according to Stockmann plc's corporate restructuring programme may lead to the 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 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 management and the Board of Directors regularly assess the operational and strategic risks associated with the situation.

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB's right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. In its reply, the Swedish tax authorities have considered that Stockmann would 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 would not have any significance regarding Stockmann's right to deduct these interests. The processing of the case continues in the Court of Appeal. (Stock Exchange Release 14.5.2021)

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 EUR 14.5 million at maximum 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 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 and the administrator and the supervisor as respondents in the first claim and Stockmann 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) 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 on 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 in force pursuant to section 32 of the Restructuring Act. Further, ECR Finland Investment I Oy, i.e. 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 claim would be considered debt that has arisen after the application for restructuring proceedings came in force. Alternatively, if the court considers that the claim of ECR Finland Investment I Oy would be 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.

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.

EVENTS AFTER THE REPORTING PERIOD

The Board of Directors resolved on 18 May 2021, 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)

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 for 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 in the aggregate principal amount of EUR 66,149,032. 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. However, the issuer also has under the restructuring programme restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confimed 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)

UPDATED GUIDANCE FOR 2021

Stockmann expects a clear increase to the Group revenue and the adjusted operating result to be clearly positive assuming that no major COVID-19 restrictions are imposed.

Previous guidance (published on 30.4.2021):
The prolonged COVID-19 pandemic gives rise to a lack of clarity in Stockmann's business environment. As the outlook is unclear, Stockmann will provide a new guidance when the market visibility improves.

MARKET OUTLOOK FOR 2021

Uncertainty in the global economy is expected to persist throughout 2021, and the COVID-19 pandemic will continue to have a significant 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, which are also affected by the coronavirus situation.

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

Helsinki, 22 July 2021

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS

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

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.6.2021**	1.1.–30.6.2020	1.1.–31.12.2020
REVENUE	**383.7**	351.1	790.7
Other operating income	**3.1**	5.3	9.7
Materials and consumables	**−158.2**	−160.9	−347.0
Wages, salaries and employee benefit expenses	**−93.9**	−88.2	−181.9
Depreciation, amortisation and impairment losses	**−51.9**	−66.5	−379.9
Other operating expenses	**−84.0**	−69.0	−144.0
Total expenses	**−388.1**	−384.6	−1 052.7
OPERATING PROFIT/LOSS	**−1.4**	−28.3	−252.4
Financial income	**2.5**	5.1	3.7
Financial expenses	**−11.0**	−24.6	−45.4
Total financial income and expenses	**−8.5**	−19.5	−41.6
PROFIT/LOSS BEFORE TAX	**−9.8**	−47.8	−294.0
Income taxes	**−0.5**	−0.3	2.4
NET PROFIT/LOSS FOR THE PERIOD	**−10.4**	−48.1	−291.6
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−10.4**	−48.1	−291.6
Earnings per share, EUR:			
From the period result (undiluted and diluted)*	**−0.14**	−0.70	−3.88

* 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.–30.6.2021**	1.1.–30.6.2020	1.1.–31.12.2020
PROFIT/LOSS FOR THE PERIOD	**−10.4**	−48.1	−291.6
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**−1.3**	10.3	37.9
Exchange differences on translating foreign operations, net of tax	**−1.3**	10.3	37.9
Cash flow hedges, before tax		1.0	1.4
Cash flow hedges, net of tax		1.0	1.4
Other comprehensive income for the period, net of tax	**−1.3**	11.3	39.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−11.7**	−36.8	−252.3
Total comprehensive income attributable to:			
Equity holders of the parent company	**−11.7**	−36.8	−252.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**275.3**	504.3	277.5
Trademark	**89.9**	86.6	90.6
Intangible rights	**24.9**	33.2	30.4
Other intangible assets	**1.4**	1.6	1.4
Advance payments and construction in progress	**1.8**	2.5	1.6
Intangible assets, total	**393.4**	628.2	401.5
Property, plant and equipment			
Land and water		17.5	
Buildings and constructions		232.8	
Machinery and equipment	**40.6**	48.5	44.5
Modification and renovation expenses for leased premises	**4.9**	4.6	4.2
Right-of-use assets	**309.6**	447.7	351.4
Advance payments and construction in progress	**9.6**	10.8	11.6
Property, plant and equipment, total	**364.6**	761.8	411.8
Investment properties	**0.5**	0.5	0.5
Non-current receivables	**1.7**	0.4	1.7
Non-current lease receivables		15.0	3.9
Other investments	**0.2**	0.2	0.2
Deferred tax assets	**28.7**	17.3	27.8
NON-CURRENT ASSETS, TOTAL	**789.1**	1 423.4	847.4
CURRENT ASSETS			
Inventories	**148.7**	134.8	135.3
Current receivables			
Interest-bearing receivables	**0.2**	0.2	0.0
Lease receivables		1.3	0.5
Income tax receivables	**2.0**	3.5	0.3
Non-interest-bearing receivables	**39.9**	21.6	45.0
Current receivables, total	**42.0**	26.6	45.8
Cash and cash equivalents	**155.6**	125.5	152.3
CURRENT ASSETS, TOTAL	**346.3**	287.0	333.4
ASSETS CLASSIFIED AS HELD FOR SALE	**247.9**		247.3
ASSETS, TOTAL	**1 383.3**	1 710.4	1 428.1

EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**77.6**	144.1	144.1
Share premium fund		186.1	186.1
Invested unrestricted equity fund		250.4	250.4
Other funds	**0.1**	43.5	43.8
Translation reserve	**19.1**	−7.2	20.4
Retained earnings	**47.6**	−298.2	−541.7
Hybrid bond	**52.9**	105.8	105.8
Equity attributable to equity holders of the parent company	**197.3**	424.6	209.0
EQUITY, TOTAL	**197.3**	424.6	209.0
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**36.4**	44.5	35.9
Non-current lease liabilities	**254.2**	401.9	290.7
Non-current non-interest-bearing liabilities and provisions	**95.1**	0.3	0.2
NON-CURRENT LIABILITIES, TOTAL	**385.8**	446.6	326.9
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**430.0**	478.8	488.2
Current lease liabilities	**73.6**	87.6	80.5
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**233.3**	230.9	249.6
Income tax liabilities	**41.4**	41.7	39.6
Current provisions	**4.8**	0.2	17.0
Current non-interest-bearing liabilities, total	**279.5**	272.7	306.2
CURRENT LIABILITIES, TOTAL	**783.2**	839.2	874.9
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**17.1**		17.4
LIABILITIES, TOTAL	**1 186.0**	1 285.8	1 219.1
EQUITY AND LIABILITIES, TOTAL	**1 383.3**	1 710.4	1 428.1

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

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.6.2021**	1.1.–30.6.2020	1.1.–31.12.2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**−10.4**	−48.1	−291.6
Adjustments for:			
Depreciation, amortisation and impairment losses	**51.9**	66.5	379.9
Interest and other financial expenses	**11.0**	24.6	45.4
Interest income	**−2.5**	−5.1	−3.7
Income taxes	**0.5**	0.3	−2.4
Other adjustments	**0.6**	−1.0	15.9
Working capital changes:			
Increase (-) /decrease (+) in inventories	**−14.1**	10.5	13.9
Increase (-) / decrease (+) in trade and other current receivables	**−3.0**	15.3	−9.7
Increase (+) / decrease (-) in current liabilities	**18.2**	38.2	25.3
Interest expenses paid	**−17.1**	−19.4	−30.3
Interest received from operating activities	**0.1**	0.5	0.8
Income taxes paid from operating activities	**−0.5**	3.7	4.1
Net cash from operating activities	**34.7**	85.9	147.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets	**−5.1**	−10.1	−18.7
Exchange rate gain on the hedge of a net investment and internal loan*)		7.1	7.1
Dividends received from investing activities			1.6
Net cash used in investing activities	**−5.1**	−3.1	−10.0
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current liabilities		53.3	53.3
Repayment of current liabilities		−45.4	−45.4
Proceeds from non-current liabilities		75.4	75.4
Repayment of non-current liabilities		−15.3	−6.4
Payment of lease liabilities	**−25.8**	−40.9	−80.2
Interest on hybrid bond		−8.2	−8.2
Net cash used in financing activities	**−25.8**	18.9	−11.5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**3.9**	101.8	125.9
Cash and cash equivalents at the beginning of the period	**152.3**	24.9	24.9
Cheque account with overdraft facility		−2.3	−2.3
Cash and cash equivalents at the beginning of the period	**152.3**	22.7	22.7
Net increase/decrease in cash and cash equivalents	**3.9**	96.5	125.9
Effects of exchange rate fluctuations on cash held	**−0.6**	6.3	3.7
Cash and cash equivalents at the end of the period	**155.6**	125.5	152.3
Cash and cash equivalents at the end of the period	**155.6**	125.5	152.3

*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	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	−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**
Profit/loss for the period							−48.1	−48.1		**−48.1**
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	−48.1	−36.8		**−36.8**
Interest paid on hybrid bond							−8.2	−8.2		**−8.2**
EQUITY 30.6.2020	144.1	186.1	−0.3	250.4	43.8	−7.2	−298.2	318.7	105.8	**424.6**

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2020	144.1	186.1	−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**
Profit/loss for the period							−291.6	−291.6		**−291.6**
Exchange differences on translating foreign operations			0.1			37.9		37.9		**37.9**
Cash flow hedges			1.3					1.3		**1.3**
Total comprehensive income for the period, net of tax			1.4			37.9	−291.6	−252.3		**−252.3**
Interest paid on hybrid bond							−8.2	−8.2		**−8.2**
EQUITY 31.12.2020	144.1	186.1		250.4	43.8	20.4	−541.6	103.2	105.8	**209.0**

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2021	144.1	186.1		250.4	43.8	20.4	−541.7	103.2	105.8	**209.0**
Profit/loss for the period							−10.4	−10.4		**−10.4**
Exchange differences on translating foreign operations						−1.3		−1.3		**−1.3**
Total comprehensive income for the period, net of tax						−1.3	−10.4	−11.7		**−11.7**
Reduction of share capital to cover losses	−66.5						66.5			
Usage of unrestricted equity funds to cover losses		−186.1		−250.4	−43.7		480.2			
Hybrid bond cut and conversion to shares							52.9	52.9	−52.9	
EQUITY 30.6.2021	77.6				0.1	19.1	47.6	144.4	52.9	**197.3**

NOTES TO THE HALF YEAR FINANCIAL REPORT, 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 2020 financial statements. The figures are unaudited.

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, on 7 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.

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 has 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 in order to transfer the funds into the invested unrestricted equity fund is conditional upon a creditor protection procedure in accordance with the Finnish Companies Act, and it will be registered after the notice procedure, provided that the Company's creditors do not object to the reduction.

Corporate restructuring proceedings

Stockmann plc filed for corporate restructuring proceedings on 6 April 2020. By a decision on 9 Febrary 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, The restructuring programme is based on the company continuing its department store operations in all present department stores and online sales in Finland and in the Baltics. The duration of the programme is eight years. Lindex's operations will continue as a fixed part of the Stockmann Group, and its cash flows contribute to cover payment obligations disclosed in the restructuring programme. As part of the restructuring programme, the company will sell the real estate assets it owns in Helsinki city centre, Tallinn and Riga. The received realisation result of the company's real estate assets will primarily be used to pay secured debt.

Note "Restructuring debt" presents an itemisation of the Stockmann Group's secured and unsecured restructuring debts and the breakdown of them into current and non-current liabilities. Note "Cash flows based on agreements in financial liabilities" presents the maturities of all the Group's debts as at 30 June 2021.

On 18 May 2021 Stockmann plc's Board of Directors decided on a directed share issue of at most 100,000,000 new shares of the company to creditors of unsecured restructuring debts and hybrid bond creditors. The subscription period for the Conversion Shares ended on 18 June 2021 and a total of 79,335,175 conversion shares have been registered in the trade register on 6 July 2021. In addition Stockmann plc offered to certain unsecured creditors of the Issuer under the restructuring programme possibility to convert their receivables into Senior Secured Bonds, the subscription period for the bonds ended on 18 June 2021. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66,149,032. Accordingly, Stockmann issues bonds in the aggregate principal amount of EUR 66,149,032 on 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, the Issuer has under the restructuring programme also restructuring debt that is conditional, maximum amount or disputed in respect of which the amount subject to the payment programme will be confimed 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.

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

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

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 amount of deferred tax assets from the confirmed losses of the previous financial periods recognized on Stockmann's balance sheet as at 31 December 2020 was EUR 20 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 utilize the unused losses. As part of Stockmann plc's restructuring program approved by the Helsinki District Court on February 9, 2021, the company sells and leases back the properties in the center of Helsinki, Tallinn and Riga. The proceeds from the sale of the properties will mainly be used to repay the secured restructuring debt by 31 December 2022. Stockmann's management estimates that the proceeds from the sale of the properties will significantly exceed the amount of accumulated tax losses. In the company's view, the sale of properties thus generates sufficient taxable income to utilize 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 recognized part of the receivables based on management's assessment and in accordance with the principles of the restructuring program as a provision in the financial statements on 31 December 2020. The amount of the provision on June 30, 2021 was EUR 17.6 million. The amount of the disputed claims, which is presented as a contingent liability on 30 June 2021, was EUR 114 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 2020.

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 275.3 million and the Lindex brand value of EUR 89.9 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 2020. 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 changes in the state of the economy compared with the previous year. According to the management's estimate, the COVID-19 pandemic will 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 the pandemic, due to the acceleration of the development of Lindex's online store. 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 2021. In the impairment testing, Lindex's recoverable cash flows are about 8 per cent higher than Lindex's value on the consolidated balance sheet. 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 average of 5% and a discount rate of 9.8%. When the sales growth assumption is raised by 1-2 percentage points, the value in use increases by an average of 10 per cent. Conversely, a decrease of 1-4 percentage points results in the value in use being decreased by an average of 17 per cent. When the discount rate is decreased by 0.5–2 percentage points, the value in use increases by an average of 20 per cent, while an increase of 0.5–2 percentage points reduces the value in use by an average of 14 per cent. Based on the sensitivity analysis, a 3 percentage point decrease in the sales growth assumption or a 1.3 percentage point increase in the discount would cause in the value of the recoverable amount is equal to the carrying amount.

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

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 3.1 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 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**162.0**	122.1	**260.7**	221.6	507.1
Stockmann	**66.0**	60.6	**123.0**	129.5	283.6
Group total	**228.0**	182.7	**383.7**	351.1	790.7

Reported operating profit/loss, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**32.2**	17.2	**19.0**	2.0	38.6
Stockmann	**–3.9**	–15.2	**–16.0**	–25.8	–30.8
Unallocated	**–1.9**	–2.4	**–4.3**	–4.5	–10.2
Goodwill impairment					–250.0
Group total	**26.3**	–0.4	**–1.4**	–28.3	–252.4
Financial income	**1.4**	4.9	**2.5**	5.1	3.7
Financial expenses	**–4.2**	–13.1	**–11.0**	–24.6	–45.4
Consolidated profit/loss before taxes	**23.5**	–8.6	**–9.8**	–47.8	–294.0

Adjustments to Operating profit/loss, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**0.0**		**–5.4**		–0.9
Stockmann	**0.1**				
Unallocated	**–0.5**	–1.3	**–1.5**	–2.4	–6.4
Goodwill impairment					–250.0
Group total	**–0.4**	–1.3	**–7.0**	–2.4	–257.3

Adjusted Operating profit/loss, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**32.2**	17.2	**24.4**	2.0	39.4
Stockmann	**–4.0**	–15.2	**–16.0**	–25.8	–30.8
Unallocated	**–1.4**	–1.2	**–2.8**	–2.1	–3.7
Group total	**26.7**	0.8	**5.6**	–25.9	4.9

Depreciation, amortisation and impairment losses, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**20.1**	20.3	**38.2**	41.5	82.0
Stockmann	**6.5**	12.5	**13.7**	25.0	47.9
Goodwill impairment					250.0
Group total	**26.6**	32.8	**51.9**	66.5	379.9

Capital expenditure, EUR mill. *)	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Lindex	**–0.4**	4.0	**10.7**	19.9	27.8
Stockmann	**0.0**	2.9	**2.2**	6.4	58.8
Group total	**–0.4**	6.9	**12.9**	26.3	86.6

*) Including right-of-use-assets

Assets, EUR mill.			30.6.2021	30.6.2020	31.12.2020
Lindex			**904.3**	1 106.0	883.6
Stockmann			**478.3**	588.2	544.2
Unallocated			**0.7**	16.2	0.4
Group total			**1 383.3**	1 710.4	1 428.1

IFRS 16 Lease liabilities, EUR mill.			30.6.2021	30.6.2020	31.12.2020
Lindex			**261.3**	282.4	278.3
Stockmann			**66.6**	207.1	92.9
Total			**327.8**	489.5	371.2

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Finland	68.9	60.6	125.3	124.5	278.7
Sweden*) and Norway	123.1	95.7	202.6	171.2	389.2
Baltic countries and other countries	36.0	26.4	55.7	55.3	122.8
Market areas total	228.0	182.7	383.7	351.1	790.7
Finland %	30.2%	33.2%	32.7%	35.5%	35.2%
International operations %	69.8%	66.8%	67.3%	64.5%	64.8%

Operating profit/loss, EUR mill.	Q2 2021	Q2 2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Finland	−6.8	−14.9	−19.6	−28.3	−37.8
Sweden*) and Norway	30.7	15.3	16.9	2.8	34.2
Baltic countries and other countries	2.4	−0.8	1.4	−2.8	1.2
Market areas total	26.3	−0.4	−1.4	−28.3	−2.4
Goodwill impairment					−250.0
Group total	26.3	−0.4	−1.4	−28.3	−252.4

Non-current assets, EUR mill.			30.6.2021	30.6.2020	31.12.2020
Finland			367.5	425.3	399.3
Sweden and Norway			590.5	832.9	608.4
Baltic countries and other countries			49.4	147.9	58.5
Market areas total			1 007.4	1 406.1	1 066.2
Finland %			36.5%	30.2%	37.4%
International operations %			63.5%	69.8%	62.6%

*) Includes franchising income

KEY FIGURES OF THE GROUP

	30.6.2021	30.6.2020	31.12.2020
Equity ratio, %	**14.3**	24.8	14.6
Net gearing, %	**304.9**	194.6	336.1
Cash flow from operating activities per share, year-to-date, EUR	**0.46**	1.19	2.05
Interest-bearing net debt, EUR mill.	**601.5**	826.3	702.5
Number of shares at the end of the period, thousands	**75 102**	72 049	72 049
Weighted average number of shares, undiluted and diluted, thousands	**75 102**	72 049	72 049
Market capitalisation, EUR mill.	**108.9**	87.5	86.9
Operating profit/loss, % of revenue	**−0.4**	−8.0	−31.9
Equity per share, EUR	**2.63**	5.89	2.90
Return on equity, rolling 12 months, %	**−81.7**	−13.6	−86.0
Return on capital employed, rolling 12 months, %	**−19.1**	0.5	−20.1
Average number of employees, converted to full-time equivalents	**3 598**	3 875	3 973
Capital expenditure, year-to-date, EUR mill. *)	**4.6**	10.3	19.4

*) Excluding right-of-use assets

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

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

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 = $\dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares, adjusted for share issue}}$

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	**30.6.2021**	**30.6.2020**	31.12.2020
NOK	**10.1717**	**10.9120**	10.4703
SEK	**10.1110**	**10.4948**	10.0343
Average rate for the period	**1.1.–30.6.2021**	**1.1.–30.6.2020**	1.1.–31.12.2020
NOK	**10.1780**	**10.7430**	10.7261
SEK	**10.1300**	**10.6622**	10.4875

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	**228.0**	155.7	232.0	207.6	182.7	168.4	285.7	225.3
Other operating income	**1.5**	1.5	1.6	2.8	5.3	0.0	0.0	0.0
Materials and consumables	**−90.2**	−68.0	−97.5	−88.5	−83.9	−77.1	−124.0	−98.3
Wages, salaries and employee benefit expenses	**−48.3**	−45.6	−49.3	−44.3	−38.5	−49.7	−53.5	−49.8
Depreciation, amortisation and impairment losses	**−26.6**	−25.3	−281.7	−31.7	−32.8	−33.7	−32.2	−31.4
Other operating expenses	**−38.2**	−45.8	−43.5	−31.6	−33.3	−35.7	−50.9	−41.1
Total expenses	**−203.3**	−184.8	−472.0	−196.1	−188.4	−196.2	−260.6	−220.5
Operating profit/loss	**26.3**	−27.7	−238.4	14.3	−0.4	−27.8	25.1	4.8
Financial income	**1.4**	1.0	−1.2	−0.2	4.9	0.2	0.3	0.3
Financial expenses	**−4.2**	−6.7	−11.0	−9.7	−13.1	−11.6	−12.6	−13.3
Total financial income and expenses	**−2.8**	−5.7	−12.2	−9.9	−8.2	−11.4	−12.3	−13.1
Profit/loss before tax	**23.5**	−33.3	−250.6	4.4	−8.6	−39.2	12.8	−8.3
Income taxes	**−4.4**	3.8	3.9	−1.1	−4.3	3.9	−8.8	−7.8
Net profit/loss for the period	**19.1**	−29.5	−246.8	3.3	−12.9	−35.3	4.0	−16.1

Earnings per share per quarter*

EUR	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
From the period result (undiluted and diluted)	**0.25**	−0.39	−3.20	0.01	−0.20	−0.50	0.02	−0.23

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

Segment information per quarter *

EUR mill.	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue								
Lindex	**162.0**	98.7	139.6	146.0	122.1	99.4	159.7	147.6
Stockmann	**66.0**	56.9	92.4	61.6	60.6	68.9	126.0	77.7
Group total	**228.0**	155.7	232.0	207.6	182.7	168.4	285.7	225.3
Reported operating profit/loss								
Lindex	**32.2**	−13.2	15.1	21.5	17.2	−15.2	15.8	13.4
Stockmann	**−3.9**	−12.1	−0.2	−4.8	−15.2	−10.6	13.5	−4.2
Unallocated	**−1.9**	−2.4	−3.3	−2.4	−2.4	−2.0	−4.2	−4.4
Goodwill impairment			−250.0					
Group total	**26.3**	−27.7	−238.4	14.3	−0.4	−27.8	25.1	4.8
Adjustments to Operating profit/loss								
Lindex	**0.0**	−5.4	0.0	−0.8			−2.3	−0.4
Stockmann	**0.1**	−0.1					1.4	−0.1
Unallocated	**−0.5**	−1.0	−2.7	−1.4	−1.3	−1.1	−4.6	−2.8
Goodwill impairment			−250.0					
Group total	**−0.4**	−6.5	−252.7	−2.2	−1.3	−1.1	−5.5	−3.3
Adjusted Operating profit/loss								
Lindex	**32.2**	−7.7	15.1	22.3	17.2	−15.2	18.1	13.8
Stockmann	**−4.0**	−12.0	−0.2	−4.8	−15.2	−10.6	12.2	−4.1
Unallocated	**−1.4**	−1.4	−0.7	−1.0	−1.2	−0.9	0.4	−1.5
Group total	**26.7**	−21.1	14.2	16.5	0.8	−26.7	30.7	8.1

Information on market areas

EUR mill.	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue								
Finland	**68.9**	56.4	89.1	65.1	60.6	63.9	116.7	79.6
Sweden** and Norway	**123.1**	80.0	109.6	108.4	95.7	75.5	121.8	110.3
Baltic countries and other countries	**36.0**	19.2	33.3	34.2	26.4	28.9	47.2	35.4
Group total	**228.0**	155.7	232.0	207.6	182.7	168.4	285.7	225.3
Finland %	**30.2%**	36.2%	38.4%	31.4%	33.2%	38.0%	40.8%	35.3%
International operations %	**69.8%**	63.8%	61.6%	68.6%	66.8%	62.0%	59.2%	64.7%
Operating profit/loss								
Finland	**−6.8**	−12.8	−3.9	−5.6	−14.9	−13.4	6.2	−8.2
Sweden** and Norway	**30.7**	−13.4	13.8	17.7	15.3	−12.5	14.7	12.3
Baltic countries and other countries	**2.4**	−1.4	1.8	2.2	−0.8	−1.9	4.2	0.7
Market areas total	**26.3**	−27.7	11.6	14.3	−0.4	−27.8	25.1	4.8
Goodwill impairment			−250.0					
Group total	**26.3**	−27.7	−238.4	14.3	−0.4	−27.8	25.1	4.8

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

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Mortgages on land and buildings *)	**1 671.7**	1 671.7	1 671.7
Pledges and guarantees	**0.2**	1.6	0.2
Electricity commitments	**0.5**	1.1	0.7
Liabilities of adjustments of VAT deductions made on investments to immovable property	**2.5**	2.8	2.9
Total	**1 674.8**	1 677.2	1 675.5
*) Bookvalue of land and buildings (cost method applied)	**246.5**	250.7	246.2

Lease agreements on the Group's business premises, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Within one year	**7.0**	9.7	3.2
After one year			6.3
Total	**7.0**	9.7	9.5

Group's lease payments, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Within one year	**0.2**	0.2	0.2
After one year	**0.6**	0.4	0.4
Total	**0.8**	0.6	0.6

Group's derivative contracts, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Nominal value			
Currency derivatives		11.4	
Electricity derivatives	**1.7**	2.0	1.6
Total	**1.7**	13.3	1.6

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Acquisition cost at the beginning of the period	**1 704.4**	2 194.5	2 194.5
Translation difference +/-	**-7.5**	-10.1	49.7
Increases during the period	**12.9**	26.3	86.6
Decreases during the period	**-33.3**	-54.7	-228.1
Transfers to non-current assets classified as held for sale	**0.5**		-398.4
Acquisition cost at the end of the period	**1 677.1**	2 156.0	1 704.4
Accumulated depreciation and impairment losses at the beginning of the period	**-890.6**	-750.5	-750.5
Translation difference +/-	**9.4**	10.1	0.4
Depreciation on reductions during the period	**15.4**	41.3	87.6
Accumulated depreciation on transfers to non-current assets classified as held for sale	**-0.9**		151.8
Depreciation, amortisation and impairment losses during the period	**-51.9**	-66.5	-379.9
Accumulated depreciation and impairment losses at the end of the period	**-918.7**	-765.5	-890.6
Carrying amount at the beginning of the period	**813.8**	1 444.0	1 444.0
Carrying amount at the end of the period	**758.4**	1 390.5	813.8

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

Goodwill, EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Carrying amount at the beginning of the period	**277.5**	506.6	506.6
Translation difference +/-	**-2.2**	-2.3	20.9
Impairment losses			-250.0
Carrying amount at the end of the period	**275.3**	504.3	277.5

Change in accounting principle has been presented retroactivly in 2020 figures according to IAS 8.

RIGHT-OF-USE ASSETS

EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Acquisition cost at the beginning of the period	**476.9**	570.1	570.1
Translation difference +/-	**-2.9**	3.1	14.3
Increases during the period	**8.3**	16.0	67.2
Decreases during the period	**-24.8**	-12.9	-174.8
Acquisition cost at the end of the period	**457.5**	576.2	476.9
Accumulated depreciation and impairment losses at the beginning of the period	**-125.5**	-84.4	-84.4
Translation difference +/-	**7.9**	0.3	10.5
Depreciation on reductions during the period	**6.9**	-0.5	34.9
Depreciation, amortisation and impairment losses during the period	**-37.4**	-43.9	-86.4
Accumulated depreciation and impairment losses at the end of the period	**-148.0**	-128.5	-125.5
Carrying amount at the beginning of the period	**351.4**	485.7	485.7
Carrying amount at the end of the period	**309.6**	447.7	351.4

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

Financial assets, EUR mill.	Level	Carrying amount 30.6.2021	Fair value 30.6.2021	Carrying amount 30.6.2020	Fair value 30.6.2020	Carrying amount 31.12.2020	Fair value 31.12.2020
Financial assets at amortised cost							
Non-current receivables		**1.7**	**1.7**	0.4	0.4	1.7	1.7
Non-current lease receivables				15.0	15.0	3.9	3.9
Current receivables, interest-bearing		**0.2**	**0.2**	0.2	0.2	0.0	0.0
Current lease receivables				1.3	1.3	0.5	0.5
Current receivables, non-interest-bearing*)		**40.2**	**40.2**	21.6	21.6	45.5	45.5
Cash and cash equivalents*)		**156.1**	**156.1**	125.5	125.5	152.5	152.5
Other investments	3	**0.2**	**0.2**	0.2	0.2	0.2	0.2
Financial assets by measurement category, total		**198.5**	**198.5**	164.3	164.3	204.4	204.4

Financial liabilities, EUR mill.	Level	Carrying amount 30.6.2021	Fair value 30.6.2021	Carrying amount 30.6.2020	Fair value 30.6.2020	Carrying amount 31.12.2020	Fair value 31.12.2020
Derivative contracts, hedge accounting applied	2			0.5	0.5	0.0	0.0
Financial liabilities at amortised cost							
Non-current lease liabilities		**254.2**	**254.2**	401.9	401.9	290.7	290.7
Non-current non-interest-bearing liabilities		**82.3**	**82.3**				
Current liabilities, interest-bearing	2	**430.0**	**430.0**	478.8	442.5	488.2	468.0
Current lease liabilities		**73.6**	**73.6**	87.6	87.6	80.5	80.5
Current liabilities, non-interest-bearing*)		**233.7**	**233.7**	230.3	230.3	250.0	250.0
Financial liabilities by measurement category, total		**1 073.8**	**1 073.8**	1 199.2	1 162.9	1 109.4	1 089.2

Change in fair value of other investments, EUR mill.					30.6.2021	30.6.2020	31.12.2020
Carrying amount Jan. 1					**0.2**	0.3	0.3
Total					**0.2**	0.2	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 (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.

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

EUR mill.	Carrying amount	1.7.2021–30.6.2022	1.7.2022–30.6.2023	1.7.2023–30.6.2024	1.7.2024–30.6.2025	1.7. 2025–	Total
Non-current restructuring debts	81.8	–2.0	–2.0	–2.0	–2.0	–80.2	–88.2
Non-current restructuring provision	12.8		–1.3	–1.3	–1.3	–9.0	–12.8
Current restructuring debts	458.0	–440.3					–440.3
Current restructuring provision	4.8	–1.3					–1.3
Restructuring debts total	557.4	–443.5	–3.3	–3.3	–3.3	–89.2	–542.6
Current trade payables and other current liabilities	123.1	–123.1					–123.1
Non-current lease liabilities	254.2		–63.7	–55.6	–46.8	–110.0	–276.1
Current lease liabilities	73.6	–73.8					–73.8
Lease liabilites, total	327.8	–73.8	–63.7	–55.6	–46.8	–110.0	–349.9
Total	1 008.4	–640.4	–67.0	–58.9	–50.0	–199.2	–1 015.6

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 within 12 months.
Restructuring debts (non-current and current) amounted to EUR 539.9 mill. EUR 66.1 mill. was converted in July 2021 into the 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 2.8 mill. will be cut. EUR 430.0 mill. presented as current financing liabilities in statement of financial position will be repaid during the next 12 months together with EUR 10.3 mill. of interest. The remaining restructuring debt EUR 21.7 mill. will be paid according to restructuring programme during 2022–2028.
Restructuring provisions (non-current and current) amounted to EUR 17.6 mill., of which EUR 12.8 mill. is presented as non-current and repaid starting in 2022 in accordance with the restructuring programme. Current restructuring provision EUR 4.8 mill. consists of EUR 1.3 mill. previously mentioned repayment and EUR 3.5 mill., which will be either converted into shares or cut according to the restructuring programme.
Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

RESTRUCTURING DEBT

EUR mill.	**30.6.2021**
Non-current non-interest-bearing restructuring debt, unsecured *	**81.8**
Current interest-bearing restructuring debt, secured	**435.4**
Current non-interest-bearing restructuring debt, unsecured **	**22.6**
Current restructuring debt total	**458.0**
Restructuring debt related to non-current provisions	**12.8**
Restructuring debt related to current provisions	**4.8**
Restructuring debt related to provisions ***	**17.6**
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020 ****	**54.1**
Restructuring debt total	**611.5**

Stockmann plc's intra-group restructuring liabilities amount to EUR 63.9 million.
* Includes the part of unsecured debt converted into a secured interest-bearing 5-year bullet bond in July 2021 and the remaining part of unsecured debt which will be paid according to the restructuring programme in 2023–2028.
** Includes 20% part of unsecured debt which according to the approved restructuring programme was converted into shares or cut in July 2021 as well as the remaining part of unsecured debt which will be paid according to the restructuring programme in April 2022.
*** Consists of landlords' claims for terminated lease agreements.
**** The 50% part of the hybrid bond which according to the approved restructuring programme was converted into shares or cut in July 2021.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Dividend income from other investments			1.6
Interest income on bank deposits, other investments and currency derivatives	**0.9**	0.0	0.0
Interest income from lease contracts	**0.0**	0.4	0.7
Other financial income	**1.5**	4.6	0.8
Foreign exchange differences		0.0	0.5
Financial income, total	**2.5**	5.1	3.7
Interest expenses on financial liabilities measured at amortised cost	**–4.8**	–9.9	–20.3
Interest expenses from lease contracts	**–6.1**	–10.9	–21.2
Other financial expenses		–3.7	–3.8
Foreign exchange differences	**–0.1**		
Financial expenses, total	**–11.0**	–24.6	–45.4
Financial income and expenses, total	**–8.5**	–19.5	–41.6

2021 includes EUR 1.5 mill. gain on the change in the lease agreements and EUR 0.9 mill. interest due to tax return.

ASSETS HELD FOR SALE

EUR mill.	**30.6.2021**	30.6.2020	31.12.2020
Intangible assets and property, plant and equipment	**247.0**		246.6
Other receivables	**0.3**		0.5
Cash and cash equivalents	**0.6**		0.2
Deferred tax liabilities	**16.7**		17.0
Other liabilities	**0.3**		0.4
Net assets	**230.8**		230.0

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