2021 FINANCIAL REVIEW

STOCKMANN

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REPORT BY THE BOARD OF DIRECTORS

The Stockmann Group's consolidated revenue in 2021 was EUR 899.0 million (790.7), up 11.2% in comparable currency rates. Gross margin was 58.6% (56.1). Operating result was EUR 82.1 million (-269.6). The adjusted operating result was EUR 68.3 million (-12.3). Earnings per share were EUR 0.42 (-3.89). Adjusted earnings per share were EUR 0.30 (-0.46). The Board of Directors will propose for the Annual General Meeting, that no dividend will be paid for the financial year 2021.

STRATEGY

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

Lindex's purpose is to empower and inspire women everywhere. We do that through actions as a company and through a progressive fashion experience. Our customers, co-workers and partners are all part of this ambition. We are digital first and powered by people. We promise customers fashion that feels and looks good. To fulfil our purpose and vision, we have made a promise – to make a difference for future generations. The purpose includes all dimensions of sustainability and is divided into three areas: empower women, respect the planet and ensure human rights.

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

Stockmann's purpose in all encounters with its customers, partners, employees and other stakeholders is to make a new impression, every day. Our vision is to create a marketplace for a good life. Customer centricity, i.e., the capability to understand customers and to serve them in the way they choose and to provide a unique customer experience, is the core of the strategy. We provide a curated merchandise selection in fashion, beauty, home and food combined with various services for our customers in our eight department stores as well as in the online store. For customers the Stockmann promise is to create a feeling that lasts, which we provide with our professional and service-minded personnel.

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

CORPORATE RESTRUCTURING PROGRAMME

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

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

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

July 2021). Other operating income includes a restructuring debt cut of EUR 2.6 million.

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

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

COVID-19

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

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

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

The Stockmann division’s visitor and customer volumes were on a par or above the previous year in the fourth quarter despite rising COVID-19 cases. The rising number of Covid-19 cases led to new government-issued restrictions during the final days of December. The Stockmann division’s fourth quarter sales exceeded the previous year’s sales. This improvement is evenly distributed across all months of the quarter.

OPERATING ENVIRONMENT

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

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

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

REVENUE AND EARNINGS

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

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

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

Lindex and Stockmann.

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

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

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

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

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

ITEMS AFFECTING COMPARABILITY

EUR million	**1–12/2021**	**1–12/2020**
Operating result (EBIT)	**82,1**	-269,6
Adjustments to EBIT		
Gain on sales of real estate	**-21,7**	
Lindex goodwill impairment		250,0
Restructuring and transformation measures	**10,9**	7,3
Employee insurance refund	**-3,0**	
Adjusted operating result (EBIT)	**68,3**	-12,3

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

FINANCING AND CAPITAL EMPLOYED

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

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

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

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

At the end of December, interest-bearing liabilities totalled EUR 784.7 million (859.4). The interest-bearing liabilities, which are included in the restructuring debt, and which according to the situation on 31 December 2021 are classified in full as current liabilities, were EUR 381.5 million (488.2). The non-current senior secured bonds were EUR 66.0 million (-). The lease liabilities according to IFRS 16 were EUR 337.2 million (371.2). EUR 85.7 million of the lease liabilities were related to Stockmann and EUR 251.5 million to Lindex (31 December 2020: Stockmann 92.9, Lindex 278.3).

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

The equity ratio was 18.9% (14.5) and net gearing was 212.8% (340.7) at the end of December. IFRS 16 has a significant impact on the equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 27.3% and net gearing would have been 76.8%.

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

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 16.9 million (18.5) in January–December. Most of the capital expenditure was used for both Lindex's and Stockmann's digitalisation projects, the renovation of the Stockmann Delicatessen in Riga and the Stockmann department stores in the Jumbo shopping centre and the centre of Helsinki, and Lindex's store refurbishments.

REVENUE AND EARNINGS BY DIVISION

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

LINDEX

	1–12/2021	**1–12/2020**
Revenue, EUR mill.	**607,4**	507,1
Gross margin, %	**65,4**	63,0
Operating result, EUR mill.	**74,6**	38,8
Adjusted operating result, EUR mill.	**80,3**	39,6
Capital expenditure, EUR mill.	**12,0**	8,2

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

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

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

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

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

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

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

Store network

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

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	1–12/2021	1–12/2020
Revenue, EUR mill.	**291,6**	283,6
Gross margin, %	**44,5**	43,9
Operating result, EUR mill.	**11,6**	-48,2
Adjusted operating result, EUR mill.	**-9,9**	-48,2
Capital expenditure, EUR mill.	**4,9**	10,3

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

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

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

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

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

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

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

Properties

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

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

SHARES AND SHARE CAPITAL

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

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

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

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

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

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

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

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

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

DISCLOSURE OF NON-FINANCIAL INFORMATION

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

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

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

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

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

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

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

By the end of 2021, 89% (76) of the Stockmann Division’s personnel in Finland and 100% (81) of its personnel in Latvia had completed online training on the Code of Conduct. Online training is not yet in use in Estonia, but it will become part of training practices during 2022. During 2021, however, the Code of Conduct was implemented in Estonia at personnel information meetings by updating local guidelines to align with the Code's principles and by discussing the subject with every new employee. In Finland, 90% (64) of the members of the management teams of Stockmann's support functions and department stores have completed training. For Estonia and Latvia, the corresponding figure is 100%. Our target is for 100% of the Group's personnel in all countries to have completed the training.

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

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

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

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

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

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

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

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

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

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

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

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

In its operations, Stockmann complies with the current competition and privacy laws and promotes free competition in its sector. There were no GDPR incidents in the Stockmann Division in 2021. A notification concerning Lindex was filed with the local data protection ombudsman, but no further measures were deemed necessary. Stockmann's annual target is zero incidents of customer privacy breaches.

Personnel

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

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

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

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

The environment

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

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

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

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

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

In 2021, the Stockmann Group's comparable GHG emissions decreased by 27% (14) and amounted to 24,700 tC02e (33,700). The largest share of emissions, around 68%, came from the generation of purchased energy, especially electricity (Scope 2). The share of certified renewable energy purchased in the Stockmann Group in 2021 was 55% (34,580 MWh, of which Stockmann's share is 11 % and Lindex's 89 %).

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

CSR risks and risk management

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

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

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

STOCKMANN'S ASSESSMENT OF EU TAXONOMY ELIGIBLE ACTIVITIES

The objective of the European Union's classification system for sustainable financing is to link financing and climate targets in order to attain the targets set in the Paris Agreement. It is also intended to help investors, businesses and other economic actors and EU Member States direct their investments to sustainable targets. The classification system defines criteria for investments that promote a carbon-neutral and environmentally sustainable economy and are an important part of the EU's future climate policy actions. The sectors included in the criteria account for around 94 per cent of the EU's CO2 emissions. The Taxonomy Regulation currently applies to listed companies with more than 500 employees, financial market participants, insurance companies and EU Member States. Stockmann, which is listed on the stock exchange and employs more than 500 people, must assess its EU taxonomy eligibility. The EU's taxonomy does not define criteria that are specific to Stockmann's business in the retail sector. Currently, criteria exist for 13 different sectors, including energy production, transport and forestry. The development of EU taxonomy will be monitored and internal understanding of the possible impact of the EU taxonomy framework on Stockmann Group's business operations will be enhanced.

Stockmann's business in the retail sector
At the time of preparing this report, Stockmann's retail business is not included in the sectors that are within the scope of EU taxonomy, which means that the portion of revenue and capital and operating expenses within its scope is 0 per cent. However, the retail sector may have a significant impact on the other environmental objectives of the taxonomy, such as the circular economy, but applicable criteria have not yet been published. Stockmann has assessed the impacts of its business operations and has actively promoted the circular economy by optimising the use of packaging materials, using high-quality and sustainable materials in products, making increasing use of recyclable and recycled materials, enhancing the recycling of waste, increasing services that support sustainability and attempting to promote sustainable consumption habits. Stockmann has also systematically increased the energy efficiency of its operations and disclosed its greenhouse gas emissions at the Group level for ten years. Stockmann has thus recognised the climate impact of its operations throughout the value chain and has undertaken measures and is committed to setting science-based SBT climate targets.

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

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

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

BUSINESS CONTINUITY, RISKS, AND FINANCING SITUATION

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

The Helsinki District Court approved the restructuring programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga, and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The proceeds from the sale and leaseback of the department store properties will mostly be used for repayment of the secured restructuring debt by 31 December 2022 at the latest. The aforementioned properties were initially required to be sold by 31 December 2021 at the latest at the risk of the lapsing of the restructuring programme, unless the supervisor decided to postpone the deadline for the sale until 31 December 2022 for a justified reason. The supervisor subsequently accepted a timeline with an estimated sale of the properties at the latest during Q1 2022 in order to reach the optimal outcome for the company and the creditors. The sales process of the department store property in the centre of Helsinki is proceeding as planned. Stockmann signed agreements to sell its department store properties in Tallinn and Riga on 29 December 2021 and to enter into long-term leaseback agreements with the new owner. The proceeds from the sales of the Tallinn property were, according to the restructuring programme, used in full to reduce the secured restructuring debts in December 2021. Thereafter the remaining secured restructuring debt was EUR 381.5 million. The sale and leaseback transaction of the Riga property was completed and the proceeds from the sale, EUR 38.7 million, were used to repay the secured restructuring debt in January 2022

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

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

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

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

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

Lindex opened foreign exchange hedging limits in September and is gradually increasing the hedging levels towards the normal level. The Group’s scope for arranging new financing is limited during the execution of the corporate restructuring programme. This may have an effect on sufficiency of liquidity and on the financial position. Failure to meet the requirements, sale and leaseback of properties, and repayment of restructuring debt according to Stockmann plc’s corporate restructuring programme may lead to termination of the restructuring or bankruptcy.

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

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann’s subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. In their reply, the Swedish tax authorities concluded that Stockmann does not have the right to appeal to the European Court of Justice to gain the rejected interest deductions, and that the decision of the European Court of Justice of 20 January 2021 is of no significance regarding Stockmann’s right to deduct these interest expenses. The processing of the case continues in the Court of Appeal (Stock Exchange Release, 14 May 2021).
LähiTapiola Keskustakiinteistöt Ky, the landlord of Stockmann’s Tapiola department store, has initiated arbitration proceedings against Stockmann in which the company claims up to EUR 43.4 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim of LähiTapiola Keskustakiinteistöt Ky in the restructuring programme to the extent that it exceeds EUR 3.5 million. In connection with the same, LähiTapiola Keskustakiinteistöt Ky has filed a claim against Stockmann, Stockmann AS and the administrator and/or the supervisor at the Helsinki District Court to leave the matter in abeyance. In addition, LähiTapiola Keskustakiinteistöt Ky has appealed to the Court of Appeal regarding the decision of the Helsinki District Court to certify the restructuring programme on 9 February 2021 to the extent that the Helsinki District Court has investigated a claim by Stockmann AS instead of rejecting the claim and instructing LähiTapiola Keskustakiinteistöt Ky to deliver its claim to be reviewed in a different process. In addition, Nordika II SHQ Oy, the landlord of Stockmann’s Takomotie office space, has filed a claim with the Helsinki District Court, in which the company claims compensation amounting to a maximum of EUR 14.5 million from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. This claim has been disputed by the supervisor in the restructuring programme to the extent that it exceeds EUR 1.2 million. In the same claim, Nordika II SHQ Oy has named the administrator and Stockmann as respondents.

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

In addition to the above claims, the former subtenant of the Tampere department store, Pirkanmaan Osuuskauppa, has initiated arbitration proceedings in which it claims up to EUR 5.4 million compensation from Stockmann in accordance with, among others, section 27, subsection 1 of the Restructuring Act. The supervisor of the restructuring proceedings has disputed the claim for the most part. Pirkanmaan Osuuskauppa has also appealed regarding the decision of the Helsinki District Court on 9 February 2021 to certify the restructuring programme to the extent that the Helsinki District Court viewed that the damages payable to Pirkanmaan Osuuskauppa are restructuring debt instead of debt that has arisen after the application for restructuring proceedings came into force pursuant to section 32 of the Restructuring Act. The Helsinki Court of Appeal rejected Pirkanmaan Osuuskauppa's appeal in its court decision on 4.11.2021. Furthermore, ECR Finland Investment I Oy, the owner of Kirjatalo, has appealed the decision by Helsinki District Court on 9 February 2021 to certify the restructuring programme. ECR Finland Investment I Oy has requested that the Appeal Court confirm that its claim is based on an obligation in accordance with section 15 of the Restructuring Act, and thus, such a claim would be considered debt that has arisen after the application for restructuring proceedings came into force. Alternatively, if the court considers that the claim of ECR Finland Investment I Oy concerns restructuring debt within the meaning of section 3 of the Restructuring Act, ECR Finland Investment I Oy requests that it would in any case be entitled to receive a payment for its receivable despite the payment block in accordance with section 17 of the Restructuring Act. The Helsinki Court of Appeal rejected ECR Finland Investment I Oy’s appeal in its court decision on 4.11.2021.

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

RISK FACTORS

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

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

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

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

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

The Group's possibilities to arrange new financing are limited during the execution of the corporate restructuring programme. This may have an effect on the sufficiency of liquidity and on the financial position. Failure to meet the requirements, the sale and leaseback of properties and repayment of restructuring debt according to the Stockmann plc's corporate restructuring programme may lead to the termination of the restructuring or bankruptcy.

EVENTS AFTER THE REPORTING PERIOD

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

On 27 January 2022, the company announced that it had received and verified three subscription forms from entitled persons whose previously conditional or disputed receivables subject to the payment programme of the restructuring programme have been clarified and the final amounts of such receivables have been confirmed. The subsequent bonds duly subscribed for by such entitled persons amount to the aggregate principal amount of EUR 94,333. The receivables of the entitled persons will be converted, by way of set-off, to subsequent bonds. The subsequent bonds are settled through the clearance system of Euroclear Finland Ltd and will be recorded on the book-entry accounts maintained by Euroclear Finland Ltd as soon as practicably possible.
Pursuant to the restructuring programme, the entitled persons are also entitled to convert 20% of their receivables that have been confirmed by 1 December 2021 to the shares in the company. Stockmann announced the results of the share issuance with a separate release.
The company still has disputed, conditional and maximum amount-based restructuring debt under the restructuring programme in respect of which the final amount subject to the payment programme will be confirmed later, and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed.
Stockmann submitted an application for the issued subsequent bonds to be admitted to trading on the list of Nasdaq Helsinki Ltd together with the fungible bonds already trading under the trading code "STCJ001026". Trading on the subsequent bonds is expected to commence on or about 1 February 2022. (Stock Exchange release 27.1.2022)

On 27 January 2022, the Company's Board of Directors decided, in accordance with the restructuring programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 28,139 new shares of the Company (the "**Conversion Shares**") in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the restructuring programme were confirmed to their final amounts by 1 December 2021 (the "**Share Issue**") and has approved the subscriptions made in the Share Issue.
The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the Share Issue, the total number of shares in the Company will increase by 28 139 shares to a total of 154 465 083 shares. After the Share Issue, the Company will continue to have restructuring debt under the restructuring programme that is conditional, a maximum amount or disputed, in respect of which the amount subject to the payment programme will be confirmed later, and the creditors of such restructuring debt will be entitled to conversion after their respective restructuring debt receivables have been confirmed. (Stock Exchange release 27.1.2022)

On 28 January 2022, the 28 139 Conversion Shares subscribed for in the Share Issue were registered in the trade register maintained by the Finnish Patent and Registration Office. Following the registration of the Conversion Shares, the total number of issued shares in the Company is 154 465 083. The Conversion Shares will, as of their registration and recording on the book-entry accounts of the subscribers, confer same rights as the company's other shares, including a right to dividends and other shareholder rights. The recording on the book-entry accounts of the subscribers is expected to take place on or about 1 February 2022. Trading with the Conversion Shares is expected to commence on or about 1 February 2022 under the trading code "STOCKA". (Stock Exchange release 28.1.2022)

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

GUIDANCE FOR 2022

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

MARKET OUTLOOK FOR 2022

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

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

CORPORATE GOVERNANCE STATEMENT

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

Helsinki, 24 February 2022

STOCKMANN plc
Board of Directors

Key figures

		2021	2020**)	2019**)	2018	2017
Revenue *)	EUR mill.	**899,0**	790,7	960,4	1 018,8	1 055,9
Gross profit *)	EUR mill.	**527,0**	443,7	540,9	580,1	588,8
Gross margin *)	%	**58,6**	56,1	56,3	56,9	55,8
EBITDA *)	EUR mill.	**184,9**	109,6	153,0	76,0	67,6
Adjustments to EBITDA *)	EUR mill.	**13,8**	-7,3	-15,6	-8,4	-5,6
Adjusted EBITDA *)	EUR mill.	**171,1**	116,9	168,6	84,3	73,2
Operating result *)	EUR mill.	**82,1**	-269,6	24,1	-5,0	-148,4
Share of revenue *)	%	**9,1**	-34,1	2,5	-0,5	-14,1
Adjustments to operating result *)	EUR mill.	**13,8**	-257,3	-15,6	-33,4	-160,6
Adjusted operating result *)	EUR mill.	**68,3**	-12,3	39,8	28,4	12,3
Result for the period	EUR mill.	**47,9**	-291,8	-45,6	-45,2	-209,4
Share capital	EUR mill.	**77,6**	144,1	144,1	144,1	144,1
A share	EUR mill.		61,1	61,1	61,1	61,1
B share	EUR mill.	**77,6**	83,0	83,0	83,0	83,0
Return on equity	%	**20,2**	-86,7	-9,3	-5,2	-21,3
Return on capital employed	%	**8,0**	-20,1	1,6	-0,4	-9,1
Capital employed	EUR mill.	**1 059,2**	1 237,4	1 529,1	1 540,1	1 745,4
Capital turnover rate		**0,8**	0,6	0,6	0,7	0,7
Inventories turnover rate		**2,4**	2,6	2,9	3,1	3,4
Equity ratio	%	**18,9**	14,5	27,8	46,2	43,0
Net gearing	%	**212,8**	340,7	191,7	64,5	83,8
Capital expenditure	EUR mill.	**16,9**	18,5	33,8	29,3	34,7
Share of revenue *)	%	**1,9**	2,3	3,5	2,9	3,3
Interest-bearing net debt	EUR mill.	**570,8**	702,5	900,2	543,3	739,4
Net debt / EBITDA	EUR mill.	**3,1**	6,4	5,9	7,2	10,9
Total assets	EUR mill.	**1 416,5**	1 425,3	1 690,3	1 827,9	2 061,4
Staff expenses *)	EUR mill.	**194,6**	181,9	211,1	222,0	236,2
Personnel, average *)	persons	**5 649**	5 991	7 002	7 241	7 360
Average number of employees, converted to full-time equivalents *)	persons	**3 886**	3 973	4 891	5 299	5 426
Revenue per person *)	EUR thousands	**159,1**	132,0	137,2	140,7	143,5

*) continuing operations
**) Key figures 2019-2020 are adjusted for comparison purposes.

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

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

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

Stockmann Delicatessen in Finland was reported as discontinued operations for financial years ended 31 December 2018 and 2017.

Key figures per share

		2021	2020*)	2019*)	2018*)	2017*)
Earnings per share, continuing operations	EUR	**0,42**	-3,88	-0,69	-0,65	-2,71
Earnings per share, discontinued operations	EUR				-0,02	-0,15
Earnings per share (undiluted and diluted)	EUR	**0,42**	-3,89	-0,69	-0,67	-2,86
Cash flow from operating activities per share	EUR	**1,32**	2,03	1,42	1,15	0,26
Equity per share	EUR	**1,74**	2,86	6,52	11,71	12,29
Dividend per share	EUR					
Dividend per earnings	%					
P/E ratio of shares						
A share			-0,3	-3,1	-2,9	-1,5
B share		**5,1**	-0,3	-2,9	-2,7	-1,5
Share quotation at 31.12.	EUR					
A share			1,27	2,26	2,00	4,60
B share		**2,16**	1,16	2,06	1,92	4,35
Highest price during the period	EUR					
A share			3,59	3,16	5,64	8,20
B share		**2,44**	3,22	2,74	5,13	8,00
Lowest price during the period	EUR					
A share			0,88	1,90	1,84	4,22
B share		**1,07**	0,65	1,78	1,65	4,05
Average price during the period	EUR					
A share			1,87	2,41	2,53	5,29
B share		**1,61**	1,45	2,12	3,31	6,19
Share turnover	thousands					
A share		**576**	2 102	1 281	3 875	1 996
B share		**90 210**	30 258	13 127	13 952	13 664
Share turnover	%					
A share		**0,5**	6,9	4,2	12,7	6,5
B share		**79,1**	72,9	31,6	33,6	32,9
Market capitalisation at 31.12.	EUR mill.	**333,6**	86,9	154,5	140,8	321,0
Number of shares at 31.12.	thousands	**154 437**	72 049	72 049	72 049	72 049
A share			30 531	30 531	30 531	30 531
B share		**154 437**	41 518	41 518	41 518	41 518
Weighted average number of shares	thousands	**114 009**	75 102	75 102	75 102	75 102
A share						
B share		**114 009**	75 102	75 102	75 102	75 102
Weighted average number of shares, diluted		**114 009**	75 102	75 102	75 102	75 102
Total number of shareholders at 31.12.		**45 054**	43 656	43 394	44 396	46 672

*) Key figures per share 2017-2020 are adjusted for comparison purposes.

Items affecting comparability

Stockmann uses Alternative Performance Measures according to the guidelines of the European Securities and Market Authority (ESMA) to better reflect the operational business performance and to facilitate comparisons between financial periods.
Adjusted operating result (adjusted EBIT) is calculated from operating result excluding any adjustments related to acquisitions and disposals, restructuring, impairment losses, litigation fees and settlements as well as value adjustments to assets.

EUR mill.	**2021**	2020*)	2019*)	2018	2017
Adjusted EBITDA	**171,1**	116,9	168,6	84,3	73,2
Adjustments to EBITDA					
Restructuring arrangements	**-10,9**	-7,3	-15,2	-3,3	-9,6
Fair value gains and losses on investment properties					4,0
Gain on sale of properties	**21,7**		-0,4	6,8	
Value adjustment to assets held for sale				-11,9	
Refunds of health insurance premiums (years 2004-2008)	**3,0**				
Adjustments total	**13,8**	-7,3	-15,6	-8,4	-5,6
EBITDA	**184,9**	**109,6**	**153,0**	**76,0**	**67,5**
Adjusted operating result (EBIT)	**68,3**	-12,3	39,8	28,4	12,3
Adjustments to EBIT					
Goodwill impairment		-250,0		-25,0	-150,0
Restructuring arrangements	**-10,9**	-7,3	-15,2	-3,3	-14,6
Fair value gains and losses on investment properties					4,0
Gain on sale of properties	**21,7**	0,0	-0,4	6,8	
Value adjustment to assets held for sale	**0,0**	0,0	0,0	-11,9	
Refunds of health insurance premiums (years 2004-2008)	**3,0**				
Adjustments total	**13,8**	-257,3	-15,6	-33,4	-160,6
Operating result (EBIT)	**82,1**	-269,6	24,1	-5,0	-148,4

*) Figures 2019-2020 are adjusted for comparison purposes.

Definition of key figures

Performance measures according to IFRS

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

Alternative performance measures

Gross profit	Revenue - costs of goods sold
Gross margin	Gross profit / revenue x 100
EBITDA	Operating result + depreciation, amortisation and impairment losses
Adjusted EBITDA	EBITDA – adjustments, see items affecting comparability
Adjusted operating result	Operating result − adjustments, see items affecting comparability
Return on equity, %	Result for the period / Equity total (average for the year) x 100
Return on capital employed, %	Result before taxes + interest and other financial expenses / Capital employed x 100
Capital employed	Total assets − deferred tax liability and other non-interest-bearing liabilities (average for the year)
Capital turnover rate	Revenue / Total assets − deferred tax liability and other non-interest-bearing liabilities (average for the year)
Inventories turnover rate	365 / Inventories turnover time
Equity ratio, %	Equity total / Total assets − advance payments received x 100
Net gearing, %	Interest-bearing liabilities − cash and cash equivalents − interest-bearing receivables / Equity total x 100
Interest-bearing net debt	Interest-bearing liabilities − cash and cash equivalents – interest-bearing receivables

Key figures per share

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

Shares and share capital

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

The company's share capital on 31 December 2021 was EUR 77 556 538 and number of shares was 154 436 944. The number of registered shareholders was 45 054 (43 656 shareholders 31 December 2020).

The company's market capitalisation on 31 December 2021 was EUR 333.6 million (EUR 86.9 million on 31 December 2020).

Number of shares, 31 December 2021

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1-100	27 604	61,2	0,7	0,7
101-1000	13 074	29,0	3,1	3,1
1001-10000	3 737	8,3	6,9	6,9
10001-100000	538	1,2	11,1	11,1
100001-1000000	85	0,2	14,3	14,3
1000001-	16	0,1	63,9	63,9
Total	45 054	100	100	100

Ownership structure, 31 December 2021

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	43 710	97,0	21,9	21,9
Private and public corporations	903	2,0	18,8	18,8
Foundations and associations	203	0,5	32,8	32,8
Nominee registrations (incl. foreign shareholders)	201	0,4	21,7	21,7
Financial and insurance companies	37	0,1	4,8	4,8
Unregistered shares			0,1	
Total	45 054	100	100	100

Major shareholders, 31 December 2021

		Percentages of shares %	Percentages of shares %
1	Föreningen Konstsamfundet Grouping	10,5	10,5
2	Varma Mutual Pension Insurance Company	7,9	7,9
3	Society of Swedish Literature in Finland	7,5	7,5
4	HC Holding Oy Ab	4,2	4,2
5	Etola Group	3,9	3,9
6	Niemistö Kari Pertti Henrik	3,3	3,3
7	eQ Nordic Small Cap Mutual Fund	1,7	1,7
8	Ilmarinen Mutual Pension Insurance Company	1,5	1,5
9	Samfundet Folkhälsan i Svenska Finland	1,1	1,1
10	OP-Henkivakuutus Ltd.	0,9	0,9
11	Jenny and Antti Wihuri Foundation	0,9	0,9
12	Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	0,7	0,7
13	Mandatum Life Insurance Company Ltd.	0,7	0,7
14	Cumulant Capital Pohjois-Eurooppa	0,5	0,5
15	Intertrust (finland) Oy	0,5	0,5
16	Markku Petteri Kaloniemi	0,5	0,5
17	LähiTapiola Mutual Life Insurance Company	0,5	0,5
18	Wilhelm och Else Stockmanns Stiftelse	0,4	0,4
19	Pakkanen Mikko Pertti Juhani	0,4	0,4
20	eQ Finland Investment Fund	0,3	0,3
	Other	52,1	52,1
Total		100,0	100,0

Consolidated Financial Statements

Consolidated Income Statement

EUR mill.	Note	1.1.-31.12.2021	1.1.-31.12.2020
REVENUE	2.2	**899,0**	790,7
Other operating income	2.2	**31,9**	9,7
Materials and consumables	2.3	**-372,0**	-347,0
Wages, salaries and employee benefit expenses	2.5, 5.5	**-194,6**	-181,9
Depreciation, amortisation and impairment losses	3.1	**-102,9**	-379,2
Other operating expenses	2.6	**-179,4**	-161,9
Total expenses		**-848,9**	-1 069,9
OPERATING PROFIT/LOSS	2.1	**82,1**	-269,6
Financial income	4.1	**2,7**	20,7
Financial expenses	4.1	**-19,6**	-45,4
Total financial income and expenses		**-16,9**	-24,6
PROFIT/LOSS BEFORE TAX		**65,2**	-294,2
Income taxes	2.7	**-17,3**	2,4
NET PROFIT/LOSS FOR THE PERIOD		**47,9**	-291,8
Profit/loss for the period attributable to:			
Equity holders of the parent company		**47,9**	-291,8
Earnings per share, EUR:	4.13		
From the period result (undiluted and diluted)		**0,42**	-3,89

Consolidated Statement of Comprehensive Income

EUR mill.	Note	1.1.-31.12.2021	1.1.-31.12.2020
PROFIT/LOSS FOR THE PERIOD		**47,9**	-291,8
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax		**-6,0**	37,8
Exchange differences on translating foreign operations, net of tax	2.7, 4.12	**-6,0**	37,8
Cash flow hedges, before tax		**1,1**	1,4
Cash flow hedges, net of tax	2.7, 4.12	**1,1**	1,4
Other comprehensive income for the period, net of tax		**-4,9**	39,2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**43,0**	-252,6
Total comprehensive income attributable to:			
Equity holders of the parent company		**43,0**	-252,6

The figures of 2020 are restated according to a change in accounting policy. More information thereof is provided in notes 1.2 and 3.2. Additionally, the costs in 2020 related to disputed landlords' claims for terminated lease agreements are reclassified from financial income to other operating expenses.

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		**271,5**	277,5
Trademark		**88,7**	90,6
Intangible rights		**27,6**	27,6
Other intangible assets		**1,1**	1,4
Advance payments and construction in progress		**2,1**	1,6
Intangible assets, total	3.2	**391,1**	398,7
Property, plant and equipment			
Machinery and equipment		**40,6**	44,5
Modification and renovation expenses for leased premises		**4,8**	4,2
Right-of-use assets	3.5	**296,6**	351,4
Advance payments and construction in progress		**1,2**	11,6
Property, plant and equipment, total	3.3	**343,2**	411,8
Investment properties	3.4	**0,5**	0,5
Non-current receivables	4.10, 4.11	**3,8**	1,7
Non-current lease receivables	4.10		3,9
Other investments	4.10	**0,2**	0,2
Deferred tax assets	2.8	**23,8**	27,8
NON-CURRENT ASSETS, TOTAL		**762,6**	844,6
CURRENT ASSETS			
Inventories	2.4	**154,8**	135,3
Current receivables			
Lease receivables			0,5
Income tax receivables		**0,1**	0,3
Non-interest-bearing receivables		**45,7**	45,0
Current receivables, total	4.3	**45,8**	45,8
Cash and cash equivalents	4.4	**213,7**	152,3
CURRENT ASSETS, TOTAL		**414,3**	333,4
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	**239,5**	247,3
ASSETS, TOTAL		**1 416,5**	1 425,3

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**77,6**	144,1
Share premium fund			186,1
Invested unrestricted equity fund		**72,0**	250,4
Other funds		**1,2**	43,8
Translation reserve		**14,4**	20,3
Retained earnings		**102,9**	-544,4
Hybrid bond			105,8
Equity attributable to equity holders of the parent company	4.12	**268,2**	206,2
EQUITY, TOTAL		**268,2**	206,2
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	**40,6**	35,9
Non-current interest-bearing financing liabilities	4.5	**66,0**	
Non-current lease liabilities	4.5	**264,3**	290,7
Non-current non-interest-bearing liabilities and provisions	4.9, 4.10, 5.3	**37,8**	0,2
NON-CURRENT LIABILITIES, TOTAL		**408,6**	326,9
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	4.6	**381,5**	488,2
Current lease liabilities	4.6	**72,9**	80,5
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	4.6, 4.9	**223,1**	249,6
Income tax liabilities	4.6	**46,4**	39,6
Current provisions	5.3	**0,0**	17,0
Current non-interest-bearing liabilities, total		**269,6**	306,2
CURRENT LIABILITIES, TOTAL		**724,0**	874,9
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	**15,7**	17,4
LIABILITIES, TOTAL		**1 148,3**	1 219,1
EQUITY AND LIABILITIES, TOTAL		**1 416,5**	1 425,3

Change in accounting principle has been presented retrospectively for year 2020 according to IAS 8. More information is provided in notes 1.2 and 3.2.

Consolidated Cash Flow Statement

EUR mill.	Note	1.1.-31.12.2021	1.1.-31.12.2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period		**47,9**	-291,8
Adjustments for:			
Depreciation, amortisation and impairment losses		**102,3**	379,2
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		**-21,6**	0,0
Interest and other financial expenses		**19,6**	45,4
Interest income		**-2,7**	-20,7
Income taxes		**17,3**	-2,4
Other adjustments		**0,6**	15,9
Working capital changes:			
Increase (-) /decrease (+) in inventories		**-21,5**	13,9
Increase (-) / decrease (+) in trade and other current receivables		**-10,1**	7,3
Increase (+) / decrease (-) in current liabilities		**48,4**	25,3
Interest expenses paid		**-28,7**	-30,3
Interest received from operating activities		**1,0**	0,8
Income taxes paid from operating activities		**-2,0**	4,1
Net cash from operating activities		**150,4**	146,6
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible assets		**48,3**	
Purchase of tangible and intangible assets		**-17,0**	-17,8
Security deposit		**-2,3**	
Exchange rate gain on the hedge of a net investment and internal loan*)			7,1
Dividends received from investing activities		**0,0**	1,6
Net cash used in investing activities		**28,9**	-9,2
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan conversion costs		**-0,4**	
Proceeds from issue of hybrid bond			
Proceeds from current liabilities			53,3
Repayment of current liabilities		**-48,5**	-45,4
Proceeds from non-current liabilities			75,4
Repayment of non-current liabilities			-6,4
Payment of lease liabilities		**-66,3**	-80,2
Interest on hybrid bond			-8,2
Net cash used in financing activities		**-115,2**	-11,5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**64,1**	125,9
Cash and cash equivalents at the beginning of the period		**152,3**	24,9
Cheque account with overdraft facility			-2,3
Cash and cash equivalents at the beginning of the period		**152,3**	22,7
Net increase/decrease in cash and cash equivalents		**64,1**	125,9
Effects of exchange rate fluctuations on cash held		**-2,7**	3,7
Cash and cash equivalents at the end of the period		**213,7**	152,3
Cheque account with overdraft facility			
Cash and cash equivalents at the end of the period	4.4	**213,7**	152,3

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

The proceeds from the sales of the Tallinn real estate property were paid directly to the secured creditors of the restructuring programme. The transaction is presented as proceeds from sale of tangible assets and repayment of current liabilities.

Consolidated Statement of Changes in Equity

EUR mill.	Share capital	Share premium fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2020, as previously reported	**144,1**	**186,1**	**-1,3**	**250,4**	**43,8**	**-17,5**	**-241,8**	**363,8**	**105,8**	**469,6**
Impact of change in accounting method							-2,6	-2,6		-2,6
EQUITY 1.1.2020, restated	**144,1**	**186,1**	**-1,3**	**250,4**	**43,8**	**-17,5**	**-244,4**	**361,2**	**105,8**	**467,1**
Profit/loss for the period							-291,8	-291,8		-291,8
Exchange differences on translating foreign operations *)						37,8		37,8		37,8
Cash flow hedges *)			1,3					1,3		1,3
Total comprehensive income for the period, net of tax			1,3			37,8	-291,8	-252,6		-252,6
Interest paid on hybrid bond							-8,2	-8,2		-8,2
Other changes in equity total							-8,2	-8,2		-8,2
EQUITY 31.12.2020	**144,1**	**186,1**		**250,4**	**43,8**	**20,3**	**-544,4**	**100,4**	**105,8**	**206,2**

Retained earnings for financial year 2020 are adjusted due to change in accounting method, see note 1.2. The impact of the change on profit/loss of the period was EUR -0.2 million and on retained earnings EUR -2.7 million.

EUR mill.	Share capital	Share premium fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	**Total**
EQUITY 1.1.2021	**144,1**	**186,1**		**250,4**	**43,8**	**20,3**	**-544,4**	**100,4**	**105,8**	**206,2**
Profit/loss for the period							47,9	47,9		47,9
Exchange differences on translating foreign operations *)						-5,9	-0,1	-6,0		-6,0
Cash flow hedges *)			1,1					1,1		1,1
Total comprehensive income for the period, net of tax			1,1			-5,9	47,8	43,0		43,0
Reduction of share capital to cover losses	-66,5						66,5			
Usage of funds to cover losses		-186,1		-250,4	-43,7		480,2			
Share issue to creditors for unsecured restructuring debt				72,0				72,0	-53,1	18,9
Hybrid bond cut							52,7	52,7	-52,7	
Other changes in equity total	-66,5	-186,1		-178,4	-43,7		599,5	124,8	-105,8	18,9
EQUITY 31.12.2021	**77,6**		**1,1**	**72,0**	**0,1**	**14,4**	**102,9**	**268,2**		**268,2**

*) Notes 2.7, 4.12

Notes to the consolidated financial statements

1 Basis of preparation

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

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

1.1 General

Stockmann's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards and IFRIC and SIC interpretations in force on 31 December 2021. In the Finnish accounting legislation and the regulations issued pursuant to it, International Financial Reporting Standards (IFRS) refer to the standards and their interpretations that have been approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation that supplements IFRS regulations. The information in the financial statements is based on original acquisition costs, unless stated otherwise in the accounting policies. The financial statements are presented in millions of euros.

The Board of Directors of Stockmann plc decided to file for corporate restructuring proceedings with the District Court of Helsinki on 6 April 2020. By a decision on 9 February 2021, the Helsinki District Court has approved Stockmann plc's restructuring programme. The corporate restructuring and its effects are described in more detail below.

1.2 Changes in accounting policies

As from 1 January 2021, the Stockmann Group has applied the following new and revised standards and interpretations:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases: The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16:
Amendment to IFRS 16 Leases, effective for financial years beginning on or after 1 June 2020. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met. The amendment has not had impact on the consolidated financial statements.

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.

- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what period the expenditure is expensed.

The Group’s accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has result in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and prior periods presented. The new accounting policy is presented in note 3.2.

1.3 Corporate restructuring programme

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc’s restructuring programme, and the restructuring proceedings were ended. The restructuring programme is based on the continuation of Stockmann’s department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex’s business operations as a fixed part of the Stockmann Group. The properties must be sold by 31 December 2021 at the latest at the risk of the restructuring programme lapsing unless the Supervisor postpones the deadline for the sale until 31 December 2022 for a justified reason. The supervisor has subsequently accepted a timeline with an estimated sale of the properties latest during Q1 2022 to reach an optimal outcome for the company and the creditors. Stockmann entered into sales agreements to sell its department store properties in Tallinn and Riga on 29 December 2021 and continues with long-term leaseback agreements made with the new owner. The sale and leaseback process of the department store property in Helsinki city center is proceeding as planned.

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

A total of 79 335 175 conversion shares were subscribed for in the share issue, and 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. Other operating income includes a restructuring debt cut of EUR 2.6 million.

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

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

Rent guarantee deposits of EUR 0.1 million, which Stockmann plc had received from tenants of Tallinn department store, were included in restructuring debt in February 2022.

Note 4.6 presents an itemisation of the Stockmann Group’s secured and unsecured restructuring debts and note 4.8 presents the maturities of all the Group’s debts as on 31 December 2021.

1.4 Transactions resulting from the corporate restructuring programme

Following the initiation of the restructuring proceedings, some suppliers and lessors presented Stockmann plc with additional claims, the largest of these additional claims are related to the termination of a long-term leases for premises in accordance with the Restructuring of Enterprises Act with a notice of two months. The Administrator considered it justified to take the creditors’ claims for damages corresponding to the amount of eighteen months’ rent into account in the restructuring programme. The eighteen month’s period began from the date on which the terminated lease agreement ends. To the extent that the landlord creditors presented more specific calculations of the damages that they will incur because of the termination of the relevant lease agreements, these claims have been assigned to resolution in separate proceedings. A provision for the claims of EUR 17.5 million has been recognised in the Statement of Financial Position. The amount corresponds to the company's estimate of the probable amount of these liabilities and corresponds to the amount considered as restructuring debt. At reporting date some of the disputed receivables have already been settled and the creditors' claims presented decreased to a maximum amount of EUR 102 million. The claims are either disputed, conditional or conditional and maximum, and the time of their realisation and amount is uncertain. The amount in excess of the provision, EUR 85 million, is therefore presented in the Financial Statements as a contingent liability.

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

Stockmann entered into sales agreements and long-term leaseback agreements with the new owner related to its department store properties in Tallinn and Riga on 29 December 2021. According to the terms of the agreements, the sale-and-leaseback transaction for Tallinn property was recognised in the reporting period and the proceeds from the sales was, in accordance with the restructuring programme, used in full to reduce the secured restructuring debts in December 2021. The sale-and-leaseback has been treated in the Consolidated Financial Statements by reducing the amount of assets classified as held for sale, determining a lease liability for the initial lease period of 10 years and an amount of the right-of-use asset that Stockmann retains and recognising a gain on rights transferred. The transaction has reduced the amount of assets classified as held for sale by EUR 7.6 million, increased the lease liabilities by EUR 22.2 million and increased the amount of right-of-use assets by EUR 3.5 million. The net of gain on rights transferred and the cost related to sales transaction of EUR 21.7 million has been recognised under other operating income in the income statement. The corresponding transaction of Riga property was realised in January 2022.

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

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

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

In preparing the consolidated Financial Statements in compliance with the recognition and valuation principles of IFRS, it has been necessary to make forward-looking estimates and assumptions. The estimates and assumptions presented in the financial statements are based on management's best knowledge at the financial statements date. At the Financial Statements date, the assumptions are related particularly to the basis for continuity, valuations of assets, exercising lease options, contingent liabilities and provisions recognised. The principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying amounts of assets and liabilities within the next financial year, concern the value of right-of-use asset and lease liabilities, depreciation and leasing periods, demand for inventories and turnover rate as well as classifying asset items as held for sale and the impairment testing of Lindex goodwill and the brand. More detailed information on these is provided in notes 2.4, 3, 5.1 and 5.3.

The recognition of deferred tax assets involves significant discretion and estimates on the management's part. These estimates and assumptions involve risks and uncertainties. Deferred tax assets from the confirmed losses of the previous financial periods are recognized only if the company's management estimates that as adequate amount of taxable income can be generated in the future to utilise the unused losses. As part of Stockmann plc's restructuring programme approved by the Helsinki District Court on 9 February 2021, the company has sold and leased back the real estate properties in Tallinn and Riga. The sale-and-leaseback process of the department store property in Helsinki is proceeding as planned. The proceeds from the sales of properties will mainly be used to repay the secured restructuring debt by 31 December 2022. Stockmann's management estimates that the gains from sales of 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 utilise tax losses and to recognise deferred tax assets in accordance with the convincing evidence criterion of IAS 12.35. More detailed information on deferred taxes is provided in the note 2.8.

1.6 Going concern

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

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

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

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

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

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

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

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

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

1.7 Principles of consolidation

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

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

Joint arrangements in which Stockmann and another party, based on an agreement or the Articles of Association, have rights to the assets and obligations for the liabilities of the joint arrangement are dealt with as joint operations. The shares in real estate companies that fulfil the criteria of being a joint operation in the Group have been dealt with as joint operations in the consolidated financial statements. The consolidated financial statements include Stockmann's share of the joint operations' income, expenses and items of other comprehensive income, and assets and liabilities, from the date when joint control was obtained up to the date when it ends. The Stockmann Group does not have any joint ventures or associates.

1.8 Items denominated in foreign currency

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

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

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

1.9 Application of new or revised IFRS standards and interpretations

The Group adopts each standard and interpretation as from the date it becomes effective or, if the effective date is not the first day of the financial period, as from the beginning of the next financial period provided that they are approved by EU. IASB has published the following new or revised standards and interpretations, which the Group has not yet applied.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment, which have to be applied from 1 January 2022. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. The amendments are not expected to have effect on the consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which have to be applied from 1 January 2022. When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The amendments are not expected to have effect on the consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020, which have to be applied from 1 January 2022. The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments are not expected to have effect on the consolidated financial statements. The amendments clarify the following standard:

- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: The amendments introduce a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments have to be applied from 1 January 2023. The amendments are not expected to have effect on the consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: The amendments and the statement provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendment to IAS 1 has to be applied from 1 January 2023. Amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements, which has to applied from 1 January 2024. The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments are not expected to have effect on the consolidated financial statements.

Other upcoming published new or revised standards are not expected to have a significant impact on Stockmann's consolidated financial statements.

2 Key numbers

2.1 Segment information

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

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

2.1.1 Operating segments

Lindex
The Lindex fashion chain has a total of 441 stores in 19 countries and sales online worldwide through third-party partnerships. Lindex offers inspiring and affordable fashion, and the assortment includes several different concepts within womenswear, kidswear, lingerie and cosmetics.

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

EUR mill.

Revenue	**2021**	2020
Lindex	**607,4**	507,1
Stockmann	**291,6**	283,6
Group total	**899,0**	790,7

Operating profit/loss	**2021**	2020
Lindex	**74,6**	38,8
Stockmann	**11,6**	-48,2
Unallocated	**-4,1**	-10,2
Goodwill impairment		-250,0
Group total	**82,1**	-269,6
Financial income	**2,7**	20,7
Financial expenses	**-19,6**	-45,4
Consolidated profit/loss before taxes	**65,2**	-294,2

Depreciation, amortisation and impairment losses	**2021**	2020
Lindex	**-77,3**	-81,4
Stockmann	**-25,5**	-47,8
Goodwill impairment		-250,0
Group total	**-102,9**	-379,2

Capital expenditure	**2021**	2020
Lindex	**54,9**	27,4
Stockmann	**9,9**	58,3
Group, total	**64,8**	85,8

Assets	2021	2020
Lindex	**941,0**	881,2
Stockmann	**460,1**	543,7
Unallocated	**15,3**	0,4
Group, total	**1 416,5**	1 425,3

Segment information for financial year 2020 is adjusted for comparison purposes. Notes 1.2 and 3.2 contain more detailed description of the change in accounting policy its effects on the figures. Additionally, other operating profit/loss and financial items have been adjusted, more information is available in notes 2.6 and 4.1.

2.1.2 Information on market areas

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

EUR mill.

Revenue	2021	2020
Finland	**294,9**	278,7
Sweden*) and Norway	**466,0**	389,2
Baltic countries and other countries	**138,0**	122,8
Group total	**899,0**	790,7
Finland, %	**32,8 %**	35,2 %
International operations, %	**67,2 %**	64,8 %

Operating profit/loss	2021	2020
Finland	**-15,2**	-55,2
Sweden*) and Norway	**68,6**	34,4
Baltic countries and other countries	**28,6**	1,2
Market areas total	**82,1**	-19,6
Goodwill impairment		-250,0
Group total	**82,1**	-269,6

Non-current assets	2021	2020
Finland	**352,9**	398,8
Sweden and Norway	**578,2**	606,0
Baltic countries and other countries	**47,0**	58,5
Group total	**978,1**	1 063,4
Finland, %	**36,1 %**	37,5 %
International operations, %	**63,9 %**	62,5 %

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

Segment information for financial year 2020 is adjusted for comparison purposes. Notes 1.2 and 3.2 contain more detailed description of the change in accounting policy its effects on the figures. Additionally, other operating profit/loss and financial items have been adjusted, more information is available in notes 2.6 and 4.1.

2.2 Operating income

2.2.1 Revenue recognition

Accounting policies

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

Customers have a right to return the products purchased from store or online store within a certain time frame, in the financial statements provision is made for returns by creating a return accrual. The accrual is calculated as an experience-based percentage of sales, and it is recognised as accrued liability in the balance sheet and a deduction of revenue. Cost of goods for anticipated returns has been recognised as an adjustment in the materials and consumables used and the inventory value.

Income from Loyal Customer cooperation is recognised as revenue. An amount corresponding to the estimated stand-alone selling price of unused bonus points accumulated by customers is recognised, with a deduction from sales, as short-term interest-free debt for customers. The debt is recognised in the same financial period as the related sale. When a customer uses accumulated points as a payment at a store, the value of the points used is recognised as a sale and a reduction of a short-term debt. If bonus points are not used by their expiry date, the value of the unused points is recognised as a sale and a reduction of a short-term debt.

Lease income of lease agreements classified as operating leases recognised on the income statement as revenue in even instalments over the lease term. Lease income tied to the tenant's revenue will be recognised on the basis of the tenant's actual revenue.

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

2.2.1.1 Revenue

EUR mill.	2021	2020
Merchandise revenue	**871,4**	756,4
Rental income and service charges	**27,6**	34,3
Total	**899,0**	790,7

2.2.1.2 Disaggregated revenue information

1.1.-31.12.2021, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	607,2	264,2	871,4
Rental income and service charges	0,2	27,4	27,6
Total	607,4	291,6	899,0
Market areas			
Finland	68,2	226,7	294,9
Sweden and Norway	466,0	0,0	466,0
Baltic countries and other countries	73,2	64,8	138,0
Total	607,4	291,6	899,0

1.1.-31.12.2020, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	506,4	250,0	756,4
Rental income and service charges	0,7	33,6	34,3
Total	507,1	283,6	790,7
Market areas			
Finland	58,5	220,2	278,7
Sweden and Norway	389,2		389,2
Baltic countries and other countries	59,4	63,4	122,8
Total	507,1	283,6	790,7

2.2.1.3 Contract balances

EUR mill.	2021	2020
Receivables that are included in assets held for sale	**0,1**	0,5
Contract assets	**0,6**	0,2
Contract liabilities	**7,1**	5,4

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

2.2.2 Other operating income

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

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

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

EUR mill.	**2021**	2020
Gains on sales of non-current assets, total	**21,8**	
COVID-19 support received	**4,5**	9,7
Refunds of health insurance premiums from years 2004-2008 due to the surplus of asset management in Sweden	**3,0**	
Income from restructuring debt cut	**2,6**	
Total	**31,9**	9,7

2.3 Gross margin

EUR mill.	**2021**	2020
Revenue	**899,0**	790,7
Materials and consumables used	**372,0**	347,0
Gross profit	**527,0**	443,7
Gross margin, % of revenue	**58,6%**	56,1%

2.4 Inventories

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

The inventories turnover rate and the potential decline of the net realisable value below the acquisition cost are estimated regularly and if necessary, an impairment is recognised for inventories. Lindex recognises a provision for obsolete inventories, which is a percentage of the acquisition price of the goods in the stores. A provision for obsolete inventories is not recognised at Lindex's central warehouse as all the goods are transported from the central warehouse to the stores. Stockmann recognises a provision for obsolete inventories, which is a percentage of the acquisition price of the slow-moving goods in the central warehouse and department stores.

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

EUR mill.	**2021**	2020
Materials and consumables	**154,8**	135,3
Total	**154,8**	135,3

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

2.5 Employee benefits

Pension obligations

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

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

Defined benefit pension plans are based on the calculations of authorised actuaries. The pension expenditure based on the work performance during the period and the net interest of the net debt of the defined benefit plan are recognised in the income statement and presented as expenses arising from employee benefits. The net debt of the defined benefit pension plan is entered in the statement of financial position. The Group had no defined benefit pension plans in the financial year 2021.

Other long-term employee benefits

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

EUR mill.	**2021**	2020
Wages and salaries	**149,3**	140,8
Pension expenses, defined contribution plans	**14,1**	12,4
Other employee benefits expenses	**31,2**	28,7
Total	**194,6**	181,9

Information on management's employee benefits is given in note 5.5, Related party transactions.

2.6 Other operating expenses

Accounting policies
Other operating expenses include the expense relating to short-term leases, the expense relating to leases of low-value assets and the expense relating to variable lease payments not included in the measurement of lease liabilities and the sale of property, plant and equipment and other expenses not related to the actual sale of goods and services as well as valuation losses related to assets classified as held for sale.

Year 2020 figures have been restated according to IFRS Interpretations Committee (IFRIC) agenda decision given in April 2021 on configuration and customisation costs in a cloud computing arrangement (IAS 38 Intangible assets). Additionally, the costs related to disputed landlords' claims for terminated lease agreements in 2020 have been reclassified from financial items to other operating expenses.

EUR mill.	**2021**	2020
Site expenses	**63,5**	66,5
Marketing expenses	**31,7**	25,2
Goods handling expenses	**24,0**	20,1
ICT expenses	**20,2**	17,1
Professional services	**10,5**	11,9
Leased workforce	**10,3**	6,8
Voluntary social security expenses	**3,0**	2,2
Credit losses	**-0,2**	0,3
Other expenses	**16,5**	11,9
Total	**179,4**	161,9

Fees to the auditors

EUR mill.	2021	2020
Auditing/EY	**0,4**	
Auditing/KPMG	**0,3**	0,4
Tax advisory/KPMG	**0,2**	0,2
Other services/KPMG	**0,0**	0,1
Total	**1,0**	0,7

2.7 Income taxes

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

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

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

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

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

EUR mill.	2021	2020
Income taxes for the financial period	**-12,0**	-5,3
Income taxes from previous financial periods	**2,1**	4,3
Change in deferred tax liability/assets	**-7,3**	3,4
Total	**-17,3**	2,4

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

EUR mill.	2021	2020
Profit before taxes	**65,2**	-294,0
Income taxes at current tax rate	**-13,0**	58,8
Income taxes from previous financial periods	**-2,1**	4,3
Tax-exempt income	**0,2**	0,3
Differing tax rates of foreign subsidiaries	**-0,3**	-0,8
Non-deductible expenses	**-6,2**	-62,6
Previous periods' confirmed losses for which deferred tax assets has been booked	**4,2**	
Deferred tax on results from previous financial periods		2,4
Income taxes in the income statement	**-17,3**	2,4

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. Consequently, Stockmann Sverige AB is requested by the tax authorities to pay EUR 35 million in additional taxes, including related interest. Stockmann has appealed against decisions in Sweden to the Court of Appeal in Gothenburg. On 20 January 2021, the European Court of Justice ruled that the Swedish interest rate deduction regulations were in some respects contrary to European Union law. The Swedish tax authorities have concluded that the decision of the European Court of Justice is of no significance regarding Stockmann's right to deduct the interest expenses and that Stockmann does not have the right to appeal to the European Court of Justice to gain the rejected interest deductions. The processing of the case continues in the Court of Appeal.

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

2.8 Deferred tax assets and deferred tax liabilities

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

Changes in deferred tax assets, EUR mill.	1.1.2020	Recognised in income statement	Translation difference	31.12.2020
Confirmed losses	9,7	10,3		20,0
Difference between carrying amounts and tax bases of property, plant and equipment	1,5		0,1	1,6
Lease liability	2,8	1,5	0,1	4,4
Other temporary differences	2,3	-0,0	-0,5	1,8
Total	16,3	11,8	-0,3	27,8

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

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

Changes in deferred tax liabilities, EUR mill.	1.1.2020	Recognised in income statement	Translation difference	Liabilities related to assets classified as held for sale	31.12.2020
Cumulative depreciation differences	20,9	0,2	0,3	-14,1	7,2
Difference between carrying amount and tax bases of prop., plant and equip.	8,5	-0,3	-0,2	-2,9	5,0
Measurement at fair value of intangible and tangible assets	14,5		0,6		15,1
Lease receivables	0,7	0,4			1,1
Other temporary differences	-0,7	8,2	-0,0		7,5
Total	43,8	8,4	0,7	-17,0	35,9

In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the accumulated distributable earnings, EUR 7.1 million (6.8), of the Estonian and Latvian subsidiaries. Neither has deferred tax liability been recorded on the accumulated distributable earnings of Stockmann Plc’s branch in Estonia, which amount to EUR 86.6 million and which has been included in the taxable income of the parent office in Finland during previous years.

3 Intangible and tangible assets and leasing arrangements

3.1 Depreciation, amortisation and impairment losses

EUR mill.	**2021**	2020
Intangible assets*)	**13,0**	15,0
Buildings and constructions	**0,0**	10,2
Machinery and equipment	**13,3**	16,8
Modification and renovation costs for leased premises	**1,6**	0,7
Right of use assets	**75,0**	86,4
Depreciation and amortisation, total	**102,9**	129,2
Goodwill	**0,0**	250,0
Impairment losses, total	**0,0**	250,0
Depreciation, amortisation and impairment losses, total	**102,9**	379,2

*) Figure of financial year 2020 is adjusted due to change in accounting principle, more information in notes 1.2 and 3.2.

3.2 Goodwill and other intangible assets

Accounting policies

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

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

The amortisation periods of intangible assets are:

software	5–10 years
other intangible rights	5 years

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

Accounting policy was changed in 2021 according to IFRIC agenda decisions on configuration and customisation costs in a cloud computing arrangement (IAS 38). In cloud computing (Software-as-a-Service or SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expenses as incurred as the software is configured or customised. Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Stockmann conducted an analysis of its SaaS contracts and adjusted its intangible assets, amortisations, other operating expenses and retained earnings of financial year 2020 according to the IFRIC agenda decisions retrospectively.

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

Intangible assets, EUR mill. 2020	Goodwill	Trademark	Intangible rights	Other intangible assets	Advance payments and construction in progress	Intangible assets, total
Acquisition cost 1.1.	672,6	87,3	93,6	10,4	2,6	866,5
Translation difference +/-	27,7	3,6	1,9	0,3		33,4
Increases during the period			1,0		3,5	4,5
Decreases during the period			-10,3			-10,3
Transfers between items during the period			4,5		-4,5	
Acquisition cost 31.12.	700,3	90,9	90,7	10,6	1,6	894,1
Accumulated amortisation 1.1.	-166,1	-0,3	-57,2	-8,5		-232,1
Translation difference +/-	-6,7	-0,0	-1,5	-0,2		-8,4
Amortisation on reductions during the period			10,2			10,2
Amortisation and impairment losses during the period	-250,0		-14,6	-0,4		-265,0
Accumulated amortisation 31.12.	-422,8	-0,3	-63,1	-9,2		-495,4
Carrying amount 1.1.	**506,6**	**87,0**	**36,5**	**1,8**	**2,6**	**634,5**
Carrying amount 31.12.	**277,5**	**90,6**	**27,6**	**1,4**	**1,6**	**398,7**

Figures for financial year 2020 are adjusted according to the change in accounting principle.

Impairment testing

Accounting policies

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

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

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

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

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

There are less uncertainties in the forecast period than a year ago. Impact of COVID-19 will still exist, but Stockmann assumes that restrictions in most countries will be eased or removed. As a result of this, in an impairment test concluded for Lindex's goodwill in connection with the financial statements, has been applied using higher growth assumptions for the revenue development. There are no indications for impairment need. On 31 December 2021 the goodwill of EUR 271.5 million is allocated to the Lindex segment.

The Lindex trademark of EUR 88.7 million is allocated in its entirety to the Lindex segment. The Lindex brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed more than 60 years and the Group will continue to use the brand both in its present markets and when the Lindex product range and business model are introduced into new markets.

Main assumptions and variables used in the calculation of the value-in-use of Lindex
In the impairment testing, the cash flow forecasts for Lindex are based on market-area forecasts and are approved by management. The cash flow forecasts cover a five-year period with an average of 4.5 per cent growth and also have an effect on the terminal period. Long-term forecasts, which were updated during the financial year, take into account changes in the economy compared with the previous year. Lindex's cash flows beyond this management-approved forecast period were extrapolated using a steady 2.5 per cent growth rate. For Lindex's Gross Margin beyond this management-approved forecast period a gross margin ratio of 60.2 per cent was set.

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

1. Volume growth, which is based on an estimate of the sales growth at existing stores and online store.
2. Profitability improvement based on the growth in gross margin ratio.
3. Discount rate, which is determined using the weighted average cost of capital, based on the optimal finance structure or the average finance structure of industry peers (reflects the total cost of equity and debt). The components of the discount rate are:

    - market-specific risk-free rate
    - market risk premium
    - business-specific beta, which is a measure of the market's view of the unit's risk premium
    - country risk premium
    - size risk premium
    - cost of debt
    - debt-to-equity ratio, which corresponds to the capital structure in retail industry
    - lease liabilities have been taken into account in the calculation of the discount rate and correspondingly the right-of-use asset is included in the value of asset.

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

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

Sensitivity in the determining of the recoverable amount

In the impairment testing the recoverable amount of Lindex is approximately 35.8 percent higher than the carrying amount of the non-current assets and the working capital in the balance sheet. Due to the competition and general economic situation affecting consumers' purchasing behaviour and purchasing power, any changes in the variables used can lead to a situation in which the recoverable amount Lindex would be less than the segment's carrying amount which leads to need for impairment.

A sensitivity analysis was carried out on Lindex using downside scenarios. The scenarios involved reducing either the sales growth from the level given in the management's estimates for the cash flow period also reflecting to the sales value of the terminal period or raising the discount rate. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below.

Change, percentage points	**2021**
Discount rate increase	3.3
Decline in sales growth	4.4

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

3.3 Property, plant and equipment

Accounting policies

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

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

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

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

The depreciation periods for property, plant and equipment are:

- Costs of leased premises 5–20 years
- Machinery and equipment 4–10 years
- ICT equipment 3–5 years
- Lightweight store fixtures and equipment 3–5 years

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

Tangible assets, EUR mill. 2020	Land and water	Buildings and constructions	Machinery and equipment	Modification and renovation expenses for leased premises	Right-of-use assets	Advance payments and construction in progress	Tangible assets, total
Acquisition cost 1.1.	17,5	379,9	259,8	37,0	570,1	5,6	1 269,8
Translation difference +/-			1,7		14,3	0,2	16,2
Increases during the period			0,3	0,0	67,2	13,6	81,2
Decreases during the period		-2,0	-12,5	-28,4	-174,8	-0,0	-217,8
Transfers to non-current assets classified as held for sale	-17,5	-378,7	-2,1			-0,0	-398,3
Transfers between items during the period		0,9	6,9	0,0		-7,8	0,0
Acquisition cost 31.12.			254,1	8,6	476,9	11,6	751,1
Accumulated depreciation 1.1.		-142,4	-204,4	-32,1	-84,4		-463,3
Translation difference +/-			-1,6		10,5		8,9
Depreciation on reductions during the period		1,9	12,1	28,4	34,9		77,4
Accumulated depreciation on transfers to non-current assets classified as held for sale		150,7	1,0				151,8
Depreciation and impairment losses during the period		-10,2	-16,8	-0,7	-86,4		-114,2
Accumulated depreciation 31.12.			-209,6	-4,4	-125,5		-339,4
Carrying amount 1.1.	**17,5**	**237,4**	**55,4**	**4,9**	**485,7**	**5,6**	**806,5**
Carrying amount 31.12.			**44,5**	**4,2**	**351,4**	**11,6**	**411,8**

In 2021 and 2020 advance payments for plant, property and equipment and construction in progress included mainly store furniture as well as modification and renovation costs for business and real estate premises.

3.4 Investment property

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

An investment property is initially valued at acquisition cost. The acquisition cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The acquisition cost of a self-constructed investment property is the acquisition cost accumulated at the date that construction or development is completed. IAS 16 is applied to the investment property up until the day of completion and IAS 40 is applied as of the day of completion.

Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through profit or loss for the period during which they arise. Gains or losses arising from changes in the fair value of investment properties must be recognised separately in profit or loss.

The Tapiolan Säästötammi property in Espoo, of which Stockmann owns 37.8 per cent, were classified as investment properties in accordance with IAS 40 on 31 December 2021.

EUR mill.	**2021**	2020
Fair value at 1.1.	**0,5**	0,5
Fair value at 31.12.	**0,5**	0,5

3.5 Leases

Group as lessee

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

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

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

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

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

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

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

Sale and leaseback

Accounting policies
Stockmann sold its department store property in Tallinn on 29 December 2021 and continues with a long-term leaseback agreement with the new owner.

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

The impact of the sales of the Tallinn department store property on financial statements is described in note 1.4.

Right-of use assets

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

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

2020, EUR mill.	Buildings	Machinery and equipment	Total
Right-of-use assets 1.1.	567,8	2,3	570,1
Translation difference +/-	14,3	0,0	14,3
Increases during the period	67,2		67,2
Decreases during the period	-174,3	-0,5	-174,8
Acquisition cost at the end of the period	475,0	1,9	476,9
Accumulated depreciation and impairment losses at the beginning of the period	-83,7	-0,7	-84,4
Translation difference +/-	10,0	0,5	10,5
Depreciation on reductions during the period	34,9	0,1	34,9
Depreciation, amortisation and impairment losses during the period	-85,7	-0,7	-86,4
Accumulated depreciation and impairment losses at the end of the period	-124,6	-0,9	-125,5
Carrying amount at the beginning of the period	**484,1**	**1,6**	**485,7**
Carrying amount at the end of the period	**350,5**	**1,0**	**351,4**

Carrying amount 31.12. by operating segments

EUR mill.	2021	2020
Lindex	**236,7**	265,7
Stockmann	**60,0**	85,8
Total	**296,6**	351,4

Leases recognised in profit and loss

EUR mill.	2021	2020
Interest expenses on lease liabilities	**-12,2**	-21,2
Interest income from sub-leasing right-of-use assets	**0,0**	0,7
Expenses relating to leases of low-value assets	**-1,1**	-0,5
Expenses relating to short-term leases	**-0,1**	-1,6
Expense relating to variable lease payments not included in lease liabilities	**-5,1**	-2,2
Total	**-18,5**	-24,8

Total cash outflow for leases in 2021 was EUR 78.5 million (101.4).

Group as lessor

Accounting policies
When the Group acts as a lessor, each lease is it determined at lease inception whether a finance lease or an operating lease. The lease is a finance lease if substantially all of the risks and rewards incidental to ownership of the underlying asset are transferred to lessee, if not, then it is an operating lease. All leases in which Stockmann Group acts as a lessor on 31 December 2021 are operating leases. The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of revenue.

Stockmann owns the Helsinki department store property located in Helsinki, Finland. The area of the property is 50 940 square meters. Approximately 70 per cent of the gross leasable gross area of the properties is used by Stockmann and the remaining area is used by external tenants.

4 Capital structure

4.1 Financial income and expenses

Financial income

EUR mill.	2021	2020
Dividend income from other investments	**0,0**	1,6
Interest income on bank deposits, other investments and currency derivatives	**1,0**	0,0
Interest income from lease contracts	**0,0**	0,7
Other financial income	**1,7**	17,8
Foreign exchange differences		0,5
Total	**2,7**	20,7

Financial expenses

EUR mill.	2021	2020
Interest expenses on financial liabilities measured at amortised cost derivatives	**-7,2**	-20,3
Interest expenses from lease contracts	**-12,2**	-21,2
Other financial expenses		-3,8
Foreign exchange differences	**-0,2**	
Total	**-19,6**	-45,4

EUR mill.	2021	2020
Financial income and expenses, total	**-16,9**	-24,6

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

Figures for financial year 2020 are adjusted with costs related to disputed landlords' claims for terminated lease agreements of EUR 17.0 million. They are reclassified to other operating expenses, as they were previously netted against financial income.

4.2 Financial instruments

Accounting policies

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

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

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

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

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

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

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

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

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

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

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

4.3 Current receivables

EUR mill.	**2021**	2020
Non-interest-bearing trade receivables	**11,9**	12,6
Lease receivables		0,5
Receivables based on derivative contracts	**1,6**	
Other receivables	**2,4**	0,8
Prepayments and accrued income	**29,7**	31,6
Income tax receivables	**0,1**	0,3
Current receivables, total	**45,8**	45,8

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

Prepayments and accrued income

EUR mill.	2021	2020
Prepaid rents	**15,0**	9,5
Merchandise prepayments	**4,4**	
Periodised ICT expenses	**2,7**	1,6
Receivable from credit card co-operation	**2,0**	2,2
Periodised restructuring expenses	**1,9**	
Receivable from trademark co-operation	**0,8**	1,0
Periodised indirect employee expenses	**0,2**	0,1
Derivative receivable		8,9
Prepaid interest expenses		3,7
Periodised loan arrangement expenses		0,8
Others	**2,8**	3,7
Total	**29,7**	31,6

4.4 Cash and cash equivalents

Accounting policies

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

EUR mill.	2021	2020
Cash and cash equivalents	**213,7**	152,3
Total	**213,7**	152,3

4.5 Non-current liabilities, interest-bearing

EUR mill.	Carrying amount 2021	Carrying amount 2020
Bond issues	**66,1**	
Periodised loan arrangement expenses	**-0,2**	
Lease liabilities	**264,3**	290,7
Total	**330,3**	290,7

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

In May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring. Pursuant to the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66.1 million. Accordingly, Stockmann issued bonds to the aggregate principal amount of EUR 66.1 million. The bonds are presented as non-current interest-bearing financing liabilities in the Consolidated Statement of Financial Position on 31 December 2021.

4.6 Current liabilities

EUR mill.	**Carrying amount 2021**	Carrying amount 2020
Loans from financial institutions	**381,5**	434,6
Lease liabilities	**72,9**	80,5
Other interest-bearing liabilities	**0,0**	53,5
Trade payables	**61,8**	53,2
Other current liabilities	**77,7**	112,7
Accruals and prepaid income	**83,5**	83,7
Derivative contract liabilities	**0,1**	0,0
Income tax liability	**46,4**	39,6
Current provisions	**0,0**	17,0
Total	**724,0**	874,9
of which interest-bearing	**454,4**	568,6

The following current liabilities are included in Stockmann Plc’s restructuring debt: loans from financial institutions EUR 381.5 million and other current liabilities EUR 2.0 million.

In 2020 the following current liabilities were included in Stockmann Plc’s restructuring debt: loans from financial institutions EUR 435.4 million, other interest-bearing liabilities EUR 53.5 million, other current liabilities EUR 58.2 million and current provisions EUR 17.0 million. The current provision was reclassified into non-current provisions in 2021.

Restructuring debt

EUR mill.	**31.12.2021**	**31.12.2020**
Non-current non-interest-bearing restructuring debt, unsecured *)	**19,8**	
Current interest-bearing restructuring debt, secured	**381,5**	**435,4**
Current interest-bearing restructuring debt, unsecured		**53,5**
Current non-interest-bearing restructuring debt, secured		**7,1**
Current non-interest-bearing restructuring debt, unsecured **)	**2,0**	**51,1**
Restructuring debt total	**403,3**	**547,1**
Restructuring debt related to non-current provisions	**17,5**	
Restructuring debt related to current provisions		**17,0**
Provisions related to restructuring debt *)**	**17,5**	**17,0**
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020		**108,1**
Total	**420,8**	**672,3**

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

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

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

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

Accruals and prepaid income

EUR mill.	**2021**	2020
Personnel expenses	**35,2**	36,2
Periodised purchases	**19,4**	10,1
Customer loyalty programme MORE	**7,1**	5,7
Reserve for returns	**3,1**	2,0
Accrued site expenses	**0,3**	1,6
Interest and other financial expenses	**0,2**	13,9
Other accruals and prepaid income	**17,4**	14,2
Total	**82,6**	83,7

4.7 Reconciliation of liabilities arising from financing activities

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

EUR mill.	1.1.2020	Cash flows from liabilities	Non-cash changes from liabilities		Non-cash chamges from loan arrangement expenses	31.12.2020
			Changes in leases	changes in foreign exchange rates		
Non-current liabilities, interest-bearing	364,5	69,0			-433,5	
Current liabilities, interest-bearing	46,7	7,9			433,5	488,1
Lease liabilities	529,8	-81,5	-85,3	8,2		371,2
Cheque account with overdraft facility	1,1	-1,1				
Total liabilities from financing activities	**942,1**	**-5,7**	**-85,3**	**8,2**		**859,3**

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

4.8 Financial risk management

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

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

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

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

Currency risk

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

Transaction risk

Stockmann’s transaction risk derives from the currency flows connected with sales and purchases of the Group’s divisions as well as from loans and receivables denominated in foreign currency. The most important sales currencies during 2021 were the euro, the Swedish krona, and the Norwegian krone. The primary purchasing currencies were the euro, the United States dollar, and the Swedish krona. In 2021, non-EUR sales accounted for 56 per cent of the Group’s entire sales (2020: 52 per cent). Purchases with a transaction risk made up 53 per cent of the Group's purchases (2020: 48 per cent). In addition, the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Sweden. In 2021 these purchases accounted for 4 per cent of the Group’s total purchases (2020: 3 per cent).

The divisions are responsible for forecasting future net cash flows denominated in foreign currency and for managing the currency risk connected with them. The management of currency risk related to operational cash flows is based on cash flow forecasts for the coming 6 months. The hedging period is generally a maximum of 6 months and the degree of hedging for individual currencies can vary in the range of 0–100%. Contracted cash flows can be hedged for longer periods. During the restructuring proceedings, the Group has not had possibilities to hedge its foreign exchange positions. Lindex obtained hedging facilities in September 2021 and has started to hedge its transaction exposure in accordance with the treasury policy. Stockmann plc currently has no hedging facilities.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges. The main transaction risks arise in Lindex. Stockmann division operates mainly in local currency and its transaction exposure is limited. The outstanding cash flow hedges are hedging Lindex’s purchases in US-dollar and sales in Swedish Krona, Norwegian Krona and euro and will mature during the first 7 months of 2022. The gain/loss of these hedge instruments will affect the Group’s operating profit in the same period during which the forecasted hedged items affect profit, which is on average 4 months after maturity. Information about the fair value of these hedges is provided in Note 4.9. The table below shows the distribution of currency for outstanding derivatives hedging cash flows. For each derivative, the amounts are shown for both the bought and the sold currency. No ineffectiveness arose on cash flow hedges during the year 2021.

Foreign exchange derivatives hedging cash flows

EUR Mill.	**2021**	2020
USD	47,1	0,0
SEK	-21,2	0,0
NOK	-14,9	0,0
EUR	-9,8	0,0

At the end of 2020, there were no outstanding derivatives hedging cash flows.

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

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

At the end of 2020, there were no outstanding derivatives hedging cash flows.

All outstanding derivatives hedging cash flows relate to Lindex. The functional currency of Lindex is the Swedish Krona. At year-end, the outstanding cash flow hedges in US-dollars covered approximately 66 % of the Stockmann Group's estimated net USD flows for the coming 6 months.

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

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

The Group's transaction exposure

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

2020, EUR Mill.	SEK	GBP	NOK	CZK	USD
Receivables	17,9	1,8	13,6	4,7	3,5
Trade payables and other current liabilities	-11	-2,5	-7,7		-22,9
Foreign currency exposure in the balance sheet	6,9	-0,7	5,9	4,7	-19,4
Net position in the balance sheet	6,9	-0,7	5,9	4,7	-19,4

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

Sensitivity Analysis, effect on income statement after tax

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

2020, EUR Mill.	SEK	GBP	NOK	CZK	USD
Change + 10 %	-0,5		-0,4	-0,3	1,4
Change - 10 %	0,6	-0,1	0,5	0,4	-1,7

Translation risk

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

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

During 2018 Stockmann has reclassified a major part of the Swedish krona denominated intra-group loan, granted for the acquisition of the shares in Lindex, as part of its net investment to a foreign subsidiary. The net investment has been designated in a net investment hedge and was hedged to 50% by currency derivatives until 6 April 2020 when outstanding derivatives were closed by the banks. The degree of hedging can vary from 0 to 100% according to the policy approved by the Board. The objective of the hedge is to reduce the effect of EUR/SEK currency rate changes to translation difference. At the end of 2021 the translation risk was not hedged since Stockmann plc didn't have any hedging facilities.

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

Sensitivity Analysis, effect on equity

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

2020, EUR Mill.	SEK
Change + 10 %	-28,2
Change - 10 %	34,4

Interest rate risk

Fluctuations in the level of interest rates affect the Group's interest expenses and interest income. The Group has large Swedish Krona-denominated assets originating from the acquisition of Lindex. Until 6 April 2020 these assets were partly financed with debt swapped to Swedish Krona but are now financed with debt in euro. The objective of the Group's management of interest rate risk is to reduce the uncertainty to which Stockmann's earnings may be subject due to changes in the level of interest rates. A dual approach is employed in managing interest rate risk. The Group's borrowings and investments are diversified across different maturities and, furthermore, floating rate and fixed-interest instruments are used. The duration of the loan and investment portfolio is a maximum of five years. Interest rate derivatives can be used in managing interest rate risk. Interest rate derivatives were not in use.

According to the restructuring programme, that was approved on 9 February 2021, the interest rate to be paid on the secured restructuring debt as of 9 February 2021 is 1.2% in 2021 and 1.4% in 2022. On 5 July 2021 Stockmann issued a five-year bullet bond to certain unsecured creditors who were entitled to convert their receivables to senior secured bonds. The issued amount was EUR 66 149 032,00 and the interest rate of the bond is 0.10 % per annum No interest is paid on the unsecured restructuring debt.

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

Interest rate adjustment, period, EUR mill	**< 12 months**	**1–3 years**	**3–5 years**	**Total**
Bond Issues			**66,00**	**66,0**
Loans from financial institutions	**381,5**			**381,5**
Other interest-bearing liabilities				**0,0**
Total	**381,5**			**447,5**
Cash and bank receivables*)	**-213,8**			**-213,8**
Total	**167,7**			**233,7**

*) Including cash assets classified as held for sale.

Interest terms of the Group's interest-bearing liabilities and bank receivables on 31 December 2020:

Interest rate adjustment, period, EUR mill	**< 12 months**	**1–3 years**	**3–5 years**	**Total**
Bond Issues	249,2			249,2
Loans from financial institutions	185,4			185,4
Other interest-bearing liabilities	53,5			53,5
Total	488,2			488,2
Cash and bank receivables	-152,5			-152,5
Total	335,7			335,7

A rise or a decline of one percentage point in market interest rates would have only a minor effect on Stockmann's profit after taxes, since all loans have fixed interest rates. At the balance sheet date there were no items that were recognised directly in equity.

Electricity price risk

Stockmann Group normally hedges the price risk affecting future electricity procurements. In accordance with the financial policy, the degree of hedging of future electricity prices is a maximum of 70 % for current year and for the next year, and a maximum of 50 % for the following two years. Lindex continues to hedge for electricity price risk, but Stockmann division has had no access to new hedges since first half of 2021. At the balance sheet date, 31 December 2021, a change of 10 percentage points in the market price of electricity has no material impact on Stockmann's profit and equity after taxes.

Financing and liquidity risk

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

Prior to the restructuring Stockmann's financing consisted of bank loans, credit facilities, corporate bonds and a commercial paper programme. Additionally, Stockmann had a hybrid bond, which was treated as equity in the company's consolidated financial statements

According to the restructuring programme, which was approved by the District Court on 9 February 2021, Stockmann's A and B share series were combined in July 2021. The combination is intended to improve the liquidity of the share and the company's ability to secure financing from the market.

In line with the restructuring programme, the confirmed debt was classified as secured restructuring debts, which consists of secured bank debt and secured bond, and restructuring debts consisting mainly of accounts payable, short term unsecured notes as well as other debts. The unsecured restructuring debts were subject to 20 % cut or 20 % conversion to Stockmann shares. The remaining 80 % was partly either converted to a secured 5-year bullet bond or subject to a repayment schedule during years 2022-2028. The secured restructuring debt will be repaid by the end of 2022.

According to the restructuring programme Stockmann will sell and lease back the real estate properties of Helsinki, Tallinn and Riga department stores. Funds received from these sales will be primarily used for repayment of secured restructuring debt. The sale and leaseback transactions for Tallinn and Riga department store properties were signed in December 2021. The proceeds from Tallinn transaction were used for secured debt repayment in December 2021, and the proceeds from Riga in January 2022.

In line with the restructuring programme half of the hybrid bond was cut and the remaining half was converted into Stockmann shares or cut.

Stockmann does not expect to have any need to acquire new equity or interest-bearing debt during the restructuring programme with the exception of possible need to take seasonal working capital and a need for Lindex to secure financing for a significant investment in the next few years. Stockmann trusts that Lindex will be able to acquire the necessary financing in the form of a sale and lease back arrangement, equipment credit or some other interest-bearing debt or as a combination thereof.

Stockmann has covered all new payment obligations that have arisen since the restructuring proceedings started. Cash flow, liquidity and cash assets have developed positively. At the end of the year Stockmann had EUR 213,8 million (EUR152.5 million) in cash assets. Stockmann did not acquired any new external financing during the restructuring proceedings.

Cash and bank receivables as well as unused committed credit facilities

EUR Mill.	2021	2020
Cash and bank receivables*)	**213,8**	152,5
Total	**213,8**	152,5

*) Including cash assets classified as held for sale.

Cash flows based on agreements in financial liabilities, including financing costs, on31 December 2021

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

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.
Assumption in the calculation is that the real estate properties will be liquidated, and the secured restructuring debt paid by the end of Q1 2022.
At the end of June 2021 Restructuring debts amounted to EUR 539.9 mill. In July 2021 EUR 66.1 mill. was converted into a new bond, which will be repaid in 2025 and to which annual interest of EUR 0.1 mill. will be paid. EUR 19.1 mill. was converted into equity in July 2021 and EUR 2.7 mill. was cut. EUR 381,5 mill. presented in current financing liabilities will be repaid during Q1 2022 together with interest. Secured restructuring debt was reduced in January 2022 by EUR 38,7 mill. with proceeds from sales of Riga real estate. The remaining unsecured restructuring debt EUR 21.8 mill. will be paid according to the restructuring programme during 2022-2028. Provisions regarding disputed landlords' claims are not included in the cash flows.
Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

Cash flows based on agreements in financial liabilities, including financing costs, on 31 December 2020

EUR mill.	Carrying amount	2021	2022	2023	2024	2025-	Total
Secured restructuring debt*)	**442,5**	**-449,8**					**-449,8**
Unsecured restructuring debt**)	**121,6**		**-8,8**	**-8,8**	**-8,8**	**-71,0**	**-97,4**
Cash flow from restructuring debt total	**564,1**	**-449,8**	**-8,8**	**-8,8**	**-8,8**	**-71,0**	**-547,2**
Trade payables and other current liabilities	**107,7**	**-107,7**					**-107,7**
Lease liability	**371,2**	**-93,2**	**-80,3**	**-70,3**	**-58,9**	**-144,5**	**-447,2**
Total	**1 043,0**	**-650,7**	**-89,1**	**-79,1**	**-67,7**	**-215,5**	**-1102,1**

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

Credit and counterparty risk

Trade receivables as well as receivables based on investments and derivative contracts expose the Group to credit risk. The counterparty risk associated with investments is managed by means of counterparty limits approved by the Board of Directors. Derivative contracts are entered into only with counterparties that are judged to be highly creditworthy and financially solid. Cash assets are invested in financial instruments that are judged to be liquid and to have a low risk. At the balance sheet date, 31 December 2021, the Group's liquid assets consisted mainly of deposits in banks, with a very short maturity. The Group does not incur major credit risk relating to commercial trade receivables because its outstanding receivables consist of a large amount of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

Aging of trade and lease receivables

31 December 2021

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

31 December 2020

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	10,7	0,0
Trade receivables fallen due in 1–30 days	1,2	0,0
Trade receivables fallen due in 31–60 days	0,4	0,0
Trade receivables fallen due in 61–90 days	0,2	0,0
Trade receivables fallen due in over 120 days	0,8	0,0
Total	13,2	0,1

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

4.9 Derivative contracts

Nominal values of derivative contracts

Derivative contracts, hedge accounting applied

EUR mill.	2021	2020
Cash flow hedges, currency forwards	**45,9**	
Total	**45,9**	

Derivative contracts, hedge accounting not applied

EUR mill.	2021	2020
Electricity forwards	**1,1**	1,6
Total	**1,1**	1,6

Fair value of derivative contracts 2021

Derivative contracts, hedge accounting applied

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

Derivative contracts, hedge accounting not applied

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

At the end of 2020, there were no hedging derivatives.

Currency swaps and forwards have been measured at fair value using market prices on the balance sheet date. Changes in the fair values of currency derivatives are recognised either in equity or in the profit and loss depending on whether hedge accounting has been applied to them. Currency derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit and loss in 2021. The fair values of electricity derivatives are based on market prices on the balance sheet date and the changes in the fair values are recognised in the profit and loss.

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

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

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

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

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

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

Financial assets, EUR mill.	**Level**	**Carrying amount 2021**	**Fair value 2021**	Carrying amount 2020	Fair value 2020
Derivative contracts, hedge accounting applied	2	**1,3**	**1,3**		
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Electricity derivatives	1	**0,4**	**0,4**		
Financial assets at amortised cost					
Non-current receivables		**3,8**	**3,8**	1,7	1,7
Non-current lease receivables	2			3,9	3,9
Current lease receivables	2			0,5	0,5
Current receivables, non-interest-bearing		**44,1**	**44,1**	45,0	45,0
Cash and cash equivalents		**213,7**	**213,7**	152,3	152,3
Other investments	3	**0,2**	**0,2**	0,2	0,2
Financial assets, total		**263,4**	**263,4**	203,6	203,6

Financial liabilities, EUR mill.		**Carrying amount 2021**	**Fair value 2021**	Carrying amount 2020	Fair value 2020
Derivative contracts, hedge accounting applied	2	**-0,1**	**-0,1**		
Non-current interest-bearing liabilities	2	**66,0**	**55,1**		
Non-current lease liabilities	2	**264,3**	**264,3**	290,7	290,7
Non-current non-interest-bearing liabilities		**20,3**	**20,3**		
Current liabilities, interest-bearing	2	**381,5**	**381,5**	488,2	468,0
Current lease liabilities	2	**72,9**	**72,9**	80,5	80,5
Current liabilities, non-interest-bearing		**223,0**	**223,0**	249,6	249,6
Financial liabilities, total		**1 027,8**	**1 016,9**	1 109,0	1 088,8

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

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

Change in fair value of other investments, EUR mill.	2021	2020
Carrying amount 1.1.	**0,2**	0,3
Total	**0,2**	0,2

4.11 Financial instruments subject to netting arrangements

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

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

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

31 December 2021

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

At the end of 2020, there were no outstanding derivatives subject to netting agreements.

4.12 Shareholders' equity

EUR mill.	Entered in trade register	Number of shares, A	Number of shares, B	Total	Share capital	Share premium fund	Invested unrestricted equity fund	Total
31 Dec 2019		**30 530 868**	**41 517 815**	72 048 683	144,1	186,1	250,4	580,6
31 Dec 2020		**30 530 868**	**41 517 815**	72 048 683	144,1	186,1	250,4	580,6
Combination of share classes	**9.4.2021**	**-30 530 868**	**33 583 954**	3 053 086				
Share issue	**6.7.2021**		**79 335 175**	79 335 175				
31 Dec 2021			**154 436 944**	**154 436 944**	**77,6**		**72,0**	**149,6**

Share capital

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

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

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

On 31 December 2021 Stockmann Plc's share capital was EUR 77.6 million. All the shares issued have been fully paid in.

Redemption obligation

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

Share premium fund

On 31 December 2020 the share premium fund contained cash payments in excess of the nominal value that were received from share subscriptions, less the transaction costs. During the reporting period the fund has been used to cover losses.

Invested unrestricted equity fund

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

Translation differences

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

Other funds

EUR mill.	**2021**	2020
Reserve fund	**0,1**	0,1
Hedging reserve	**1,1**	
Other funds		43,7
Total	**1,2**	43,8

On 7 April 2021 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 Stockmann Plc's balance sheet, and the share premium fund according to the statement of financial position at 31 December 2020 in their entirety to cover losses of the prior years.

Other funds comprise on 31 December 2021:

- invested unrestricted equity fund, which is distributable equity and consists of the funds converted in the directed share issue to the restructuring creditors
- a reserve fund, which contains an amount transferred from unrestricted shareholders' equity on the basis of local regulations
- a hedging reserve, which contains changes in fair value of derivatives that are used to hedge cash flows, less the deferred tax liability.

Hybrid bond

On 31 December 2020 total equity included a hybrid bond of EUR 105.8 million. The hybrid bond in an aggregate nominal amount of EUR 85 million was issued in December 2015 and further capital securities in an aggregate nominal amount of EUR 21 million was issued in November 2019. The hybrid bond was unsecured and subordinated to the company's other debt obligations. A holder of hybrid bond notes had no shareholder rights. The hybrid bond was treated as part of the restructuring debt in the restructuring procedure, it was included in equity in statement of financial position according to IFRS. According to the restructuring programme 50 % of the hybrid bond was cut and the remaining 50 %, if the creditors so wished, was converted into the company's B shares. If a creditor did not wish to convert the uncut part, this part was also fully cut.

Dividends

The dividend payout proposed by the Board of Directors has not been recognised in the financial statements. Dividends are recognised on the basis of a resolution passed by a General Meeting of the shareholders.
According to the Finnish Companies Act, distributions to shareholders during the three years following the registration of the reduction of share capital in order to cover losses can only be made by following the creditor protection procedure. During the restructuring programme Stockman Plc is not allowed to distribute funds either.

4.13 Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders less the tax-adjusted interest on hybrid bond by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. In calculating earnings per share adjusted for dilution, the dilutive effect resulting from conversion of all share options into shares is taken into account in the average weighted number of shares. Options have a dilutive effect when the subscription price of the options is lower than the share's fair value. As of 31 December 2021, there were no options outstanding that would have had a diluting effect.

EUR mill.	**2021**	2020
Profit/loss for the period attributable to the equity holders of the parent company	**47,9**	-291,8
	47,9	-291,8
Share issue-adjusted number of outstanding shares, weighted average	**114 008 608**	75 101 769
From the period result (undiluted and diluted)	**0,42**	-3,89

No interest has accrued on the hybrid loan since the filing for restructuring.

5 Other notes

5.1 Non-current assets classified as held for sale

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

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

Assets classified as held for sale and the relating liabilities

EUR mill.	**2021**	2020
Intangible assets and property, plant and equipment	**239,3**	246,6
Inventories		
Other receivables	**0,1**	0,5
Cash and cash equivalents	**0,1**	0,2
Deferred tax liabilities	**15,3**	17,0
Other liabilities	**0,4**	0,4
Net assets	**223,8**	230,0

5.2 Joint arrangements

Joint operations

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

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

At reporting date, the share corresponding to the Group’s ownership of both the assets and liabilities and income and expenses of the joint operation is included in the Group’s consolidated financial statements.

Assets and liabilities of joint operations

EUR mill.	**2021**	2020
Non-current assets	**13,2**	13,7
Current assets	**0,6**	1,6
Current liabilities	**0,2**	0,2

Income and expenses of joint operations

EUR mill.	2021	2020
Income	**2,6**	2,2
Expenses	**1,4**	1,5

5.3 Provisions

Accounting policies
A provision is recognised when the Group has a legal or factual obligation as a result of a past event and it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably. An onerous contract is a contract in which the unavoidable costs under the contract exceed the expected economic benefits. A restructuring provision shall be recognised if the Group is committed to a sale or a termination of the significant line of business or a closure of business in the geographical area.

Non-current provisions

Other provisions

EUR mill.	2021	2020
Transfer between items	**17,0**	
Increase in provisions	**1,4**	
Used provisions	**-1,0**	-0,0
Carrying amount 31.12.	**17,5**	
Non-current provisions total	**17,5**	

Current provisions

Restructuring provision

EUR mill.	2021	2020
Carrying amount 1.1.		1,1
Used provisions		-1,1
Carrying amount 31.12.		

Provision for onerous contracts

EUR mill.	2021	2020
Carrying amount 1.1.		2,9
Used provisions		-0,1
IFRS 16 Transfer against right-of-use assets		-2,7
Carrying amount 31.12.		

Other provisions

EUR mill.	2021	2020
Carrying amount 1.1.	**17,0**	
Increase in provisions		17,0
Transfer between items	**-17,0**	
Carrying amount 31.12.	**0,0**	17,0
Current provisions total	**0,0**	17,0

Other provisions consist of a provision for landlords' claims related to terminated lease contracts.

5.4 Contingent liabilities

Mortgages given as collateral for liabilities and commitments

	2021			2020		
EUR mill.	**Debt at the year end**	**Collaterals**	**Book value of the assets *)**	Debt at the year end	Collaterals	Book value of the assets *)
Loans from credit institutions	381,5	1 500,0		435,4	1 670,0	
Other commitments		1,7			1,7	
Total	**381,5**	**1 501,7**	**238,9**	435,4	1 671,7	246,2

*) Cost method applied

Other collaterals given for own liabilities

EUR mill.	**2021**	2020
Guarantees	**0,1**	0,2
Electricity commitments	**0,3**	0,7
Liabilities of adjustments of VAT deductions made on investments to immovable property	**2,5**	2,9
Total	**2,9**	3,8

Contingent liabilities, total

EUR mill.	**2021**	2020
Mortgages	**1 501,7**	1 671,7
Guarantees	**0,1**	0,2
Electricity commitments	**0,3**	0,7
Liabilities of adjustments of VAT deductions made on investments to immovable property	**2,5**	2,9
Total	**1 504,6**	1 675,5

Electricity commitments relate to agreements to buy electricity for certain price in years 2022-2024.

Investments in real estate
Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2012–2021 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2031, and the maximum liability is EUR 2.5 million (2.9).

Landlords' disputed claims
Some landlords have presented Stockmann Plc with claims for damages related to termination of long-term lease agreements. Stockmann has recognised a provision for the claims corresponding to 18 months rents, which is in accordance with the restructuring programme. The contingent liability related to the claims is EUR 85 million (EUR 102 million in 2020), which is the amount of the claims in excess of the provision recognised. More information on the claims is provided in note 1.4.

Riga lease liability
The sale-and-leaseback agreement for the Riga department store property was signed on 29 December 2021. A lease liability of EUR 17.6 million was recognised in the financial statements in January 2022.

5.5 Related party transactions

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

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

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

Members of the Board of Directors and Management Team belonging to the Group's related party during financial year 2020:

- Lauri Ratia, Chairman of the Board of Directors
- Stefan Björkman, Member of the Board of Directors
- Eva Hamilton, Member of the Board of Directors until 18 March 2020
- Esa Lager, Member of the Board of Directors
- Leena Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Tracy Stone, Member of the Board of Directors
- Peter Therman, Member of the Board of Directors until 18 March 2020
- Dag Wallgren, Member of the Board of Directors
- Jari Latvanen, CEO
- Susanne Ehnbåge, CEO, Lindex
- Annelie Forsberg, CFO, Lindex as of 1 August 2020
- Jukka Naulapää, Chief Legal Officer
- Tove Westermarck, Chief Operating Officer
- Pekka Vähähyyppä, CFO

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

The following transactions were carried out with related parties:
Management's employee benefits
Emoluments

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

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

*) paid in 91 791 company shares and cash
**) resigned from the Board of Directors on 7 April 2021

Employee benefits of the Chief Executive Officer and other members of the Management Committee, EUR 2020	**Chief Executive Officer**	**Other members of the Management Committee**	**Total**
Short-term employee benefits	528 270	1 485 934	2 014 204
Other long-term employee benefits		179 600	179 600
Employee benefits total	**528 270**	**1 665 534**	**2 193 804**

Remunerations to the Board of Directors, EUR 2020	**Fixed annual remuneration *)**	**Remuneration based on participation**	**Total**
Ratia Lauri	80 000	7 700	87 700
Björkman Stefan	40 000	5 800	45 800
Hamilton Eva **)		1 800	1 800
Lager Esa	40 000	6 400	46 400
Niemistö Leena	50 000	4 200	54 200
Stone Tracy	40 000	9 000	49 000
Therman Peter **)		2 600	2 600
Wallgren Dag	40 000	5 800	45 800
Remunerations to the Board of Directors total	**290 000**	**43 300**	**333 300**
Fees and remunerations to key personnel total, EUR			**2 527 104**

*) paid in 112 891 company shares and cash
**) resigned from the Board of Directors on 18 March 2020

Management's pension commitments

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

The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. In 2021 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2021 amounted to EUR 160 912 (EUR 170 600 in 2020).

Other related party transactions

In 2021 the Board members were paid no other compensations.

5.6 Events after the reporting period

The sales of the department store property in Riga was recognised in January 2022 because the closing of the sales of the SIA Stockmann Centrs shares could not be made until on 10 January 2022. The proceeds from the sales EUR 38.7 million were used to amortise Stockmann Plc’s secured restructuring debt.

During the reporting period previously conditional or disputed receivables subject to the payment programme of the Restructuring Programme were clarified for three creditors and the final amounts of such receivables were confirmed. In January 2022, pursuant to the Restructuring Programme, Stockmann Plc issued 28 139 new shares and the creditors converted 20 per cent of their receivables to the Company’s shares at subscription price of EUR 0.9106 per share. As a result of the share issue, the total number of shares in the Company increased to a total of 154 465 083 shares. Also, the Company received subscription forms from the creditors for subsequent bonds to the amount of EUR 94 333, by which amount their receivables were converted to the bonds.

The Supreme Court has granted Pirkanmaan Osuuskauppa leave to appeal to the extent that the appeal concerns the claim for damages arising from the termination of the sublease agreement are restructuring debt or debt that has arisen during the corporate restructuring proceedings.

Stockmann plc
Income Statement, FAS

EUR	Note	**1.1.-31.12.2021**	**% of Rev.**	1.1.-31.12.2020	% of Rev.
REVENUE		**230 776 429,50**	**100,0**	225 832 154,34	100,0
Other operating income	2	**106 329 155,56**	**46,1**	7 100 481,53	3,1
Materials and services					
Materials and consumables:					
Purchases during the financial year		**-125 323 282,22**		-114 307 160,08	
Change in inventories, increase (+), decrease (-)		**3 854 681,68**		-3 622 307,14	
Materials and services, total		**-121 468 600,54**	**52,6**	-117 929 467,22	52,2
Wages, salaries and employee benefits	3	**-43 906 349,86**	**19,0**	-45 775 442,26	20,3
Depreciation, amortisation and impairment losses	4	**-20 932 572,46**	**9,1**	-23 710 882,30	10,5
Other operating expenses	5	**-73 504 984,89**	**31,9**	-91 690 023,75	40,6
		-259 812 507,75	**112,6**	-279 105 815,53	123,6
OPERATING PROFIT (LOSS)		**77 293 077,31**	**33,5**	-46 173 179,66	-20,4
Financial income and expenses	6	**12 839 440,12**	**5,6**	-301 498 504,03	-133,5
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**90 132 517,43**	**39,1**	-347 671 683,69	-154,0
Appropriations	7	**-11 800 629,46**	**-5,1**	5 098 546,17	2,3
Income taxes					
Change in deferred taxes		**-4 108 813,88**		20 002 166,89	
For previous financial years		**2 014 028,19**			
Income taxes, total		**-2 094 785,69**	**-0,9**	20 002 166,89	8,9
PROFIT (LOSS) FOR THE PERIOD		**76 237 102,28**	**33,0**	-322 570 970,63	-142,8

Stockmann plc
Balance sheet, FAS

EUR	Note	**31.12.2021**	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8		
Intangible rights		**9 558 379,05**	15 078 814,94
Other intangible assets		**141 460,91**	212 037,84
Advance payments and construction in progress		**1 896 103,53**	1 567 190,38
Intangible assets, total		**11 595 943,49**	16 858 043,16
Property, plant, equipment	9		
Land and water		**9 214 458,59**	12 232 609,70
Buildings and constructions		**226 796 621,18**	239 167 004,98
Machinery and equipment		**21 993 784,40**	22 984 885,79
Modification and renovation expenses for leased premises		**3 602 672,26**	3 021 605,21
Other tangible assets		**54 601,65**	54 601,65
Advance payments and construction in progress		**138 155,89**	5 263 215,54
Property, plant, equipment, total		**261 800 293,97**	282 723 922,87
Investments	10		
Shares in Group companies		**286 641 335,62**	20 663 112,18
Other shares and participations		**748 761,86**	748 761,86
Investments, total		**287 390 097,48**	21 411 874,04
NON-CURRENT ASSETS, TOTAL		**560 786 334,94**	320 993 840,07
CURRENT ASSETS			
Inventories			
Materials and consumables		**43 069 209,07**	39 214 527,39
Inventories, total		**43 069 209,07**	39 214 527,39
Non-current receivables			
Loan receivables from Group companies		**226 499 865,68**	487 410 042,24
Other receivables		**16 289 254,72**	20 378 068,60
Non-current receivables, total		**242 789 120,40**	507 788 110,84
Current receivables	11		
Trade receivables		**1 593 227,75**	1 700 458,15
Receivables from Group companies		**6 325 525,93**	6 563 599,07
Other receivables		**453 199,05**	300 077,12
Prepayments and accrued income		**13 478 058,43**	19 247 658,10
Current receivables, total		**21 850 011,16**	27 811 792,44
Cash in hand and at banks	12	**40 426 083,02**	56 151 388,28
CURRENT ASSETS, TOTAL		**348 134 423,65**	630 965 818,95
ASSETS, TOTAL		**908 920 758,59**	951 959 659,02

Stockmann plc
Balance sheet, FAS

EUR	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13-14	**77 556 538,26**	144 097 366,00
Share premium fund			186 346 445,72
Invested unrestricted equity fund		**72 242 609,96**	255 735 789,28
Other funds			43 728 921,17
Retained earnings			-229 781 013,28
Net profit (loss) for the financial year		**76 237 102,28**	-322 570 970,63
EQUITY, TOTAL		**226 036 250,50**	77 556 538,26
ACCUMULATED APPROPRIATIONS	15	**82 475 009,78**	70 344 380,32
PROVISIONS	16	**17 487 554,57**	17 292 677,95
LIABILITIES			
Non-current liabilities	17		
Bonds		**66 149 032,00**	
Trade payables		**19 790 499,18**	
Liabilities to Group companies		**66 674 746,33**	81 699 444,01
Non-current liabilities, total		**152 614 277,51**	81 699 444,01
Current liabilities	18		
Hybrid bond			108 117 103,82
Loans from credit institutions		**381 490 180,00**	488 908 765,08
Advances received		**892 626,94**	853 064,14
Trade payables		**18 332 408,96**	59 910 329,06
Liabilities to Group companies		**1 493 926,81**	963 657,40
Other payables		**11 922 078,00**	10 853 511,04
Accrued expenses and prepaid income	19	**16 176 445,52**	35 460 187,94
Current liabilities, total		**430 307 666,23**	705 066 618,48
LIABILITIES, TOTAL		**582 921 943,74**	786 766 062,49
EQUITY AND LIABILITIES, TOTAL		**908 920 758,59**	951 959 659,02

Stockmann plc
Cash flow statement

EUR	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	**76 237 102,28**	-322 570 970,63
Adjustments for:		
Depreciation and amortisation according to plan	**20 932 572,46**	23 710 882,30
Impairment losses		373 013 068,59
Other non-cash income and expenses	**-99 265 308,09**	1 380 787,95
Financial income and expenses	**-12 638 312,99**	-62 588 179,41
Appropriations	**11 800 629,46**	-5 098 546,17
Taxes	**-2 014 028,19**	
Deferred taxes	**4 108 813,88**	-20 002 166,89
Changes in working capital:		
Increase (-) / decrease (+) of current receivables	**-6 401 002,39**	-9 972 916,67
Increase (-) / decrease (+) of inventories	**-3 854 681,68**	3 622 307,14
Increase (+) / decrease (-) of current non-interest-bearing liabilities	**12 016 301,92**	23 972 853,72
Interest and other financial expenses paid from operating activities	**-16 291 225,65**	-33 356 621,79
Interest received from operating activities	**981 047,54**	231 753,21
Taxes	**2 014 028,19**	
CASH FLOW FROM OPERATING ACTIVITIES	**-12 374 063,26**	-27 657 748,65
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	**-2 663 824,80**	-10 794 697,41
Proceeds from disposal of tangible and intangible assets	**48 182 874,02**	11 681,88
Increase (-)/decrease (+) of loan receivables	**-2 513 397,66**	27 272 737,51
Additions to holdings in Group companies		-22 229 094,99
Realised exchange rate difference on the hedge of a net investment *)		7 074 744,27
Dividends received/return of equity	**2 553 690,00**	3 131 069,25
NET CASH FROM INVESTING ACTIVITIES	**45 559 341,56**	4 466 440,51
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (+)/ repayments of (-) short-term loans	**-48 509 820,00**	3 072 180,30
Proceeds from long-term loans		75 809 954,09
Repayments of long-term loans		-6 000 000,00
Loan conversion costs	**-400 763,56**	
NET CASH FROM FINANCING ACTIVITIES	**-48 910 583,56**	72 882 134,39
Change in cash in hand and at banks, increase (+) / decrease (-)	**-15 725 305,26**	49 690 826,25
Cash in hand and at banks in the beginning of the financial year	**56 151 388,28**	6 460 561,98
Cash in hand and at banks at the end of the financial year	**40 426 083,02**	56 151 388,28

*) Realised foreign exchange rate gains on the hedge of investment in subsidiary.

The proceeds from the sales of the Tallinn real estate property were paid directly to the secured creditors of the restructuring programme. The transaction is presented as proceeds from sale of tangible assets and repayment of current liabilities.

Notes to the parent company financial statements

1. Accounting principles

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

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

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the rates prevailing on the transaction date.
Gains and losses on foreign exchange in financial operations are entered as net amounts under other financial income or other financial expenses.

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

Other operating income
The items stated as other operating income are capital gains on the sale of non-current assets connected with business operations, compensation obtained from the sale of businesses and charges for services rendered to subsidiaries.
The cut of the restructuring debt is presented as other operating income.
Other operating income includes Covid-19 cost support received.

Income taxes
The direct taxes entered in the profit and loss account are the taxes corresponding to net profit for the financial year as well as taxes payable for prior periods or tax refunds. Deferred tax asset has been recognised for the company's confirmed losses, to the extent that it has been considered that sufficient taxable income will be generated in the next accounting periods. Special care has been taken in the consideration.
The profits of Stockmann Plc's Branch in Estonia have been included in the taxable income of the parent office in Finland. The profits of the Branch will become taxable in Estonia when the profits are distributed to the parent office in Finland. The untaxed retained earnings in Estonia including the profit of the reporting period total EUR 86.6 million and the calculated Estonian income tax would be EUR 17.3 million. According to the tax treaty between Estonia and Finland, the income tax which will be paid in Estonia is deductible from the income tax in Finland.

Intangible and tangible assets
Tangible and intangible assets are valued according to the original cost less accumulated depreciation according to plan. The balance sheet values furthermore include revaluations of land areas and buildings. The revaluations have been made during the period from 1950 to 1984 and are based on the estimates of real estate valuers at the time. Revaluations are not depreciated.
Depreciation according to plan is based on the original cost and the estimated useful life of intangible and tangible assets as follows:

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

Investments in non-current assets
Securities included in non-current assets are valued at acquisition cost or, if their fair value is lower, at this lower value. Based on impairment testing on the valuation of Lindex there has not been recognised a reason for impairments. Principles of impairment testing are described as notes to consolidated financial statements.

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

Non-current liabilities
Loans payable are recognised at nominal value. Transaction costs are initially recognised as accruals and amortized over the life of the instrument. Transaction cost and loan interest are recognised in the income statement as financial expenses over the life of the instrument.
Based on the restructuring programme half of the hybrid bond was cut off and half was converted to a new bond.
In accordance with the restructuring programme, the unsecured creditors were entitled to convert their receivables under

the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66 149 032.
Unsecured restructuring debt will be paid during years 2022-2028.
Interest bearing liabilities included in restructuring debt are as total classified as current liability.

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

Provisions
A provision is recognised when the company has a legal or factual obligation as a result of a past event and it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably.
As provision has been recognised conditional debts, which are mainly based on the early termination of the agreements with landlords. Early terminated agreements have raised claims for damages which are considerable.

Derivative instruments
Derivative agreements made to hedge against foreign exchange rate risk are terminated as the company restructuring proceedings began on the 8 April 2020. In year 2020 realised exchange and interest rate differences related to derivative agreements have been recognised on an accrual basis as financial income and expenses.

2. Other operating income

EUR	2021	2020
Cut of the hybrid bond	**55 027 997,12**	
Cut of the restructuring debt	**2 660 303,98**	
Capital gain of the real estates and shares	**40 955 157,09**	241,94
Compensation for services to Group companies	**6 110 601,00**	6 587 041,00
Covid-19 cost support	**1 000 000,00**	500 000,00
Merger profit	**575 096,37**	
Other operating income		13 198,59
Total	**106 329 155,56**	7 100 481,53

3. Wages, salaries and employee benefits expenses

EUR	2021	2020
Salaries and remuneration paid to the CEO	**604 252,00**	528 270,02
Salaries and remuneration paid to the Board of Directors	**433 600,00**	333 300,00
Other wages and salaries	**34 333 525,56**	37 111 797,54
Wages during sick leave	**1 143 365,43**	1 127 128,27
Pension expenses	**6 182 173,39**	5 242 221,16
Other employee benefits expenses	**1 209 433,48**	1 432 725,27
Total	**43 906 349,86**	45 775 442,26
Personnel, average	**1 060**	1 211

Management pension liabilities

CEO Jari Latvanen’s retirement age is determined in accordance with Finnish employment pension legislation. The CEO's pension will accrue on the basis of the Employees’ Pensions Act. A separate voluntary pension is not paid. The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. In 2021 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2021 amounted to EUR 160 912 (EUR 179 600 in 2020).

4. Depreciation, amortisation and impairment losses

EUR	2021	2020
Intangible rights	**6 744 911,43**	9 243 693,79
Buildings and constructions	**8 867 195,76**	9 039 360,09
Machinery and equipment	**3 821 710,00**	4 709 779,45
Modification and renovation expenses for leased premises	**1 498 755,27**	718 048,97
Total	**20 932 572,46**	23 710 882,30

5. Other operating expenses

EUR	2021	2020
Site expenses	**28 773 810,11**	48 177 169,05
ICT expenses	**14 468 081,71**	12 342 348,06
Marketing expenses	**8 120 619,32**	7 068 107,48
Goods handling expenses	**4 437 122,14**	4 845 601,57
Professional services expenses	**3 881 913,23**	6 085 751,44
Staff leasing expenses	**3 456 207,27**	3 210 729,29
Voluntary indirect employee expenses	**839 922,27**	381 796,74
Rental expenses	**733 457,31**	836 176,13
Credit losses	**-86 728,78**	128 413,98
Other expenses	**8 880 580,31**	8 613 930,01
Total	**73 504 984,89**	91 690 023,75

Auditors' fees

EUR	2021	2020
Auditing/EY	**167 000,00**	
TTL 1.1,2 § services/EY	**18 600,00**	
Auditing/KPMG	**132 100,00**	172 974,69
Tax advisory /EY	**16 460,00**	
Tax advisory /KPMG	**16 388,00**	36 572,68
Other services/EY	**96 840,00**	
Other services/KPMG		40 255,00
Total	**447 388,00**	249 802,37

6. Financial income and expenses

EUR	2021	2020
Interest income from Group companies	**22 217 357,10**	40 458 588,94
Dividend from Group companies	**2 551 500,00**	19 625 604,79
Other dividend income	**2 190,00**	1 619 072,29
Interest income from parties outside the Group	**1 006 649,72**	51 754,57
Interest expenses to Group companies	**-65 913,23**	-3 650 677,85
Interest and other financial expenses to parties outside the Group	**-7 249 897,12**	-27 280 984,43
Impairment of loan receivables and investments *)		-373 013 068,59
Foreign exchange gains and losses (net)	**-5 622 446,35**	40 691 206,25
Total	**12 839 440,12**	-301 498 504,03

*) Impairment of Lindex shares and loan receivables

7. Appropriations

EUR	2021	2020
Difference between depreciation according to plan and depreciation in taxation	**-12 130 629,46**	3 618 546,17
Received Group contributions	**330 000,00**	1 480 000,00
Total	**-11 800 629,46**	5 098 546,17

Non-current assets

8. Intangible assets

Intangible rights

EUR	2021	2020
Acquisition cost 1 January	**40 653 424,39**	46 452 471,68
Transfers between items	**1 224 475,54**	4 506 179,35
Decreases	**-3 750 207,58**	-10 305 226,64
Acquisition cost 31 December	**38 127 692,35**	40 653 424,39
Accumulated amortisation 1 January	**25 574 609,45**	26 453 853,25
Accumulated amortisation on decreases	**-3 750 207,58**	-10 122 937,59
Amortisation for the financial year	**6 744 911,43**	9 243 693,79
Accumulated amortisation 31 December	**28 569 313,30**	25 574 609,45
Book value 31 December	**9 558 379,05**	15 078 814,94

Other intangible assets

EUR	2021	2020
Acquisition cost 1 January	**705 768,85**	705 768,85
Acquisition cost 31 December	**705 768,85**	705 768,85
Accumulated amortisation 1 January	**493 731,01**	423 154,21
Amortisation for the financial year	**70 576,93**	70 576,80
Accumulated amortisation 31 December	**564 307,94**	493 731,01
Book value 31 December	**141 460,91**	212 037,84

Advance payments and construction in progress

EUR	2021	2020
Acquisition cost 1 January	**1 567 190,38**	2 553 117,35
Increases	**1 553 388,69**	3 520 252,38
Transfers between items	**-1 224 475,54**	-4 506 179,35
Acquisition cost 31 December	**1 896 103,53**	1 567 190,38
Book value 31 December	**1 896 103,53**	1 567 190,38

Intangible assets, total	**11 595 943,49**	16 858 043,16

9. Tangible assets

Land and water

EUR	2021	2020
Acquisition cost 1 January	**6 334 259,12**	6 334 259,12
Decreases	**-3 018 151,11**	
Acquisition cost 31 December	**3 316 108,01**	6 334 259,12
Revaluations 1 January and 31 December	**5 898 350,58**	5 898 350,58
Book value 31 December	**9 214 458,59**	12 232 609,70

Buildings and constructions

EUR	2021	2020
Acquisition cost 1 January	**336 804 294,86**	337 854 442,74
Increases		14 992,28
Transfers between items	**387 035,99**	878 013,51
Decreases	**-14 622 426,03**	-1 943 153,67
Acquisition cost 31 December	**322 568 904,82**	336 804 294,86
Accumulated depreciation 1 January	**122 486 120,22**	115 389 913,80
Accumulated depreciation on decreases	**-10 732 202,00**	-1 943 153,67
Depreciation for the financial year	**8 867 195,76**	9 039 360,09
Accumulated depreciation 31 December	**120 621 113,98**	122 486 120,22
Revaluations 1 January	**24 848 830,34**	24 848 830,34
Revaluations 31 December	**24 848 830,34**	24 848 830,34
Book value 31 December	**226 796 621,18**	239 167 004,98

Machinery and equipment

EUR	2021	2020
Acquisition cost 1 January	**40 298 291,50**	41 683 101,06
Increases	**22 686,00**	148 698,74
Transfers between items	**3 127 264,40**	1 593 554,45
Decreases	**-6 908 427,29**	-3 127 062,75
Acquisition cost 31 December	**36 539 814,61**	40 298 291,50
Accumulated depreciation 1 January	**17 313 405,71**	15 720 552,73
Accumulated depreciation on decreases	**-6 589 085,50**	-3 116 926,47
Depreciation for the financial year	**3 821 710,00**	4 709 779,45
Accumulated depreciation 31 December	**14 546 030,21**	17 313 405,71
Book value 31 December	**21 993 784,40**	22 984 885,79

Modification and renovation expenses for leased premises

EUR	2021	2020
Acquisition cost 1 January	**6 185 021,93**	6 235 325,22
Transfers between items	**2 009 245,39**	5 030,00
Decreases	**-955 001,02**	-55 333,29
Acquisition cost 31 December	**7 239 266,30**	6 185 021,93
Accumulated depreciation 1 January	**3 163 416,72**	2 571 277,84
Accumulated depreciation on decreases	**-955 001,02**	-55 333,29
Depreciation for the financial year	**1 428 178,34**	647 472,17
Accumulated depreciation 31 December	**3 636 594,04**	3 163 416,72
Book value 31 December	**3 602 672,26**	3 021 605,21

Other tangible assets

EUR	2021	2020
Acquisition cost 1 January	**54 601,65**	54 601,65
Acquisition cost 31 December	**54 601,65**	54 601,65
Book value 31 December	**54 601,65**	54 601,65

Advance payments and construction in progress

EUR	2021	2020
Acquisition cost 1 January	**5 263 215,54**	988 861,16
Increases	**398 486,13**	6 750 952,34
Transfers between items	**-5 523 545,78**	-2 476 597,96
Acquisition cost 31 December	**138 155,89**	5 263 215,54
Book value 31 December	**138 155,89**	5 263 215,54

Tangible assets, total	**261 800 293,97**	282 723 922,87

Revaluations included in balance sheet values

EUR	2021	2020
Land and water	**5 898 350,58**	5 898 350,58
Buildings	**24 848 830,34**	24 848 830,34
Total	**30 747 180,92**	30 747 180,92

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

10. Investments

Investments in Group companies

EUR	2021	2020
Acquisition cost 1 January	**20 663 112,18**	292 533 477,95
Increases *)	**280 000 000,00**	22 229 094,99
Impairments **)	**-14 021 776,56**	-294 099 460,76
Book value 31 December	**286 641 335,62**	20 663 112,18

*) 2021 ja 2020: Increase in Lindex equity

**) 2021: Suomen Pääomarahoitus Oy ja Hullut Päivät Oy merged into parent company

**) 2020: Stockmann Security Services Oy- return of unrestricted equity, impairment of Lindex business operations

Other shares and participations

EUR	2021	2020
Acquisition cost 1 January	**748 761,86**	760 443,74
Decreases		-11 681,88
Book value 31 December	**748 761,86**	748 761,86

Investments, total	**287 390 097,48**	21 411 874,04

11. Current receivables

Trade receivables

EUR	2021	2020
Interest-bearing trade receivables	**33 176,63**	8 952,18
Non-interest-bearing trade receivables	**1 560 051,12**	1 691 505,97
Total	**1 593 227,75**	1 700 458,15

Receivables from Group companies

EUR	2021	2020
Group contribution receivables	**1 710 000,00**	1 480 000,00
Trade receivables	**4 584 789,93**	4 811 599,07
Prepayments and accrued income	**30 736,00**	
Other current receivables		272 000,00
Total	**6 325 525,93**	6 563 599,07

Other receivables

EUR	2021	2020
Other receivables	**453 199,05**	300 077,12
Total	**453 199,05**	300 077,12

Prepayments and accrued income

EUR	2021	2020
Derivative receivables		8 938 901,12
Prepayments of interests		3721703,62
Receivables from suppliers	**4 671 338,29**	140 650,89
Periodised ICT expenses	**2 665 366,98**	1 622 814,46
Receivable from credit card co-operation	**1 957 522,24**	2 189 668,61
Periodised restructuring expenses	**1 894 458,50**	
Receivable from trademark co-operation	**750 000,00**	1 000 000,00
Periodised rental and leasing expenses	**725 971,55**	50 659,17
Periodised indirect employee expenses	**233 166,00**	84 251,00
Taxes and customs duties receivable	**180 350,00**	200 000,00
Periodised loan arrangement expenses	**175 595,49**	757 796,24
Other prepayments and accrued income	**224 289,38**	541 212,99
Total	**13 478 058,43**	19 247 658,10

12. Cash in hand and at banks

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

13. Changes in equity

On 7 April 2021 the Annual General Meeting approved the proposal by the Board of Directors to combine the A and B share classes without increasing the share capital so that following the combination, the company will have 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. In accordance with the AGM resolution, the company's A and B share series were combined as of 12 April 2021 so that each one (1) A share was entitled to receive 1.1 B shares.

The 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.

On 18 May 2021, the Board of Directors resolved, pursuant to the authorisation granted by the General Meeting, on a share issue of at most 100 000 000 new shares of the company, carried out in deviation from the shareholders' pre-emptive subscription rights. 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 the company's shares. A total of 79 335 175 conversion shares were subscribed for in
the share issue, and the total number of Stockmann shares increased to a total of 154 436 944 shares. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares.

Share capital

EUR	2021	2020
Series A shares 1 January	**61 061 736,00**	61 061 736,00
Change to B-shares	**-61 061 736,00**	
Series A shares 31 December		61 061 736,00
Series B shares 1 January	**83 035 630,00**	83 035 630,00
Change from A-shares	**61 061 736,00**	
Reduce of the share capital	**-66 540 827,74**	
Series B shares 31 December	**77 556 538,26**	83 035 630,00
Share capital, total	**77 556 538,26**	144 097 366,00
Share premium fund 1 January	**186 346 445,72**	186 346 445,72
Used to cover losses	**-186 346 445,72**	
Share premium fund 31 December		186 346 445,72
Reserve for invested unrestricted equity 1 January	**255 735 789,28**	255 735 789,28
Used to cover losses	**-255 735 789,28**	
Share conversion from restructuring debt	**72 242 609,96**	
Reserve for invested unrestricted equity 31 December	**72 242 609,96**	255 735 789,28
Other funds 1 January	**43 728 921,17**	43 728 921,17
Used to cover losses	**-43 728 921,17**	
Other funds 31 December		43 728 921,17
Retained earnings 1 January	**-552 351 983,91**	-229 781 013,28
Used to cover losses	**485 811 156,17**	
Reduce of the share capital	**66 540 827,74**	
Retained earnings 31 December		-229 781 013,28
Net profit (loss) for the financial year	**76 237 102,28**	-322 570 970,63
Equity, total	**226 036 250,50**	77 556 538,26

Breakdown of distributable funds 31 December

EUR	2021	2020
Funds	**72 242 609,96**	299 464 710,45
Retained earnings		-229 781 013,28
Net profit (loss) for the financial year	**76 237 102,28**	-322 570 970,63
Covid-19 cost support	**-1 000 000,00**	-500 000,00
Total	**147 479 712,24**	-253 387 273,46

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

14. Parent company's shares

	shares	shares
Series A shares (10 votes each)		30 530 868
Series B shares (1 vote each)	**154 436 944**	41 517 815
Total	**154 436 944**	72 048 683

15. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

16. Provisions

Other provisions

EUR	2021	2020
Business restructuring cost	**15 000,00**	263 677,95
Provision on the claims on rental agreements	**17 472 554,57**	17 029 000,00
as part of company restructuring debt	**17 472 554,57**	17 029 000,00
Total	**17 487 554,57**	17 292 677,95

Under the restructuring programme, Stockmann also has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later. The Company's landlords and subtenants have presented claims for damages in relation to the termination of lease agreements. The amount of the proposed claims for damages are considerable. If the claims materialise to their maximum amount, the amount of the Company's unsecured debts on claims will increase up to total EUR 102 mill.

17. Non-current liabilities

EUR	2021	2020
Bonds	**66 149 032,00**	
Trade payables	**19 790 499,18**	
part of company restructuring debt	**19 790 499,18**	
Liabilities to Group companies	**66 674 746,33**	81 699 444,01
part of company restructuring debt	**63 900 534,46**	81 699 444,01
Non-current liabilities, total	**152 614 277,51**	81 699 444,01

Liabilities are presented according to the payment programme in the confirmed restructuring programme. In the 2020 annual report hybrid bond and loans from credit institutions were recognised as current liabilities.

18. Current liabilities

EUR	2021	2020
Interest-bearing liabilities	**381 490 180,00**	488 908 765,08
part of company restructuring debt	**381 490 180,00**	488 908 765,11
Non-interest-bearing liabilities	**48 817 486,23**	216 157 853,40
part of company restructuring debt	**2 030 751,95**	166 334 489,57
Current liabilities, total	**430 307 666,23**	705 066 618,48

Restructuring debt

EUR	2021	2020
Non-Current non-interest-bearing restructuring debt		
Unsecured	**19 790 499,18**	
Non-Current non-interest-bearing restructuring debt total	**19 790 499,18**	
Current interest-bearing restructuring debt		
Secured	**381 490 180,00**	435 396 697,51
Unsecured		53 512 067,60
Current interest-bearing restructuring debt total	**381 490 180,00**	**488 908 765,11**
Current non-interest-bearing restructuring debt		
Secured		7 125 683,61
Unsecured	**2 030 751,95**	51 091 702,14
Hybrid Bond		108 117 103,83
Current non-interest-bearing restructuring debt total	**2 030 751,95**	**166 334 489,58**
Restructuring debt related to provisions	**17 472 554,01**	17 029 000,00
Restructuring debt to group companies		
Trade payable to group companies	**17 398,07**	16 017,80
Liabilities to group companies	**63 883 136,39**	81 683 426,22
Restructuring debt to group companies total	**63 900 534,46**	**81 699 444,02**
Restructuring debt total	**484 684 519,60**	**753 971 698,71**

Liabilities to Group companies

EUR	2021	2020
Trade payables	**1 199 961,74**	963 657,39
Accrued liabilities	**293 965,07**	
Total	**1 493 926,81**	963 657,39

19. Accruals and prepaid income, current

EUR	2021	2020
Accrued personnel expenses	**9 678 716,49**	10 263 410,86
Periodised purchases of stock items	**3 500 565,35**	845 668,75
Reserve for returns and accrued income	**1 324 223,00**	952 500,00
Accrued professional expenses	**862 110,52**	287 737,02
Accrued site expenses	**254 032,46**	1 634 435,10
Accrued interest and other financial expenses	**188 561,41**	21 168 061,58
Other accrued expenses and prepaid income	**368 236,32**	308 374,63
Total	**16 176 445,55**	35 460 187,94

20. Contingent liabilities

Mortgages given as collateral for liabilities and commitments

EUR	2021	2020
Loans from credit institutions	**381 490 180,00**	442 522 381,12
Mortgages given	**1 501 681 800,00**	1 671 681 800,00
Book value of the assets	**236 126 657,55**	251 515 192,46
Guarantees		30 000,00
Security pledged on behalf of the company, total	**1 501 681 800,00**	1 671 711 800,00

Security pledged on behalf of Group companies

EUR	2021	2020
Rent guarantees	**2 974 679,09**	4 380 796,74
Other guarantees	**7 927 764,39**	28 196 692,71
Total	**10 902 443,48**	32 577 489,45

Security pledged, total

EUR	2021	2020
Mortgages	**1 501 681 800,00**	1 671 681 800,00
Guarantees	**10 902 443,48**	32 607 489,45
Total	**1 512 584 243,48**	1 704 289 289,45

21. Liability engagements and other commitments

EUR	2021	2020
Rental commitments	**73 588 689,82**	110 110 012,00
Electricity commitments	**301 825,80**	693 646,00
Leasing commitments	**541 038,50**	898 726,04
Total	**74 431 554,12**	111 702 384,04

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2012-2021, if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2031, and the maximum liability is 2 462 663 EUR. In 2020 the maximum liability was EUR 2 911 280.

Pension liabilities

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

22. Shares and participations

Group companies

Parent company holdings	Shareholding %	Voting rights %
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
SIA Stockmann Centrs, Riga	63	63
Stockmann Security Services Oy Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100
Merged into parent company:		
Oy Suomen Pääomarahoitus - Finlands Kapitalfinans Ab, Helsinki		
Oy Hullut Päivät-Galna Dagar Ab, Helsinki		

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

Joint operations	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37,8
SIA Stockmann Centrs, Riga	63

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

Other companies

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

23. Events after the reporting period

The sales of the department store property in Riga was recognised in January 2022 because the closing of the sales of the SIA Stockmann Centrs shares could not be made until in 10 January 2022. The proceeds from the sales EUR 38.7 million were used to amortise Stockmann Plc’s secured restructuring debt.

During the reporting period previously conditional or disputed receivables subject to the payment programme of the restructuring programme were clarified for three creditors and the final amounts of such receivables were confirmed. In January 2022, pursuant to the restructuring programme, Stockmann Plc issued 28 139 new shares and the creditors converted 20 per cent of their receivables to the Company’s shares at subscription price of EUR 0.9106 per share. As a result of the share issue, the total number of shares in the Company increased to a total of 154 465 083 shares. Also, the Company received subscription forms from the creditors for subsequent bonds to the amount of EUR 94 333, by which amount their receivables were converted to the bonds.

Board proposal for disposal of net result of the financial year

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

The Board of Directors proposes that the net result of the financial year 2021 will be carried further in the retained earnings.

Helsinki, 24 February 2022

Signatures of the Board of Directors and the CEO to the Board report on operations and the financial statements:

BOARD OF DIRECTORS

Roland Neuwald

Stefan Björkman

Anne Kuittinen

Esa Lager

Leena Niemistö

Tracy Stone

Harriet Williams

CEO

Jari Latvanen

The Auditor’s Note

A report on the audit performed has been issued today.

Helsinki, 24 February 2022

Ernst & Young Oy
Authorised Public Accountant Firm

Terhi Mäkinen
Authorised Public Accountant

AUDITOR’S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Stockmann plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stockmann plc (business identity code 0114162-2) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Material Uncertainty Related to Going Concern

We want to draw attention to the notes “1.4 Transactions resulting from the corporate restructuring programme” and “1.6 Going concern” in the financial statements, in which uncertainties relating to future operation and financing are described. These matters indicate that a material uncertainty exists that may cast significant doubt on the company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have identified the matters described below as being key audit matters to be communicated in our audit report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill and trademark *We refer to the Group's accounting policies and the note 3.2* At the balance sheet date 31 December 2021, the value of goodwill amounted to EUR 271,5 million and the trademark to EUR 88,7 million representing 25 % of total assets and 134 % of total equity. The goodwill and trademark are related to the Lindex acquisition. The valuation of goodwill and trademark was a key audit matter as: • the management's annual impairment test is complex and involves judgments; • the annual impairment test is based on market and economical assumptions; • the goodwill and the trademark balances are significant. The cash flows of the cash generating units are based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the revenue growth, operating profit and discount rate used. Changes in these assumptions can lead to an impairment in goodwill or trademark.	Our audit procedures included, among others, • involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue, operating profit and the weighted average cost of capital used in discounting the cash flows; • assessing the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount; • comparing the historical forecasting of the group with actual outcome and comparing forecasts to the latest estimates approved by the board; • checking the mathematical accuracy of the underlying calculations and benchmarking the value in use of Lindex with peer company information; • comparing the groups' disclosures related to impairment tests in note 3.2 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.

Revenue Recognition *We refer to the Group's accounting policies and the note 2.2* Revenue is generated from sales of products and services in retail stores and in online platforms as well as from sales to franchise stores. Revenue is recognized upon delivery of the goods or when the service has been performed. The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of goods or services has transferred to the customer. Revenue recognition was a key audit matter due to the high volume of transactions, different kind of delivery methods and the management judgement involved in accounting for right of return and loyalty bonus. Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding revenue recognition our audit procedures included among others: • assessing the Group's accounting policies over revenue recognition, including principles relating to right of return accounting and loyalty bonuses in relation to applicable accounting standards; • testing sales transactions by comparing them to payments received; • testing revenue, product returns and margins with data analytics; • reviewing the sales processes in retail stores; • analyzing the timing of revenue recognition of online sales based on delivery lead times; and • assessing the Group's disclosures in respect of revenues.
Valuation of inventories *We refer to the Group's accounting policies and the note 2.4.* At the balance sheet date 31 December 2021, the value of inventory amounted to EUR 154,8 million representing 11 % of total assets and 58 % of total equity. In accordance with the accounting policies the inventories are valued at the lower of cost or net realizable value. Inventories are presented net of impairment loss recognized for obsolete and slow-moving inventories. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the financial statements and because valuation of inventories and the level of allowance for obsolete and slow-moving inventories requires management judgment.	Our audit procedures included, among others: • assessing the Group's accounting policies regarding inventories with applicable accounting standards; • comparing unit prices of selected inventory items to latest purchase invoices and to sales prices; • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock and to the expected sales and net realizable value; • analyzing exceptional values in inventory accounting with data analytics and • assessing the Group's disclosures in respect of inventory.

Impact of the corporate restructuring process on the financial statements	
We refer to the Group's accounting policies and the notes 1.3, 1.4 and 3.5 By a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's corporate restructuring programme. As part of the corporate restructuring programme: • Stockmann's A and B share series to be combined • half of the hybrid bond to be cut and the remaining half to be converted into the company's shares or cut • to reduce share capital with EUR 66,5 million to cover losses • unsecured debt; 20 % of the unsecured restructuring debt will be cut while reserving the creditors the opportunity to convert this 20 % of the unsecured restructuring debt into the company's B Share and repayment schedule described in the corporate restructuring programme will be applicable to the remaining 80 % • the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga. As to the sale of the department store properties and their sale-and lease back, Tallin has occurred in 2021 and Riga after financial statement as of 31.12.2021. The sale of the Helsinki department store property has not taken place at the time of issuing the auditor's report. Effects of corporate restructuring programme are considered as a key audit matter because the corporate restructuring programme has had a significant impact on the parent financial statements as well as on the group consolidated financial statements, and the sale- and lease back accounting treatment requires management judgement.	Our audit procedures included, among others: • read the corporate restructuring programme; • examined the transaction within equity and compared those to the decisions done at the annual general meeting and share issue resolutions as well as with the requirements in the corporate restructuring programme; • comparing the presentation of the unsecured and secured debt with the requirements in the corporate restructuring programme and issued debts; • assessing the accounting principles adopted by the group related to the sale- and lese back transaction of the real estate properties; • assessing the information presented in the financial statements including the subsequent events.

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

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

applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 7.4.2021.

Other information

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

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

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

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

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

Helsinki 24.2.2022

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant