

A man is shown from the chest down, wearing a grey checkered suit jacket and matching trousers over an orange t-shirt. He is in a dynamic, slightly crouched pose. The background is a plain, light-colored wall.

FINANCIAL REVIEW

2020

STOCKMANN



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REPORT BY THE BOARD OF DIRECTORS

The Stockmann Group's consolidated revenue was EUR 790.7 million (960.4), down 16.9% in comparable currency rates. Gross margin was 56.1% (56.3). Operating result was EUR -252.4 million (24.1). The adjusted operating result was EUR 4.9 million (39.8). Earnings per share were EUR -4.05 (-0.72). Adjusted earnings per share were EUR -0.48 (-0.63). Stockmann plc filed for corporate restructuring on 6 April 2020 (Stock Exchange Release 6 April 2020). The Board of Directors will propose that no dividend will be paid for the financial year 2020.

STRATEGY

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

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

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

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

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

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

CORPORATE RESTRUCTURING PROCEEDINGS

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

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

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

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

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

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

The District Court approved the programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group.

COVID-19

The COVID-19 pandemic, which broke out in Europe after the first week of March, caused significant changes in Stockmann Group's operating environment and customer volumes decreased suddenly. The negative effects of the pandemic on the market environment persisted in the second quarter. The national restrictions were partially lifted in May, which was reflected as a positive development in customer flows at the Stockmann department stores and Lindex stores. During the third quarter,

Stockmann's business operations normalised gradually. Visitor trends in the brick-and-mortar stores started to recover towards a normal level until the changes resulting from the COVID-19 pandemic affected the business at the end of the period.

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

Other operating income for the whole year was EUR 9.7 million. It consists of public funding related to the COVID-19 situation, which has been received mainly by Lindex, in various countries from government authorities or other corresponding public bodies. Other operating income for the whole year was EUR 9.7 million.

OPERATING ENVIRONMENT

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

In Sweden, fashion sales were down in January–December, at -19.5% (-1.8, source: Swedish Trade Federation, Stilindex).

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

REVENUE AND EARNINGS

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

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

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

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

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

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

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

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

ITEMS AFFECTING COMPARABILITY

EUR million	1–12/2020	1–12/2019
Operating result (EBIT)	-252.4	24.1
<i>Adjustments to EBIT</i>		
Lindex goodwill impairment	250.0	
Restructuring and transformation measures	7.3	15.2
Gain on sale of properties		0.4
Adjustments total	257.3	15.6
Adjusted operating result (EBIT)	4.9	39.8

FINANCING AND CAPITAL EMPLOYED

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

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

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

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

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

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

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

CAPITAL EXPENDITURE

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

REVENUE AND EARNINGS BY DIVISION

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

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

LINDEX

	1–12/2020	1–12/2019
Revenue, EUR mill.	507.1	575.8
Gross margin, %	63.0	62.7
Operating result, EUR mill.	38.6	38.2
Adjusted operating result, EUR mill.	39.4	40.9
Capital expenditure, EUR mill.	8.6	20.3

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

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

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

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

Store network

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

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	1–12/2020	1–12/2019
Revenue, EUR mill.	283.6	384.7
Gross margin, %	43.9	46.8
Operating result, EUR mill.	-30.8	0.3
Adjusted operating result, EUR mill.	-30.8	2.9
Capital expenditure, EUR mill.	10.8	13.5

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

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

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

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

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

Properties

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

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

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

SHARES AND SHARE CAPITAL

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

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

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

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

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

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

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

DISCLOSURE OF NON-FINANCIAL INFORMATION

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

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

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

Stockmann communicates openly about its responsibility work and reports annually on its CSR focus areas, objectives and developments in the Group's CSR Review, prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The CSR Review will be published in the week starting 15 March 2021 at year2020.stockmanngroup.com. Lindex will report on its sustainability in a separate report that will be available at lindex.com.

Key commitments, codes of conduct and policies

Stockmann's operations comply with international and national laws and regulations valid at any time in the countries in which it operates. The Group's operations are also guided by international treaties and recommendations, such as the UN's Universal Declaration of Human Rights and Convention on the Rights of the Child, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. In addition, Stockmann is committed to the UN's Global Compact initiative, and in accordance with this promotes human rights, labour rights, environmental protection and anticorruption measures.

The Stockmann Group's Code of Conduct (CoC) and other Group policies define ways of working for all personnel. The Group's Code of Conduct and related clarifications have been included in the Group's Collaboration Agreements, and Stockmann requires all of its suppliers and partners to commit to and comply with the Code of Conduct, or show their commitment to other equivalent policies. As part of responsibility management, the principles are communicated to both internal and external stakeholders. The Code of Conduct covers compliance with legislation and ethical operations, free competition and consumer rights, employees and working conditions, environment, and corruption and conflicts of interest. At the end of 2020, 76% (70) of Stockmann's personnel in Finland and 81% (71) in Latvia had completed the Code of Conduct training. In Estonia instead of an online training the principles were implemented through information meetings, updating local guidelines accordingly and onboarding each new employee to the principles. Of the members in the Stockmann support function and department store management teams, 83% (75) had completed the training. The long-term target is for 100% of the Group's personnel to have completed the training.

Respecting human rights

Stockmann respects and promotes all human rights in accordance with its Code of Conduct and human rights policy. Stockmann is committed to ensuring that fundamental rights are respected and that people are treated with dignity and respect. We carry out further human rights due diligence as required in the UNs Guiding Principles on Business and Human Rights, in order to identify, prevent and mitigate adverse human rights impacts resulting from or caused by our business activities.

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

Product safety and responsible supply chain

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

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

As part of responsible supply chain management, Stockmann's own brand suppliers and producers are required to comply with Stockmann's supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct. All suppliers producing Stockmann's own brand products have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or other similar commitment. The Group has purchase offices with local personnel in six main

production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to third party sustainability audits. The long-term target is for 100% of own brand producers in risk countries to have undergone an amfori BSCI audit or similar audit.

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

Anti-corruption and anti-bribery

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

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

Customers

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

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

Personnel

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

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

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

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

Environment

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

All Stockmann's operations in Finland are certified with the ISO 14001 environmental management system. The same operating methods have been adopted in the department stores in the Baltic countries. Stockmann's waste recycling rate in the Finnish department stores was 77% (73).

In 2020, the Group's comparable GHG emissions decreased by 15% (12), amounting to 33,600 tCO₂e (39,700). The highest share of emissions, around 70%, came from the generation of purchased energy, especially electricity.

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

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

CSR risks and risk management

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

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

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

RISK FACTORS

Stockmann is exposed to risks that arise from the operating environment, risks related to the company's own operations and financial risks. The general economic situation and the COVID-19 pandemic affect consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, growth of remote working and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk arising from the operating environment that could affect Stockmann from 2021 onwards.

The uncertainty in the operating environment may continue to affect the operations of Stockmann's tenants and may consequently have a negative impact on rental income.

Stockmann's business is affected by normal seasonal fluctuations within a year. The first quarter is typically low in revenue and the fourth quarter is typically higher in revenue. Fashion accounts for approximately 80% of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. These factors may have an impact on the Group's revenue and gross margin. In the retail sector, the products' value chain from raw material to customers often contains many stages and involves risks related to the fulfilment of human rights, good working conditions, and environmental and other requirements set out in Stockmann's Code of Conduct and other policies. Responsible

management of the supply chain and sustainable use of natural resources are important for the Group's brands in order to retain customer confidence in Stockmann.

Risks related to production and supply may arise from unusual situations such as an escalation in the COVID-19 pandemic or a new epidemic leading to governmental restrictions, strikes, political uncertainties or conflicts which may stop or cause delays in production or supply of merchandise, which in turn may affect business negatively.

The Group's operations are based on flexible logistics and the efficient flow of goods and information. Delays and disturbances in logistic and information systems, as well as uncertainties related to logistics partners, can have an adverse effect on operations. Every effort is made to manage these operational risks by developing appropriate back-up systems and alternative ways of operating, and by seeking to minimise disturbances to information systems.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, which is the euro, and the Swedish krona, the Norwegian krone and the US dollar and certain other currencies. Currency fluctuations may have an effect on the Group's business operations. The group is not hedging the foreign exchange risks currently due to the corporate restructuring. Interest rate fluctuations may also have an impact on goodwill.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

BUSINESS CONTINUITY AND FINANCING SITUATION

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

The District Court approved the programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The proceeds from the sale and lease-back of properties will mostly be used for repayment of the secured restructuring debt latest by 31.12.2022.

Efforts have been made to build some flexibility into the restructuring programme by converting some of the unsecured debts into the Company's series B shares or cut. Half of the hybrid bond will be converted to equity and the other half will be cut. 20 % of the other restructuring debt will be converted to equity or cut.

A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments will begin April 2022. An unsecured creditor is entitled to exchange the payment described in the repayment schedule for Secured Bond issued by the Company with a bullet principal repayment in five

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

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

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

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

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

GUIDANCE FOR 2021

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

OUTLOOK FOR 2021

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

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

CORPORATE GOVERNANCE STATEMENT

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

Helsinki, 4 March 2021

STOCKMANN plc
Board of Directors

Key figures

		2020	2019**)	2018	2017	2016
Revenue *)	EUR mill.	790,7	960,4	1 018,8	1 055,9	1 175,7
Gross profit *)	EUR mill.	443,7	540,9	580,1	588,8	655,4
Gross margin *)	%	56,1	56,3	56,9	55,8	55,7
EBITDA *)	EUR mill.	127,5	153,0	76,0	67,6	85,6
Adjustments to EBITDA *)	EUR mill.	-7,3	-15,6	-8,4	-5,6	-2,6
Adjusted EBITDA *)	EUR mill.	134,8	168,6	84,3	73,2	88,2
Operating result *)	EUR mill.	-252,4	24,1	-5,0	-148,4	28,3
Share of revenue *)	%	-31,9	2,5	-0,5	-14,1	2,4
Adjustments to operating result *)	EUR mill.	-257,3	-15,6	-33,4	-160,6	-2,6
Adjusted operating result *)	EUR mill.	4,9	39,8	28,4	12,3	30,9
Result for the period	EUR mill.	-291,6	-45,6	-45,2	-209,4	-3,2
Share capital	EUR mill.	144,1	144,1	144,1	144,1	144,1
A share	EUR mill.	61,1	61,1	61,1	61,1	61,1
B share	EUR mill.	83,0	83,0	83,0	83,0	83,0
Return on equity	%	-86,0	-6,9	-5,2	-21,3	-0,3
Return on capital employed	%	-20,1	1,8	-0,4	-9,1	1,8
Capital employed	EUR mill.	1 240,1	1 421,6	1 540,1	1 745,4	1 836,1
Capital turnover rate		0,6	0,7	0,7	0,7	0,6
Inventories turnover rate		2,6	2,9	3,1	3,4	3,4
Equity ratio	%	14,6	27,8	46,2	43,0	48,3
Net gearing	%	336,1	191,7	64,5	83,8	68,3
Capital expenditure	EUR mill.	19,4	33,8	29,3	34,7	44,2
Share of revenue *)	%	2,5	3,5	2,9	3,3	3,8
Interest-bearing net debt	EUR mill.	702,5	900,2	543,3	739,4	736,4
Net debt / EBITDA	EUR mill.	5,5	5,9	7,2	10,9	8,6
Total assets	EUR mill.	1 428,1	1 690,3	1 827,9	2 061,4	2 241,2
Staff expenses *)	EUR mill.	181,9	211,1	222,0	236,2	270,4
Personnel, average *)	persons	5 991	7 002	7 241	7 360	8 164
Average number of employees, converted to full-time equivalents *)	persons	3 973	4 891	5 299	5 426	5 960
Revenue per person *)	EUR thousands	132,0	137,2	140,7	143,5	144,0

*) continuing operations

***) Key figures 2019 are adjusted for comparison purposes

Stockmann has changed from its previous revaluation model to a cost model for its property, plant and equipment for the financial year 2020. The change in accounting method is applied retrospectively in the opening balance for the comparative period as of 1 January 2019 according to the IAS 8 standard. The revaluation surplus included in equity is derecognized and the opening balance of land and water, buildings and constructions, retained earnings and deferred tax liabilities are adjusted in the previously reported 2019 financials.

As a result of the reporting method change, the accounting value of Stockmann Group's real estate properties decreased from EUR 681.0 million to EUR 262.5 million as at 1 January 2019 and from EUR 667.6 million to EUR 254.9 million as at 31 December 2019. The amount of equity decreased from EUR 843.7 million to EUR 507.9 million as at 1 January 2019 and from EUR 800.9 million to 469.6 million as at 31 December 2019.

The main impact in consolidated income statement relate to decrease of previously reported depreciations and deferred income taxes. Thus the change decreases previously reported 2019 depreciations by approximately EUR 11 million.

The change has affected certain key figures and their comparability. Note 5.7 contains a more detailed description of the change in accounting policy and its effects on the 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, comparison year 2016 has been restated. Department store operations in Russia were reported as discontinued operations for financial year ended 31 December 2016.

Key figures per share

		2020	2019**)	2018	2017	2016
Earnings per share, continuing operations	EUR	-4,05	-0,72	-0,68	-2,82	-0,18
Earnings per share, discontinued operations	EUR			-0,02	-0,16	0,06
Earnings per share (undiluted and diluted)	EUR	-4,05	-0,72	-0,70	-2,98	-0,12
Cash flow from operating activities per share	EUR	2,05	1,42	1,15	0,26	0,58
Equity per share	EUR	2,90	6,52	11,71	12,29	14,99
Dividend per share *)	EUR					
Dividend per earnings *)	%					
P/E ratio of shares						
A share		-0,3	-3,1	-2,9	-1,5	-60,4
B share		-0,3	-2,9	-2,7	-1,5	-60,2
Share quotation at 31.12.	EUR					
A share		1,27	2,26	2,00	4,60	7,09
B share		1,16	2,06	1,92	4,35	7,06
Highest price during the period	EUR					
A share		3,59	3,16	5,64	8,20	7,55
B share		3,22	2,74	5,13	8,00	7,31
Lowest price during the period	EUR					
A share		0,88	1,90	1,84	4,22	5,26
B share		0,65	1,78	1,65	4,05	5,06
Average price during the period	EUR					
A share		1,87	2,41	2,53	5,29	5,97
B share		1,45	2,12	3,31	6,19	6,33
Share turnover	thousands					
A share		2 102	1 281	3 875	1 996	2 791
B share		30 258	13 127	13 952	13 664	12 231
Share turnover	%					
A share		6,9	4,2	12,7	6,5	9,1
B share		72,9	31,6	33,6	32,9	29,5
Market capitalisation at 31.12.	EUR mill.	86,9	154,5	140,8	321,0	509,6
Number of shares at 31.12.	thousands	72 049	72 049	72 049	72 049	72 049
A share		30 531	30 531	30 531	30 531	30 531
B share		41 518	41 518	41 518	41 518	41 518
Weighted average number of shares	thousands	72 049	72 049	72 049	72 049	72 049
A share		30 531	30 531	30 531	30 531	30 533
B share		41 518	41 518	41 518	41 518	41 515
Weighted average number of shares, diluted		72 049	72 049	72 049	72 049	72 049
Total number of shareholders at 31.12.		43 656	43 394	44 396	46 672	49 813

*) According to the balance sheet on 31 December 2020, the company has no distributable funds

**) Key figures per share 2019 are adjusted for comparison purposes

The adjustments have affected certain key figures per share and their comparability. Note 5.7 contains a more detailed description of the change in accounting policy and its effects on the key figures

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.

EUR mill.	2020	2019	2018	2017	2016
Adjusted EBITDA	134,8	168,6	84,3	73,2	88,2
Adjustments to EBITDA					
Restructuring arrangements	-7,3	-15,2	-3,3	-9,6	-2,6
Fair value gains and losses on investment properties				4,0	
Gain on sale of properties		-0,4	6,8		
Value adjustment to assets held for sale			-11,9		
Adjustments total	-7,3	-15,6	-8,4	-5,6	-2,6
EBITDA	127,5	153,0	76,0	67,5	85,6
Adjusted operating result (EBIT)	4,9	39,8	28,4	12,3	30,9
Adjustments to EBIT					
Goodwill impairment	-250,0		-25,0	-150,0	
Restructuring arrangements	-7,3	-15,2	-3,3	-14,6	-2,6
Fair value gains and losses on investment properties				4,0	
Gain on sale of properties	0,0	-0,4	6,8		
Value adjustment to assets held for sale	0,0	0,0	-11,9		
Adjustments total	-257,3	-15,6	-33,4	-160,6	-2,6
Operating result (EBIT)	-252,4	24,1	-5,0	-148,4	28,3

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
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
Earnings per share	Result for the period attributable to the parent company's shareholders – tax-adjusted interest on hybrid bond / Average number of shares

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

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

The company's shares are in the book-entry system and they are listed on Nasdaq Helsinki. The trading code for the Series A share is STCAS and for the Series B share STCBV. The number of registered shareholders at 31 December 2020 was 43 656 (43 394 shareholders at 31 December 2019).

The company's market capitalisation at 31 December 2020 was EUR 86.9 million (EUR 154.5 million at 31 December 2019).

Number of shares, 31 December 2020

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1-100	28 256	64,7	1,5	0,6
101-1000	12 333	28,2	6,1	4,4
1001-10000	2 774	6,4	10,7	6,2
10001-100000	248	0,6	8,9	4,5
100001-1000000	35	0,1	14,8	13,9
1000001-	10		58,0	70,5
Total	43 656	100	100	100

Ownership structure, 31 December 2020

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	42 572	97,5	28,1	22,3
Private and public corporations	690	1,5	19,7	21,0
Foundations and associations	203	0,5	42,6	54,4
Nominee registrations (incl. foreign shareholders)	167	0,4	7,5	1,8
Financial and insurance companies	24	0,1	2,0	0,5
Unregistered shares			0,1	
Total	43 656	100	100	100

Major shareholders, 31 December 2020

	Percentages of shares %	Percentages of shares %
1 Föreningen Konstsamfundet Grouping	13,6	21,8
2 Varma Mutual Pension Insurance Company	9,8	5,6
3 HC Holding Oy Ab	8,5	10,0
4 Society of Swedish Literature in Finland	7,6	15,8
5 Niemistö Kari	5,8	9,4
6 Etola Group	4,2	6,1
7 Samfundet Folkhälsan i Svenska Finland	2,2	2,7
8 Jenny and Antti Wihuri Foundation	1,9	2,1
9 Ilmarinen Mutual Pension Insurance Company	1,7	0,8
10 Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	1,5	0,8
11 Wilhelm och Else Stockmanns Stiftelse	0,9	1,9
12 City of Turku	0,8	0,2
13 Helene och Walter Grönqvists Stiftelse	0,7	1,5
14 Sijoitusrahasto Fourton Hannibal	0,7	0,1
15 William Thuring's Foundation	0,4	0,7
16 Baltiska Handels Ab	0,4	0,1
17 Säästöpankki Small Cap Mutual Fund	0,4	0,1
18 Taaleritehdas Arvo Markka Osake Fund	0,4	0,1
19 Petter och Margit Forsströms stiftelse till Karl och Olivia Forsströms minne	0,3	0,1
20 Säästöpankki Itämeri Mutual Fund	0,3	0,1
Other	37,9	20,0
Total	100	100

Consolidated Income Statement

EUR mill.	Note	1.1.-31.12.2020	1.1.-31.12.2019
REVENUE	2.2	790,7	960,4
Other operating income	2.2	9,7	0,0
Fair value changes on investment properties	2.2, 3.4		
Materials and consumables	2.3	-347,0	-419,5
Wages, salaries and employee benefit expenses	2.5, 5.5	-181,9	-211,1
Depreciation, amortisation and impairment losses	3	-379,9	-128,8
Other operating expenses	2.6	-144,0	-176,9
Total expenses		-1 052,7	-936,3
OPERATING PROFIT/LOSS	2.1	-252,4	24,1
Financial income	4.1	3,7	1,1
Financial expenses	4.1	-45,4	-53,7
Total financial income and expenses		-41,6	-52,7
PROFIT/LOSS BEFORE TAX		-294,0	-28,5
Income taxes	2.7	2,4	-17,1
NET PROFIT/LOSS FOR THE PERIOD		-291,6	-45,6
Profit/loss for the period attributable to:			
Equity holders of the parent company		-291,6	-45,6
Earnings per share, EUR:	4.13		
From the period result (undiluted and diluted)		-4,05	-0,72

Consolidated Statement of Comprehensive Income

EUR mill.	Note	1.1.-31.12.2020	1.1.-31.12.2019
PROFIT/LOSS FOR THE PERIOD		-291,6	-45,6
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax		37,9	-5,8
Exchange differences on translating foreign operations, net of tax	2.7, 4.12	37,9	-5,8
Cash flow hedges, before tax		1,4	-1,7
Cash flow hedges, net of tax	2.7, 4.12	1,4	-1,7
Other comprehensive income for the period, net of tax		39,3	-7,6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-252,3	-53,2
Total comprehensive income attributable to:			
Equity holders of the parent company		-252,3	-53,2

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2020	31.12.2019 *)	Adjusted 1.1.2019 *)
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill		277,5	506,6	516,1
Trademark		90,6	87,0	88,7
Intangible rights		30,4	39,0	39,6
Other intangible assets		1,4	1,8	2,3
Advance payments and construction in progress		1,6	2,6	0,9
Intangible assets, total	3.2	401,5	637,0	647,5
Property, plant and equipment				
Land and water			17,5	17,5
Buildings and constructions			237,4	245,0
Machinery and equipment		44,5	55,4	64,1
Modification and renovation expenses for leased premises		4,2	4,9	5,1
Right-of-use assets		351,4	485,7	515,8
Advance payments and construction in progress		11,6	5,6	0,8
Property, plant and equipment, total	3.3	411,8	806,5	848,3
Investment properties	3.4	0,5	0,5	0,5
Non-current receivables	4.10, 4.11	1,7	0,4	0,6
Non-current lease receivables	4.10	3,9	15,7	17,0
Other investments	4.10	0,2	0,3	0,3
Deferred tax assets	2.8	27,8	16,3	14,7
NON-CURRENT ASSETS, TOTAL		847,4	1 476,6	1 528,9
CURRENT ASSETS				
Inventories	2.4	135,3	145,8	141,9
Current receivables				
Interest-bearing receivables		0,0	0,1	0,8
Lease receivables		0,5	1,3	1,2
Income tax receivables		0,3	4,6	7,8
Non-interest-bearing receivables		45,0	37,1	43,7
Current receivables, total	4.3	45,8	43,0	53,4
Cash and cash equivalents	4.4	152,3	24,9	43,4
CURRENT ASSETS, TOTAL		333,4	213,7	238,8
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	247,3	0,0	175,7
ASSETS, TOTAL		1 428,1	1 690,3	1 943,3

*) Change in accounting principle has been presented retroactively according to IAS 8, see notes 1.1, 3.3. and 5.7.

EUR mill.	Note	31.12.2020	31.12.2019 *)	Adjusted 1.1.2019 *)
EQUITY AND LIABILITIES				
EQUITY				
Share capital		144,1	144,1	144,1
Share premium fund		186,1	186,1	186,1
Invested unrestricted equity fund		250,4	250,4	250,4
Other funds		43,8	42,5	44,2
Translation reserve		20,4	-17,5	-11,6
Retained earnings		-541,7	-241,8	-189,6
Hybrid bond		105,8	105,8	84,3
Equity attributable to equity holders of the parent company	4.12	209,0	469,6	507,9
EQUITY, TOTAL		209,0	469,6	507,9
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2.8	35,9	43,8	45,5
Non-current interest-bearing financing liabilities	4.5		364,5	359,9
Non-current lease liabilities	4.5	290,7	438,6	530,0
Non-current non-interest-bearing liabilities and provisions	4.9, 4.10, 5.3	0,2	1,6	2,7
NON-CURRENT LIABILITIES, TOTAL		326,9	848,5	938,2
CURRENT LIABILITIES				
Current interest-bearing financing liabilities	4.6	488,2	47,8	227,9
Current lease liabilities	4.6	80,5	91,2	20,9
Current non-interest-bearing liabilities				
Trade payables and other current liabilities	4.6, 4.9	249,6	194,6	190,1
Income tax liabilities	4.6	39,6	37,4	20,9
Current provisions	5.3	17,0	1,1	2,8
Current non-interest-bearing liabilities, total		306,2	233,2	213,8
CURRENT LIABILITIES, TOTAL		874,9	372,2	462,5
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	5.1	17,4	0,0	34,7
LIABILITIES, TOTAL		1 219,1	1 220,7	1 435,5
EQUITY AND LIABILITIES, TOTAL		1 428,1	1 690,3	1 943,3

*) Change in accounting principle has been presented retroactively according to IAS 8, see notes 1.1, 3.3. and 5.7.

Consolidated Cash Flow Statement

EUR mill.	Note	1.1.-31.12.2020	1.1.-31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period		-291,6	-45,6
Adjustments for:			
Depreciation, amortisation and impairment losses		379,9	128,8
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		0,0	0,7
Interest and other financial expenses		45,4	53,7
Interest income		-3,7	-1,1
Income taxes		-2,4	17,1
Other adjustments		15,9	-1,2
Working capital changes:			
Increase (-) /decrease (+) in inventories		13,9	-5,3
Increase (-) / decrease (+) in trade and other current receivables		-9,7	8,0
Increase (+) / decrease (-) in current liabilities		25,3	-0,2
Interest expenses paid		-30,3	-52,1
Interest received from operating activities		0,8	1,1
Other financing items from operating activities		0,0	-1,4
Income taxes paid from operating activities		4,1	-0,3
Net cash from operating activities		147,4	102,3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets		-18,7	-33,9
Proceeds from sale of tangible and intangible assets		0,0	139,7
Exchange rate gain on the hedge of a net investment and internal loan*)		7,1	11,1
Return of capital		1,6	0,0
Net cash used in investing activities		-10,0	116,8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of hybrid bond		0,0	21,5
Proceeds from current liabilities		53,3	45,4
Repayment of current liabilities		-45,4	-226,9
Proceeds from non-current liabilities		75,4	166,7
Repayment of non-current liabilities		-6,4	-165,1
Payment of lease liabilities		-80,2	-73,9
Interest on hybrid bond		-8,2	-6,6
Net cash used in financing activities		-11,5	-238,8
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		24,9	43,4
Cheque account with overdraft facility		-2,3	-0,4
Cash and cash equivalents at the beginning of the period		22,7	43,0
Net increase/decrease in cash and cash equivalents		125,9	-19,8
Effects of exchange rate fluctuations on cash held		3,7	-0,6
Cash and cash equivalents at the end of the period		152,3	24,9
Cheque account with overdraft facility		0,0	-2,3
Cash and cash equivalents at the end of the period	4.4	152,3	22,7

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

Consolidated Statement of Changes in Equity

EUR mill.	Share capital	Share premium fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	Total
EQUITY 1.1.2019, as previously reported	144,1	186,1	358,2	0,4	250,4	43,8	-11,6	-212,1	759,4	84,3	843,7
Impact of change in accounting method			-358,2					22,4	-335,8		-335,8
EQUITY 1.1.2019, restated	144,1	186,1		0,4	250,4	43,8	-11,6	-189,6	423,6	84,3	507,9
Profit/loss for the period								-45,6	-45,6		-45,6
Exchange differences on translating foreign operations *)							-5,8		-5,8		-5,8
Cash flow hedges *)				-1,7					-1,7		-1,7
Total comprehensive income for the period, net of tax				-1,7			-5,8	-45,6	-53,2		-53,2
Proceeds from hybrid bond										22,2	22,2
Hybrid bond expenses										-0,7	-0,7
Interest paid on hybrid bond								-6,6	-6,6		-6,6
Other changes in equity total								-6,6	-6,6	21,5	15,0
EQUITY 31.12.2019	144,1	186,1		-1,3	250,4	43,8	-17,5	-241,8	363,8	105,8	469,6

EUR mill.	Share capital	Share premium fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Hybrid bond	Total
EQUITY 1.1.2020	144,1	186,1		-1,3	250,4	43,8	-17,5	-241,8	363,8	105,8	469,6
Profit/loss for the period								-291,6	-291,6		-291,6
Exchange differences on translating foreign operations *)				0,1			37,9		37,9		37,9
Cash flow hedges *)				1,3					1,3		1,3
Total comprehensive income for the period, net of tax				1,4			37,9	-291,6	-252,3		-252,3
Interest paid on hybrid bond								-8,2	-8,2		-8,2
Other changes in equity total								-8,2	-8,2		-8,2
EQUITY 31.12.2020	144,1	186,1		0,0	250,4	43,8	20,4	-541,6	103,2	105,8	209,0

*) Notes 2.7, 4.12

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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 2020. 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

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

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

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

As from 1 January 2020, the Stockmann Group has applied the following new and revised standards and interpretations:

Amendments to References to Conceptual Framework in IFRS Standards. The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs. The amendment has had no effect on the consolidated financial statements.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations

accompanying the definition have been improved. The amendment to the standard has had no effect on the consolidated financial statements.

Definition of a Business – Amendments to IFRS 3 Business Combinations. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. The amendment to the standard has had no effect on the consolidated financial statements.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendment to the standard has had no effect on the consolidated financial statements.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases, effective for financial years beginning on or after 1 June 2020. 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.

1.3 Corporate restructuring proceedings

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

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

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

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

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 at 31 December 2020. The debts covered by the restructuring proceedings are classified as current liabilities because the restructuring programme in which the arrangement for the repayment of the restructuring debts will be agreed was not yet been approved on the balance sheet date of 31 December 2020, and the amounts of these debts to be repaid as well as their maturities involved a degree of uncertainty.

1.4 Transactions resulting from the corporate restructuring proceedings

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

Following the initiation of the restructuring proceedings, some suppliers and lessors have 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 has considered it justified to take the creditors' claims for damages corresponding to the amount of eighteen months' rent into account in the draft restructuring programme. The aforementioned eighteen month's period begins from the date on which the terminated lease agreement ends. To the extent that the landlord creditors have presented more specific calculations of the damages that they will incur as a result of the termination of the relevant lease agreements, these claims must be assigned to resolution in separate proceedings. The amount recognised as a provision corresponds to the company's estimate of the probable amount of these liabilities and corresponds to the amount taken into account as restructuring debt. The total claims presented amount to a maximum of EUR 128 million. These creditors' claims are disputed and their realization and amount is uncertain. The amount in excess of the provision, EUR 111 million, is therefore presented in the Financial Statements as a contingent liability.

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

Group's financial statements do not present or account for the consequences of the restructuring proceedings, such as the realisable value of the Group's assets or whether they are sufficient for covering all debts, the amounts and seniority of the loans being restructured or other debts, or the impacts on the consolidated income statement of the changes that potentially could be made to the Group's business as a result of the final restructuring programme. In the note 5.6 to the financial statements some pro forma information is presented to illustrate certain effects on the Group's financial statements if the restructuring program had been approved on the balance sheet date of 31 December 2020.

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

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

In preparing the consolidated Financial Statements in compliance with the recognition and valuation principles of IFRS, it has been necessary to make forward-looking estimates and assumptions. 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.

1.6 Business continuity

This Stockmann Group Consolidated Financial Statements has been prepared based on the principle of business continuity. The Group's ability to continue its operations is dependent on the profitability of its business and on the approval and implementation of a viable restructuring program prepared for Stockmann plc. The profitability of the Group's business is dependent on future market conditions and the Group's ability to execute its business plan successfully.

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

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

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

Efforts have been made to build some flexibility into the restructuring programme by converting part of the unsecured debts into the Company's series B shares. In the restructuring programme 20 per cent of the unsecured restructuring debt approximately EUR 24.7 million, will be converted to equity or cut. A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments of unsecured

restructuring debt will begin in April 2022. An unsecured creditor is entitled to change the receivable to a new secured five-year bullet bond. The different maturity profile of the Secured Bond brings flexibility for the Company for the first years of the restructuring programme. Half of the EUR 108 million hybrid bond will cut and the other half will be converted to equity or cut. The cut and the conversion of hybrid bond have no effect on the Group's equity as the hybrid bond has been treated as equity in the consolidated financial statements.

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

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

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

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

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

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 has the ability to 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, on the basis of 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. IASB has published the following new or revised standards and interpretations, which the Group has not yet applied.

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, which have to be applied from 1 January 2021. Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements. The amendments are not expected to have effect on the consolidated financial statements. Amendments are not yet endorsed for use by the European Union as of 31 December 2020

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 recognized 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. Amendments are not yet endorsed for use by the European Union as of 31 December 2020

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. Amendments are not yet endorsed for use by the European Union as of 31 December 2020.

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. Annual improvements are not yet endorsed for use by the European Union as of 31 December 2020. The amendments clarify the following standards:

- **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. The amendment is not expected to have effect on the consolidated financial statements.
- **IFRS 16 Leases – Lease incentives – Example 13.** The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive. The amendment is not expected to have effect on the consolidated financial statements.
- **Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements**, which to be applied from 1 January 2023. 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. The amendment is 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 458 stores in 18 countries and the online store. Lindex's business idea is to offer inspiring affordable fashion. Its range of women's wear, lingerie, children's wear and cosmetics consists of a variety of concepts.

Stockmann

Stockmann's eight department stores in three countries and the Stockmann online store in Finland offer an extensive and high-quality product range of fashion, cosmetics and home brands and an excellent customer service expertise in a premium and international shopping environment.

EUR mill.

Revenue	2020	2019*)
Lindex	507,1	575,8
Stockmann	283,6	384,7
Group total	790,7	960,4
Operating profit/loss	2020	2019
Lindex	38,6	38,2
Stockmann	-30,8	0,3
Unallocated	-10,2	-14,4
Goodwill impairment	-250,0	
Group total	-252,4	24,1
Financial income	3,7	1,1
Financial expenses	-45,4	-53,7
Consolidated profit/loss before taxes	-294,0	-28,5
Depreciation, amortisation and impairment losses	2020	2019
Lindex	82,0	81,3
Stockmann	47,9	47,5
Goodwill impairment	250,0	
Group total	379,9	128,8
Capital expenditure	2020	2019
Lindex	27,8	65,5
Stockmann	58,8	26,7
Group, total	86,6	92,1
Assets	2020	2019
Lindex	883,6	1 076,2
Stockmann	544,2	613,4
Unallocated	0,4	0,7
Group, total	1 428,2	1 690,3

*) Segment information 2019 is adjusted for comparison purposes

The adjustments have affected certain key figures and their comparability. Notes 1.1 and 5.7 contain more detailed description of the change in accounting policy and its effects on the key figures

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	2020	2019**)
Finland	278,7	367,0
Sweden*) and Norway	389,2	437,8
Baltic countries and other countries	122,8	155,7
Group total	790,7	960,4
Finland, %	35,2 %	38,2 %
International operations, %	64,8 %	61,8 %
Operating profit/loss		
	2020	2019
Finland	-37,8	-18,4
Sweden*) and Norway	34,2	34,3
Baltic countries and other countries	1,2	8,2
Market areas total	-2,4	24,1
Goodwill impairment	-250,0	
Group total	-252,4	24,1
Non-current assets		
	2020	2019
Finland	399,3	549,6
Sweden and Norway	608,4	848,4
Baltic countries and other countries	58,5	65,1
Group total	1 066,2	1 463,1
Finland, %	37,4 %	37,6 %
International operations, %	62,6 %	62,4 %

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

***) Adjusted for comparison purposes in accordance with change in accounting principle, see notes 1.1, 3.3 and 5.7.

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, which is based on experience, as a percentage of all outstanding trade and lease receivables. A provision is booked in the balance sheet and revenue as well as materials and consumables used are adjusted. Cost of goods for anticipated returns is recognised in 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.	2020	2019
Sales of goods	756,4	914,0
Rental income and service charges	34,3	46,4
Total	790,7	960,4
Investment property rentals and service charges		1,4

Investment property rentals income and service charges in 2019 related to Nevsky Centre in Russia and were included in the amount EUR 46.4 million.

2.2.1.2 Disaggregated revenue information

1.1.-31.12.2020, EUR mill.	Lindex	Stockmann	Total
Revenue streams:			
Sales of goods	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
1.1.-31.12.2019, EUR mill.			
Revenue streams:			
Sales of goods	574,4	339,6	914,0
Rental income and service charges	1,4	43,6	45,0
Investment property rentals and service charges		1,4	1,4
Total	575,8	384,7	960,4
Market areas:			
Finland	68,9	300,2	369,1
Sweden and Norway	437,8		437,8
Baltic countries and other countries	69,1	84,4	153,5
Total	575,8	384,7	960,4

2.2.1.3 Contract balances

EUR mill.	2020	2019
Receivables that are included in assets held for sale	0,5	
Contract assets	0,2	0,3
Contract liabilities	5,4	5,6

No information is provided about remaining performance obligations at 31 December 2020 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 is the sale of property, plant and equipment as well as income received on the sale of a business.

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 a total of EUR 9.7 million in government grants related to the COVID-19 situation.

EUR mill.	2020	2019
COVID-19 support received	9,7	
Total	9,7	

2.3 Gross margin

EUR mill.	2020	2019
Revenue	790,7	960,4
Materials and consumables used	347,0	419,5
Gross profit	443,7	540,9
Gross margin, % of revenue	56,1%	56,3%

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 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.	2020	2019
Materials and consumables	135,3	145,8
Total	135,3	145,8

The value of inventories has been written off by EUR 6.4 (5.1) 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 2020 financial year.

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.	2020	2019
Wages and salaries	140,8	163,3
Pension expenses, defined contribution plans	12,4	15,6
Other employee benefits expenses	28,7	32,2
Total	181,9	211,1

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.

EUR mill.	2020	2019
Site expenses	49,4	66,3
Marketing expenses	25,2	34,9
Goods handling expenses	20,1	17,9
Voluntary social security expenses	2,2	3,6
Credit losses	0,3	-0,1
Direct maintenance expenses of investment property		0,2
Other expenses	46,9	54,1
Total	144,1	176,9

Fees to the auditors

EUR mill.	2020	2019
Auditing	0,4	0,3
Tax advisory	0,2	0,4
Other services	0,1	0,3
Total	0,7	1,1

Parent company's auditors KPMG Oy Ab has been paid for other than auditing services EUR 0.1 (0.4) mill.

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 subsidiary, 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 utilized.

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.	2020	2019
Income taxes for the financial period	-5,3	-10,2
Income taxes from previous financial periods	4,3	-9,8
Change in deferred tax liability/assets	3,4	2,9
Total	2,4	-17,1

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.	2020	2019
Profit before taxes	-294,0	-28,5
Income taxes at current tax rate	58,8	5,7
Income taxes from previous financial periods	4,3	-9,8
Tax-exempt income	0,3	
Differing tax rates of foreign subsidiaries	-0,8	0,9
Non-deductible expenses	-62,6	-10,4
Unrecognised deferred tax assets from losses in taxation		-0,7
Reverse of deferred tax relating to previous financial periods		-2,7
Deferred tax on results from previous financial periods	2,4	
Income taxes in the income statement	2,4	-17,1

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

2.8 Deferred tax assets and deferred tax liabilities

Changes in deferred tax assets

EUR mill.	1.1.2020	Recognised in income statement	Recognised in equity	Translation difference	31.12.2020
Confirmed losses	9,7	10,3			20,0
Measurement of derivatives and other financial instruments at fair value					
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

EUR mill.	1.1.2019	Recognised in income statement	Recognised in equity	31.12.2019
Confirmed losses	12,4	-2,7		9,7
Measurement of derivatives and other financial instruments at fair value				
Difference between carrying amounts and tax bases of property, plant and equipment	1,5			1,5
Lease liability		2,8		2,8
Other temporary differences	0,8	1,5		2,3
Total	14,7	1,6		16,3

Changes in deferred tax liabilities

EUR mill.	1.1.2020	Recognised in income statement	Recognised in equity	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

EUR mill.	1.1.2019	Change in accounting policy	Recognised in income statement	Recognised in equity	Translation difference	Liabilities related to assets classified as held for sale	31.12.2019
Cumulative depreciation differences	23,7		-2,8		-0,1		20,9
Difference between carrying amount and tax bases of prop., plant and equip.	5,9		2,6		-0,0		8,5
Measurement at fair value of intangible and tangible assets	97,5	-82,7			-0,3		14,5
Lease receivables			0,7				0,7
Other temporary differences	1,1		-1,7		-0,0		-0,7
Total	128,3	-82,7	-1,3		-0,4		43,8

In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the accumulated distributable earnings, EUR 6.8 million (EUR 39.1 million), of the Estonian and Latvian subsidiaries.

3 Intangible and tangible assets and leasing arrangements

3.1 Depreciation, amortisation and impairment losses

EUR mill.	2020	2019
Intangible assets	15,7	14,9
Buildings and constructions	10,2	10,3
Machinery and equipment	16,8	19,0
Modification and renovation costs for leased premises	0,7	0,7
Right of use assets	86,4	83,9
Depreciation and amortisation, total	129,9	128,8
Goodwill	250,0	
Impairment losses, total	250,0	
Depreciation, amortisation and impairment losses, total	379,9	128,8

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.

Goodwill

EUR mill.	2020	2019
Acquisition cost 1.1.	672,6	685,2
Translation difference +/-	27,7	-12,6
Acquisition cost 31.12.	700,3	672,6
Impairment losses 1.1.	-166,1	-169,1
Translation difference +/-	-6,7	3,1
Impairment losses for the financial period	-250,0	
Accumulated impairment losses 31.12.	-422,8	-166,1
Carrying amount 1.1.	506,6	516,1
Carrying amount 31.12.	277,5	506,6

Trademark

EUR mill.	2020	2019
Acquisition cost 1.1.	87,3	88,9
Translation difference +/-	3,6	-1,6
Acquisition cost 31.12.	90,9	87,3
Accumulated amortisation 1.1.	-0,3	-0,3
Accumulated amortisation 31.12.	-0,3	-0,3
Carrying amount 1.1.	87,0	88,7
Carrying amount 31.12.	90,6	87,0

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

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 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. The forecasts also take into account the uncertainty caused by the COVID-19 pandemic and its possible negative impact on key variables, in particular sales growth and the discount rate. Lindex's cash flows beyond this management-approved forecast period were extrapolated using a steady 1.7 per cent growth rate.

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
 - 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 a market-specific risk-free rate, a market risk premium and a business-specific beta are consistent with external sources of information and a cost of debt reflects past experience and existing loan terms of the Group.

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 9.7 per cent (8.2% in 2019).

Intangible rights

EUR mill.	2020	2019
Acquisition cost 1.1.	96,8	89,1
Translation difference +/-	2,0	-0,8
Increases 1.1.–31.12.	1,8	8,5
Decreases 1.1.–31.12.	-10,3	-5,8
Transfers between items 1.1.–31.12.	4,5	5,8
Acquisition cost 31.12.	94,9	96,8
Accumulated amortisation and impairment losses 1.1.	-57,8	-49,5
Translation difference +/-	-1,3	0,4
Amortisation on disposals	10,2	5,8
Amortisation for the financial period	-15,6	-14,5
Accumulated amortisation and impairment losses 31.12.	-64,5	-57,8
Carrying amount 1.1.	39,0	39,6
Carrying amount 31.12.	30,4	39,0

Other intangible assets

EUR mill.	2020	2019
Acquisition cost 1.1.	10,4	10,5
Translation difference +/-	0,3	-0,2
Acquisition cost 31.12.	10,6	10,4
Accumulated amortisation 1.1.	-8,5	-8,2
Translation difference +/-	-0,2	0,2
Amortisation for the financial period	-0,4	-0,5
Accumulated amortisation 31.12.	-9,2	-8,5
Carrying amount 1.1.	1,8	2,3
Carrying amount 31.12.	1,4	1,8

Advance payments and construction in progress

EUR mill.	2020	2019
Acquisition cost 1.1.	2,6	0,9
Increases 1.1.–31.12.	3,5	7,5
Transfers between items 1.1.–31.12.	-4,5	-5,8
Acquisition cost 31.12.	1,6	2,6
Carrying amount 1.1.	2,6	0,9
Carrying amount 31.12.	1,6	2,6

In 2020 and 2019 advance payments for intangible assets and construction in progress included mainly development of ICT systems.

EUR mill.	2020	2019
Intangible assets, total	401,5	637,0

3.3 Property, plant and equipment

Accounting policies

Land areas, buildings, machinery, and equipment comprise the bulk of property, plant and equipment. Revaluations included in land areas and buildings were part of the carrying amount under the previous accounting standards and have been deemed to constitute part of the acquisition cost under IFRS. 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 labor. 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.

Land areas and buildings in own use have been earlier carried on the balance sheet at the revalued amount in accordance with standard IAS 16 paragraph 31. The Stockmann Group's divisions, Stockmann Retail and Real Estate, were combined into a new Stockmann division in 2019. Real estate business is not anymore managed or operated as a separate business nor reported separately. There are certain material changes in the business model that support a change back to applying the cost model for the real estate properties. Therefore, Stockmann has changed from its previous revaluation model to a cost model for its land areas and buildings. The change in accounting method is applied retrospectively in the opening balance for the comparative period as of 1 January 2019 according to the IAS 8 standard. The revaluation surplus included in equity is derecognized and the opening balance of land and water, buildings and constructions, retained earnings and deferred tax liabilities are adjusted in the previously reported 2019 financials. As a result of the reporting method change, the accounting value of Stockmann Group's real estate properties decreased from EUR 681.0 million to EUR 262.5 in the opening balance at 1 January 2019 and from EUR 667.6 million to EUR 254.9 million as at 31 December 2019.

On 9 February 2020, 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 are classified as assets held for sale in the consolidated financial statements 31 December 2020.

Straight-line depreciation is recognised on property, plant and equipment in accordance with each item's useful life. Land areas are not depreciated.

The depreciation periods for property, plant and equipment are:

buildings and structures modification and renovation	20–50 years
costs of leased premises	5–20 years
machinery and equipment	4–10 years
ICT equipment and lightweight store fixtures and equipment	3–5 years

Land and water

EUR mill.	2020	2019 *)
Acquisition cost 1.1.	17,5	17,5
Transfers to non-current assets classified as held for sale	-17,5	
Acquisition cost 31.12.		17,5
Carrying amount 1.1.	17,5	17,5
Carrying amount 31.12.		17,5

*) Adjusted due to change in accounting principle, see note 1.1.

Buildings and constructions

EUR mill.	2020	2019 *)
Acquisition cost 1.1.	379,9	378,1
Increases 1.1.–31.12.	0,0	0,2
Decreases 1.1.–31.12.	-2,0	-0,9
Transfers to non-current assets classified as held for sale	-378,8	
Transfers between items 1.1.–31.12.	0,9	2,5
Acquisition cost 31.12.		379,9
Accumulated depreciation 1.1.	-142,4	-133,1
Depreciation on disposals	1,9	0,9
Accumulated depreciation on transfers to non-current assets classified as held for sale	150,7	
Depreciation for the financial period	-10,2	-10,3
Accumulated depreciation 31.12.		-142,4
Carrying amount 1.1.	237,4	245,0
Carrying amount 31.12.		237,4

*) Adjusted due to change in accounting principle, see note 1.1.

Machinery and equipment

EUR mill.	2020	2019
Acquisition cost 1.1.	259,8	260,4
Translation difference +/-	1,7	-3,7
Increases 1.1.–31.12.	0,3	7,7
Decreases 1.1.–31.12.	-12,5	-6,7
Transfers between items 1.1.–31.12.	6,9	2,0
Transfers to non-current assets classified as held for sale	-2,1	
Acquisition cost 31.12.	254,1	259,8
Accumulated depreciation 1.1.	-204,4	-196,3
Translation difference +/-	-1,0	4,4
Depreciation on disposals	12,1	6,7
Accumulated depreciation on transfers to non-current assets classified as held for sale	1,0	
Depreciation for the financial period	-17,3	-19,2
Accumulated depreciation 31.12.	-209,6	-204,4
Carrying amount 1.1.	55,4	64,1
Carrying amount 31.12.	44,5	55,4

Modification and renovation costs of leased premises

EUR mill.	2020	2019
Acquisition cost 1.1.	37,0	37,4
Increases 1.1.–31.12.	0,0	0,1
Decreases 1.1.–31.12.	-28,4	-0,9
Transfers between items 1.1.–31.12.	0,0	0,5
Acquisition cost 31.12.	8,6	37,0
Accumulated depreciation 1.1.	-32,1	-32,3
Depreciation on disposals	28,4	0,9
Depreciation for the financial period	-0,7	-0,7
Accumulated depreciation 31.12.	-4,4	-32,1
Carrying amount 1.1.	4,9	5,1
Carrying amount 31.12.	4,2	4,9

Right-of-use assets

EUR mill.	2020	2019
Acquisition cost 1.1.	570,1	517,5
Translation difference +/-	14,3	-5,7
Increases 1.1.–31.12.	67,7	58,4
Decreases 1.1.–31.12.	-175,2	-0,1
Acquisition cost 31.12.	476,9	570,1
Accumulated depreciation 1.1.	-84,4	
Translation difference +/-	13,4	-0,5
Depreciation on disposals	34,9	0,0
Depreciation for the financial period	-89,3	-83,9
Accumulated depreciation 31.12.	-125,5	-84,4
Carrying amount 1.1.	485,7	517,5
Carrying amount 31.12.	351,4	485,7

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

Carrying amount 31.12. by operating segments

Lindex	265,7	286,0
Stockmann	85,8	199,7
Total	351,4	485,7

Advance payments and construction in progress

EUR mill.	2020	2019
Acquisition cost 1.1.	5,6	0,8
Translation difference +/-	0,2	-0,0
Increases 1.1.–31.12.	13,6	9,8
Transfers between items 1.1.–31.12.	-7,8	-5,0
Acquisition cost 31.12.	11,6	5,6
Carrying amount 1.1.	5,6	0,8
Carrying amount 31.12.	11,6	5,6

EUR mill.	2020	2019
Property, plant and equipment, total	411,8	806,5

In 2020 and 2019 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 2020.

EUR mill.	2020	2019
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 it 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.

Right-of use assets

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	67,7		67,7
Decreases during the period	-174,7	-0,5	-175,2
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 +/-	12,8	0,5	13,4
Depreciation on reductions during the period	34,9	0,1	34,9
Depreciation, amortisation and impairment losses during the period	-88,6	-0,8	-89,3
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

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

2019, EUR mill.	Buildings	Machinery and equipment	Total
Right-of-use assets 1.1.	515,8	1,8	517,6
Translation difference +/-	-5,7	0,0	-5,7
Increases during the period	57,7	0,7	58,4
Decreases during the period		-0,1	-0,1
Acquisition cost at the end of the period	567,8	2,3	570,1
Translation difference +/-	-0,5		-0,5
Depreciation, amortisation and impairment losses during the period	-83,2	-0,7	-83,9
Accumulated depreciation and impairment losses at the end of the period	-83,7	-0,7	-84,4
Carrying amount at the beginning of the period	515,8	1,8	517,6
Carrying amount at the end of the period	484,1	1,6	485,7

Leases recognised in profit and loss

EUR mill.	2020	2019
Interest expenses on lease liabilities	-21,2	-27,0
Interest income from sub-leasing right-of-use assets	0,7	0,9
Expenses relating to leases of low-value assets	-0,5	-0,9
Expenses relating to short-term leases	-1,6	-6,1
Expense relating to variable lease payments not included in lease liabilities	-2,2	-2,7
Total	-24,8	-35,7

Total cash outflow for leases in 2020 was EUR 101.4 million (EUR 100.9 million in 2019)

Group as lessor

Accounting policies

When the Group acts as a lessor, each lease is 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 2019 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.

The main properties owned by Stockmann are the properties of the Helsinki department store located in Helsinki, Finland, and the department store in Tallinn, Estonia. Stockmann is the majority owner in a real estate company, which owns the Stockmann department store building in Riga, Latvia. The area of these properties is 87 000 square metres. Approximately 74 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.	2020	2019
Distribution quota from investment in Tuko Logistics Cooperative	1,6	
Interest income on bank deposits, other investments and currency derivatives	0,0	0,2
Interest income from lease contracts	0,7	0,9
Other financial income*)	0,8	
Foreign exchange differences	0,5	
Total	3,7	1,1

Financial expenses

EUR mill.	2020	2019
Interest expenses on financial liabilities measured at amortised cost derivatives	-20,3	-24,9
Interest expenses from lease contracts	-21,2	-27,0
Change in fair value of financial assets at fair value through profit or loss	0,0	-0,1
Other financial expenses	-3,8	-1,4
Foreign exchange differences	0,0	-0,3
Total	-45,4	-53,7

EUR mill.	2020	2019
Financial income and expenses, total	-41,6	-52,7

*) Includes EUR 17.8 mill. gain on the change in the lease agreements, EUR -17.0 provision for lease agreements clauses

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 as 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 as 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 realized, 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 are defined in IFRS 9 is applied.

4.3 Current receivables

EUR mill.	2020	2019
Interest-bearing trade receivables	0,0	0,1
Non-interest-bearing trade receivables	12,6	11,7
Lease receivables	0,5	1,3
Receivables based on derivative contracts		0,4
Other receivables	0,8	0,8
Prepayments and accrued income	31,6	24,1
Income tax receivables	0,3	4,6
Current receivables, total	45,8	43,0

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.

Interest-bearing trade receivables of EUR 0.1 million consisted of one-time credits on distance retail sales in 2019. Interest income on these receivables was included in the selling price and recognised in revenue instead of interest income.

Prepayments and accrued income

EUR mill.	2020	2019
Prepaid rents	9,5	15,6
Derivative receivable	8,9	
Prepaid interest expenses	3,7	
Receivable from credit card co-operation	2,2	2,5
Periodised ICT expenses	1,6	0,9
Receivable from trademark co-operation	1,0	1,0
Periodised loan arrangement expenses	0,8	2,2
Periodised indirect employee expenses	0,1	0,4
Others	3,7	1,6
Total	31,6	24,1

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.

The account with an overdraft facility, which is payable on demand and is part of the Group's cash management, is presented as a part of cash and cash equivalents in the cash flow statement.

EUR mill.	2020	2019
Cash and cash equivalents	152,3	24,9
Overdraft facilities*)		-2,3
Total	152,3	22,7

*) As a result of the filing for restructuring the banks cancelled overdraft facilities

4.5 Non-current liabilities, interest-bearing

EUR mill.	Carrying amount 2020	Carrying amount 2019
Bond issues		248,5
Loans from financial institutions		116,0
Lease liabilities	290,7	438,6
Total	290,7	803,1

The carrying amount of bond issues, loans from financial institutions and other liabilities has 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 balance sheet date.

Stockmann plc's interest bearing loans are part of the restructuring debt and presented in group Balance sheet in Short-term liabilities as per 31 December 2020

4.6 Current liabilities

EUR mill.	Carrying amount 2020	Carrying amount 2019
Loans from financial institutions	434,6	
Current account with overdraft facility		2,3
Lease liabilities	80,5	91,2
Other interest-bearing liabilities	53,5	45,6
Trade payables	53,2	70,4
Other current liabilities	112,7	39,7
Accruals and prepaid income	83,7	75,2
Derivative contract liabilities	0,0	9,3
Income tax liability	39,6	37,4
Current provisions	17,0	1,1
Total	874,9	372,2
of which interest-bearing	568,6	139,0

The following Current liabilities include the 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, current provisions EUR 17.0 million.

Restructuring debt

EUR mill.	31.12.2020
Current interest-bearing restructuring debt	
Secured	435,4
Unsecured	53,5
Current interest-bearing restructuring debt total *)	488,9
Current non-interest-bearing restructuring debt	
Secured	7,1
Unsecured	51,1
Current non-interest-bearing restructuring debt total **)	58,2
Current restructuring debt total	547,1
Restructuring debt related to provisions	17,0
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020	108,1
Restructuring debt total	672,3

*) Included in consolidated statement of financial position item Current interest-bearing financing liabilities EUR 488,2 mill. Doesn't include periodisation of loan arrangement fees of EUR 0,7 mill.

**) Included in consolidated statement of financial position item Current non-interest-bearing liabilities.

Accruals and prepaid income

EUR mill.	2020	2019
Personnel expenses	36,2	38,7
Interest and other financial expenses	13,9	6,2
Periodised purchases	10,1	9,1
Customer bonus schemes/Loyalty program MORE	5,7	5,7
Reserve for returns	2,0	1,6
Accrued site expenses	1,6	1,1
Others	14,2	12,8
Total	83,7	75,2

4.7 Reconciliation of liabilities arising from financing activities

EUR mill.	1.1.2020	Cash flows from liabilities	Non-cash changes from liabilities	Non-cash changes 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	488,2
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	859,4
EUR mill.	1.1.2019	Cash flows from liabilities	Non-cash changes from liabilities	Non-cash changes from loan arrangement expenses	31.12.2019
			Changes in leases changes in foreign exchange rates		
Non-current liabilities, interest-bearing	359,9	1,6		2,9	364,5
Current liabilities, interest-bearing	227,4	-181,5		0,8	46,7
Lease liabilities	552,7	-75,8	58,4	-5,5	529,8
Cheque account with overdraft facility	0,4	0,7			1,1
Total liabilities from financing activities	1140,5	-255	58,4	-5,5	942,1

Loan arrangement expenses are included in cash flows from financing activities in the cash flow statement. The cheque account with overdraft facility is a part of the cash and cash equivalents in the statement of cash flow.

4.8 Financial risk management

The Group's financing and the management of financial risks are handled on a centralized 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. On 8 April 2020 the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. As a result of the filing for restructuring the district Court 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 no new hedging facilities have so far been provided. Hence, during the restructuring proceedings, 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 and for the comparison year.

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.

The financial risks in the balance sheet and the financial risks connected with commercial cash flows as well as the chosen hedging strategies are reported to the Board of Directors quarterly and to Group Management monthly.

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 2020 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 2020, non-EUR sales accounted for 52 per cent of the Group's entire sales (2019: 52 per cent). Purchases with a transaction risk made up 48 per cent of the Group's purchases (2019: 50 per cent). In addition the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Sweden. In 2020 these purchases accounted for 3 per cent of the Group's total purchases (2019: 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.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges. At the end of 2020 there were no outstanding contracts hedging cash flows. The main transaction risks arise in Lindex. Lindex usually hedges purchases in US-dollar and sales in Swedish Krona, Norwegian Krona and euro. Stockmann Retail operates mainly in local currency and its transaction exposure is limited. For each derivative, the amounts are shown for both the bought and the sold currency.

Foreign exchange derivatives hedging cash flows

EUR Mill.	2020*)	2019
USD		53,7
SEK		-35,3
NOK		-10,1
EUR		-9,5

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

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

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

2019, EUR Mill.	USD	SEK	NOK
Change + 10 %	-3,8	-0,7	0,7
Change - 10 %	4,7	0,8	-0,9

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 for 2019 outstanding derivatives hedging these items. Future forecasted cash flows and derivatives hedging forecasted cash flows are not included. Due to the restructuring proceedings, there are no longer any loans or deposits between Stockmann plc and AB Lindex, hence the SEK transaction exposure before hedges has changed considerably during 2020.

As part of the restructuring proceedings, intra-group receivables and liabilities denominated in Swedish krona were netted during 2020, and part of the receivable denominated in Swedish krona was converted into Stockmann Sverige AB's equity.

The Group's transaction exposure

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	-11,0	-2,5	-7,7		-22,9
Foreign currency exposure in the balance sheet	6,9	-0,7	5,9	4,7	-19,4
Foreign exchange derivatives hedging balance sheet items					
Foreign currency loans hedging the net investment					
Net position in the balance sheet	6,9	-0,7	5,9	4,7	-19,4
2019, EUR Mill.	SEK	GBP	NOK	CZK	USD
Receivables	133,3	0,2			3,6
Loans from financial institutions		-0,1			
Trade payables and other current liabilities	-167,2	-2,8	-8,0	-3,8	-18,7
Foreign currency exposure in the balance sheet	-33,9	-2,7	-8,0	-3,8	-15,1
Foreign exchange derivatives hedging balance sheet items	33,2	0,7	11,7	3	16,6
Net position in the balance sheet	-0,7	-1,9	3,7	-0,7	1,5

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

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
2019, EUR Mill.	SEK	GBP	NOK	CZK	USD
Change + 10 %		0,1	-0,3	0,1	-0,1
Change - 10 %	-0,1	-0,2	0,3	-0,1	0,1

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 the 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 realised exchange rate profits of the hedging agreements, which amounted to EUR 8.9 million in total has been processed as short term receivables. 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.

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 and for 2019 from derivatives hedging net investments.

Sensitivity Analysis, effect on equity

2020 EUR Mill	SEK
Change + 10 %	-28,2
Change - 10 %	34,4
2019 EUR Mill	SEK
Change + 10 %	-31,8
Change - 10 %	38,8

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.

The interest paid on the secured restructuring debt is in accordance with the original loan agreements until the restructuring program is approved. The restructuring program was approved on 9 February 2021. According to the approved restructuring program, 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. No interest is paid on the unsecured restructuring debt.

Interest terms of the Group's interest bearing liabilities and bank receivables at 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

*) Including cash assets classified as held for sale

Interest terms of the Group's interest bearing liabilities and bank receivables at 31 December 2019:

Interest rate adjustment, period, EUR mill	< 1 month	1- 12 months	1–3 years	3–5 years	Total
Bond Issues			248,5		248,5
Loans from financial institutions		116,0			116,0
Other interest bearing liabilities	20,7	27,1			47,8
Total	20,7	143,1	248,5		412,3
Cash and bank receivables	-24,9				-24,9
Total	-4,2	143,1	248,5		387,4

A rise or a decline of one percentage point in market interest rates would have only a very minor effect on Stockmann's profit after taxes, since almost all relevant market interest rates already are at or below zero per cent and Stockmann can't benefit from rates below zero. At the balance sheet date there were no items that were recognised directly in equity.

Electricity price risk

Stockmann Group 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 100% for the coming three years. At the balance sheet date, 31 December 2020, 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 minimize 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.

As a result of the filing for restructuring the District Court ruled a temporary prohibition of collection for Stockmann plc's external debts and other short term liabilities.

Stockmann's financing mainly includes bank loans, credit facilities, corporate bonds and a commercial paper programme. Additionally, Stockmann has a hybrid bond, which is treated as equity in the company's consolidated financial statements. All these facilities are restructuring debt currently.

Stockmann signed for secured credit facilities of EUR 650 million on November 2017 with OP Corporate Bank plc, Danske Bank A/S, Nordea Bank AB (publ), DNB Bank ASA, Svenska Handelsbanken AB (publ) and Swedbank AB (publ). The maturity of these facilities was initially up to October 2021. The facilities have been partly repaid and canceled during 2018-2020, and the remaining amount EUR 185.4 million, is part of the secured restructuring debt. Stockmann also issued secured senior bonds to a value of EUR 250 million in December 2017. Initially the maturity of the bonds was up to 11 January 2022 and carry a fixed interest rate of 4.75 per cent per annum. The bonds are part of the secured restructuring debt. The bonds are listed on Nasdaq Helsinki. Stockmann had a EUR 600 million commercial paper programme in co-operation with five banks in Finland. The arrangers of the programme were Danske Bank, Handelsbanken, Nordea Bank, OP bank and Swedbank. The programme was terminated as a result of the filing for the corporate restructuring. On April 6, 2020, EUR 53.3 million was in use, this amount is restructuring debt.

The liabilities within the restructuring proceedings are now classified as current liabilities as there is uncertainty of their maturity.

Stockmann has been able to cover new payment obligations that have arisen during the restructuring proceedings. Cash flow, liquidity and cash assets have developed positively. At the end of the year Stockmann had EUR 152.5 million in cash assets. Stockmann has not acquired any new external financing during the restructuring proceedings.

A proposal for restructuring programme was presented on 14 December 2020. District Court has approved the restructuring programme on 9 February 2021. According to the restructuring programme, Stockmann's A and B share series will be combined in the General meeting that will be held immediately after the restructuring programme has been certified by the District Court. The combination will improve the liquidity of the share and the company's ability to secure financing from the market.

Unsecured restructuring debts will be subject to 20 % cut or 20 % conversion to Stockmann B shares. The remaining 80 % will be paid 2022-2028 or alternatively converted to a secured 5 year bullet bond. The duration of the repayment schedule is 1-2 years for the secured debt and 7 years for the unsecured debt.

According to the restructuring programme Stockmann will sell and lease back the real estate properties of Helsinki, Tallinn and Riga department stores. The funds received from these sales will be primarily used for repayment of secured restructuring debt.

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.

Cash and bank receivables as well as unused committed credit facilities

EUR mill	2020	2019
Cash and bank receivables*)	152,5	24,9
Credit facility, due in 2021		128,1
Total	152,5	153,0

*) Including cash assets classified as held for sale

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

EUR mill.	Carrying amount	2021	2022	2023	2024	2025+	Total
Secured restructuring debt*)	442,5	-449,8					-449,8
Unsecured restructuring debt**)	121,6		-8,8	-8,8	-8,8	-71,0	-97,4
Cash flow from restructuring debt total	564,1	-449,8	-8,8	-8,8	-8,8	-71,0	-547,2
Trade payables and other current liabilities	107,7	-107,7					-107,7
Lease liability	371,2	-93,2	-80,3	-70,3	-58,9	-144,5	-447,2
Total	1043,0	-650,7	-89,1	-79,1	-67,7	-215,5	-1102,1

The cash flows presented are based on the approved restructuring program.

*) 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.

Cash flows based on agreements in financial liabilities, including financing costs, at 31 December 2019

EUR mill	Carrying amount	2020	2021	2022	2023	2024+	Total
Bonds	248,5	-11,9	-11,9	-255,9			-279,7
Loans from financial institutions	116,0	-4,2	-119,1				-123,3
Other interest-bearing liabilities	47,8	-47,9					-47,9
Trade payables and other current liabilities	243,7	-243,7					-243,7
Lease liability	529,8	-121,0	-108,4	-98,2	-84,4	-264,9	-676,9
Total	1185,8	-428,7	-239,4	-354,1	-84,4	-264,9	-1371,5
FX Derivatives	9,3						
Assets		416,3					416,3
Liabilities		-425,7					-425,7
Total	9,3	-9,4					-9,4

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 2020, 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 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

Lease receivables according to IFRS 16 EUR 4.5 million (as of 31 December 2020) are not due. Their credit risk is considered low and no loss allowance is recognised.

31 December 2019

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	9,4	0,0
Trade receivables fallen due in 1–30 days	0,7	0,0
Trade receivables fallen due in 31–60 days	0,8	0,0
Trade receivables fallen due in 61–90 days	0,4	0,0
Trade receivables fallen due in 91–120 days	0,2	0,0
Trade receivables fallen due in over 120 days	0,4	0,1
Total	11,9	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.	2020	2019
Cash flow hedges, currency forwards		54,9
Hedges of net investments, currency swaps		337,6
Total		392,5

Derivative contracts, hedge accounting not applied

EUR mill.	2020	2019
Currency swaps		67,5
Electricity forwards	1,6	1,7
Total	1,6	69,2

Fair value of derivative contracts 2020**Derivative contracts, hedge accounting applied**

At the end of 2020, there were no hedging derivatives

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Electricity forwards	0,1		0,1
Total	0,1		0,1

Fair value of derivative contracts 2019

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Cash flow hedges, currency forwards		-1,3	-1,3
Hedges of net investments, currency swaps		-8,0	-8,0
Total		-9,3	-9,3

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	0,3		0,3
Electricity forwards	0,1		0,1
Total	0,4		0,4

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 2020. As part of the restructuring proceedings the banks that served as parties to the hedging agreements closed all hedging agreements on 6 April 2020. The realized exchange rate profits of the hedging agreements, which amounted to EUR 8.9 million, have been processed as short-term receivables. During the restructuring proceedings, Stockmann has not had the possibility to hedge against exchange rate risks. 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 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Derivative contracts, hedge accounting applied	2			0,0	0,0
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2			0,3	0,3
Electricity derivatives	1			0,1	0,1
Financial assets at amortised cost					
Non-current receivables		1,7	1,7	0,3	0,3
Non-current lease receivables	2	3,9	3,9	15,7	15,7
Current receivables, interest-bearing				0,1	0,1
Current lease receivables	2	0,5	0,5	1,3	1,3
Current receivables, non-interest-bearing		45,0	45,0	36,7	36,7
Cash and cash equivalents		152,3	152,3	24,9	24,9
Other investments	3	0,2	0,2	0,3	0,3
Financial assets, total		203,6	203,6	79,6	79,6

Financial liabilities, EUR mill.

		Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Derivative contracts, hedge accounting applied	2			9,3	9,3
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2			364,5	363,0
Non-current lease liabilities	2	290,7	290,7	438,6	438,6
Current liabilities, interest-bearing	2	488,2	468,0	47,8	47,9
Current lease liabilities	2	80,5	80,5	91,2	91,2
Current liabilities, non-interest-bearing		249,6	249,6	185,3	185,3
Financial liabilities, total		1 109,0	1088,8	1 136,7	1 135,3

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 valued at fair value during the reporting period.

Change in fair value of other investments, EUR mill.	2020	2019
Carrying amount 1.1.	0,3	0,3
Total	0,2	0,3

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.

As part of the restructuring proceedings the banks that served as parties to the hedging agreements closed all hedging agreements on 6 April 2020. The realized exchange rate profits of the hedging agreements, which amounted to EUR 8.9 million, have been processed as short-term receivables but will later be set off against the secured debts to the banks. During the restructuring proceedings, Stockmann has not had the possibility to hedge against exchange rate risks.

The following table sets out the amounts of recognised financial instruments that are subject to the above agreements. At the end of 2020, there is no outstanding derivatives subject to netting agreements.

31 December 2019

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting not applied	0,3		0,3
Electricity derivatives, hedge accounting not applied	0,1		0,1
Financial assets, total	0,4		0,4
Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied	-9,3		-9,3
Financial liabilities, total	-9,3		-9,3

4.12 Shareholders' equity

EUR mill.	Number of shares	Share capital	Share premium fund	Invested unrestricted equity fund	Total
31 Dec 2018	72 048 683	144,1	186,1	250,4	580,6
31 Dec 2019	72 048 683	144,1	186,1	250,4	580,6
31 Dec 2020	72 048 683	144,1	186,1	250,4	580,6

Share capital

The share capital of Stockmann plc is divided into Series A and Series B shares. The minimum number of Series A shares is 18 000 000 and the maximum number is 80 000 000 and the minimum number of Series B shares is 18 000 000 and the maximum number is 100 000 000.

The minimum share capital of Stockmann plc according to the Articles of Association is EUR 75.0 million and the maximum share capital is EUR 300.0 million. The par value of the shares is EUR 2.00 per share. All the shares issued have been fully paid in.

Total amount of registered shares 31 December 2020

pcs	2020	2019
Series A shares	30 530 868	30 530 868
Series B shares	41 517 815	41 517 815
Total	72 048 683	72 048 683

Voting right differences between Series A and B shares

Each Series A share confers the right to cast ten (10) votes at general meetings and each Series B share one (1) vote.

Conversion of Shares

A Series A Share can be converted to a Series B Share upon the demand of a shareholder provided that the conversion can take place within the limits of the minimum and maximum amounts of the share series. A written demand concerning conversion of the company's shares must be made to the company's Board of Directors in the manner specified in the Articles of Association. According to restructuring programme it will be proposed to Annual General Meeting that the company's A and B share series will be combined so that each A share will entitle to receive 1.1 B shares.

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

The share premium fund contains cash payments in excess of the nominal value that were received from share subscriptions, less the transaction costs.

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.

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.	2020	2019
Reserve fund	0,1	0,1
Hedging reserve		-1,3
Other funds	43,7	43,7
Total	43,8	42,5

Other funds comprise

- 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.
- other funds formed from unrestricted shareholders' equity in accordance with a decision by the Annual General Meeting, and which are distributable equity.

Hybrid bond

Total equity includes EUR 105.8 million hybrid bond. A 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 coupon rate of the bond was 10.75 per cent per annum since 31 January 2020. Stockmann can postpone interest payment, if it does not distribute dividends or any other equity to its shareholders. The hybrid bond is unsecured and subordinated to the company's other debt obligations. A holder of hybrid bond notes has no shareholder rights. The hybrid loan is treated as part of the restructuring debt in the restructuring procedure, it is included in equity in statement of financial position according to IFRS and it is not reclassified. According to the confirmed restructuring programme 50 % of the hybrid bond will be cut and the remaining 50 %, if the creditors so wish, will be converted into the company's B shares. If a creditor does not wish to convert the uncut part, this part will also be 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 balance sheet on 31 December 2020, the company has no distributable funds

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 2020, there were no options outstanding that would have had a diluting effect.

EUR mill.	2020	2019
Profit/loss for the period attributable to the equity holders of the parent company	-291,6	-45,6
Accrued interest on the hybrid bond*)		-8,1
Tax effect		1,6
Net effect		-6,5
	-291,6	-52,1
Share issue-adjusted number of outstanding shares, weighted average	72 048 683	72 048 683
From the period result (undiluted and diluted)	-4,05	-0,72

*) 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 and discontinued operations

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. Department store real estate properties in Helsinki, Tallinn and Riga are classified as assets held for sale in the consolidated financial statements 2020.

A discontinued operation is a part of the Group that has been disposed of or classified as held for sale and that fulfils the criteria for classification as a discontinued operation in accordance with IFRS 5. The earnings of discontinued operations are presented as a separate item in the statement of comprehensive income.

Assets classified as held for sale and the relating liabilities

EUR mill.	2020	2019
Intangible assets and property, plant and equipment	246,6	
Other receivables	0,5	
Cash and cash equivalents	0,2	
Deferred tax liabilities	17,0	
Other liabilities	0,4	
Net assets	230,0	

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 has a 67% shareholding in real estate company SIA Stockmann Centrs, which entitles the company to 63% control of the real estate company's premises, so the Group has a 63% involvement in the joint operation. SIA Stockmann Centrs owns a shopping centre property in Latvia. Stockmann's share of the joint operation covers the commercial premises of Stockmann's department store in Latvia. The joint operation is essential for Stockmann.

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.	2020	2019
Non-current assets	13,7	14,2
Current assets	1,6	1,8
Current liabilities	0,2	0,1

Income and expenses of joint operations

EUR mill.	2020	2019
Income	2,2	3,2
Expenses	1,5	1,7

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. The 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

EUR mill.	2020	2019
Provision for onerous contracts		
Provision for onerous contracts 1.1.		14,6
IFRS 16 Transfer against right-of-use assets		-14,6
Carrying amount 31.12.		
Other provisions		
Carrying amount 1.1.	0,0	0,1
Used provisions	-0,0	-0,1
Carrying amount 31.12.		0,0
Non-current provisions total		0,0

Current provisions

EUR mill.	2020	2019
Restructuring provision		
Carrying amount 1.1.	1,1	1,1
Increase in provisions		1,1
Used provisions	-1,1	-1,1
Carrying amount 31.12.		1,1
Provision for onerous contracts		
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		
Carrying amount 1.1.		1,0
Increase in provisions	17,0	
Used provisions		-0,1
Reversal of unused provisions		-0,8
Carrying amount 31.12.	17,0	0,1
Current provisions total	17,0	1,1

Restructuring provision included expenses in accordance with Group strategy.

Other provisions in 2020 include a provision for landlords' claims related to terminated lease contracts.

5.4 Contingent liabilities

Mortgages given as collateral for liabilities and commitments

EUR mill.	2020			2019		
	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	435,4	1 670,0		367,7	1 670,0	
Other commitments		1,7			1,7	
Total	435,4	1 671,7	246,2	367,7	1 671,7	255,4

* Cost method applied

Other collaterals given for own liabilities

EUR mill.	2020	2019
Guarantees	0,2	1,7
Electricity commitments	0,7	1,2
Liabilities of adjustments of VAT deductions made on investments to immovable property	2,9	4,0
Total	3,8	6,9

Contingent liabilities, total

EUR mill.	2020	2019
Mortgages	1 671,7	1 671,7
Guarantees	0,2	1,7
Electricity commitments	0,7	1,2
Liabilities of adjustments of VAT deductions made on investments to immovable property	2,9	4,0
Total	1 675,5	1 678,6

Electricity commitments relate to agreements to buy electricity for certain price in years 2021-2023.

Interest on the hybrid bond

On 17 December 2015, Stockmann issued a hybrid bond of EUR 85 million and further capital securities in amount of EUR 21 million in November 2019. There was no accrued non-recognised interest on the bond at 31 December 2020 due to Stockmann plc restructuring process (EUR 7.5 million in 2019). More information about the hybrid bond is provided in note 4.12.

Investments in real estate

Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2010–2020 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2029, and the maximum liability is EUR 2.9 million (EUR 4.0 million in 2019).

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 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 Ehnååge, CEO, Lindex
- Annelie Frorsberg, CFO, Lindex as of 1 August 2020
- Jukka Naulapää, Director, Legal affairs
- Tove Westermarck, Chief Operating Officer
- Pekka Vähähyppä, CFO

Members of the Board of Directors and Management Team belonging to the Group's related party during financial year 2019:

- Jukka Hienonen, Chairman of the Board of Directors until 21 March 2019
- Lauri Ratia, Chairman of the Board of Directors as of 21 March 2019, executive CEO as of 1 April 2019 until 18 August 2019
- Kaj-Gustaf Bergh, Member of the Board of Directors until 21 March 2019
- Stefan Björkman, Member of the Board of Directors as of 21 March 2019
- Eva Hamilton, Member of the Board of Directors
- Esa Lager, Member of the Board of Directors
- Leena Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Michael Rosenlew, Member of the Board of Directors until 21 March 2019
- Tracy Stone, Member of the Board of Directors
- Peter Therman, Member of the Board of Directors as of 21 March 2019
- Dag Wallgren, Member of the Board of Directors
- Lauri Veijalainen, CEO until 31 March 2019
- Jari Latvanen, CEO as of 19 August 2019
- Susanne Ehnååge, CEO, Lindex
- Mikko Huttunen, Director, Human Resources until 30 June 2019
- Kai Laitinen, CFO until 18 August 2019
- Nora Malin, Director, Corporate Development until 30 June 2019
- Jukka Naulapää, Director, Legal affairs
- Maiju Niskanen, Director, Store Operations until 30 June 2019
- Outi Nylund, Chief Customer Officer as of 1 May 2019 until 30 June 2019
- Anna Salmi, Chief Digital Officer until 30 June 2019
- Elena Stenholm, Director, Real Estate until 30 June 2019
- Tove Westermarck, Chief Operating Officer as of 22 March 2019
- Pekka Vähähyppä, CFO as of 19 August 2019

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 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

Employee benefits of the Chief Executive Officer and other members of the Management Committee, EUR 2019	Chief Executive Officer	Other members of the Management Committee	Total
Short-term employee benefits	862 817	1 760 949	2 623 766
Other long-term employee benefits		85 972	85 972
Employee benefits total	862 817	1 846 921	2 709 738

Remunerations to the Board of Directors, EUR 2019	Fixed annual remuneration *	Remuneration based on participation	Total
Ratia Lauri	80 000	14 300	94 300
Bergh Kaj-Gustaf **		600	600
Björkman Stefan	40 000	7 800	47 800
Hamilton Eva	40 000	7 800	47 800
Hienonen Jukka **		1 100	1 100
Lager Esa	40 000	15 000	55 000
Niemistö Leena	50 000	8 400	58 400
Rosenlew Michael **		1 400	1 400
Stone Tracy	40 000	7 200	47 200
Therman Peter	40 000	11 800	51 800
Wallgren Dag	40 000	12 000	52 000
Remunerations to the Board of Directors total	370 000	87 400	457 400

Fees and remunerations to key personnel total, EUR **3 167 138**

* paid in 66 416 company shares and cash

** resigned from the Board of Directors on 21 March 2019

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 2020 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2020 amounted to EUR 179 600 (EUR 85 972 in 2019).

Other related party transactions

In 2020 the Board members were paid no other compensations.

5.6 Events after the reporting period

Helsinki District Court has approved Stockmann Group's parent company Stockmann plc's restructuring programme on 9th of February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group.

The following pro forma –consolidated financial statements have been prepared to illustrate some effects of the restructuring program and other events after the balance sheet date on the Group's balance sheet items.

Restructuring programme:

Altogether 20% of unsecured restructuring debts will be cut, and the cash payments to be made towards the remaining 80% according to the repayment schedule once a year on 30 April at the latest. The first payment will be made in 2022, and payments will continue until 30 April 2028. The cut 20% will be converted, if the relevant creditor so wishes, into the company's series B shares in a share issue decided upon by the general meeting that will be held after the restructuring programme has been certified by the District Court. The exchange rate is the volume weighted average price of the series B share between 8 April and 27 November 2020, i.e. EUR 0,9106. The pro forma calculation describes the effect on the Group's equity and liabilities if all creditors convert 20% of their receivables into B shares. The remaining 80% of the unsecured restructuring debt is transferred to non-current liabilities.

Altogether half of the hybrid bond loan liabilities will be cut and the remaining 50%, if the creditors so wish, will be converted into the company's B shares at the proposed exchange rate in connection with the same share issue where the conversion of unsecured debts will take place. If a creditor does not wish to have the uncut of its receivable converted, this share will also fully be cut. The cut and the conversion of hybrid bond have no effect on the Group's equity as the hybrid bond has been treated as equity in the consolidated financial statements.

Other events after the reporting period:

Stockmann plc signed an amendment agreement to the lease agreement for the Stockmann department store located on the premises of the Itis Shopping Center on 29 January 2021. The effect of the amendment on the Group's assets, lease liabilities and equity is described in the pro forma calculation.

Pro forma:
Balance sheet items after events after reporting period

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

5.7 Change in accounting policy

The effect of the change in accounting policy on the reported financial statements of previous financial years is presented in the following tables.

Consolidated income statement

EUR mill.	Reported 1.1.-31.12.2019	Adjusted 1.1.-31.12.2019
Depreciation, amortisation and impairment losses	-139,6	-128,8
OPERATING PROFIT/LOSS	13,3	24,1
PROFIT/LOSS BEFORE TAX	-39,3	-28,5
Income taxes	-14,9	-17,1
NET PROFIT/LOSS FOR THE PERIOD	-54,3	-45,6
Earnings per share, EUR:	-0,84	-0,72

Consolidated statement of comprehensive income

PROFIT/LOSS FOR THE PERIOD	-54,3	-45,6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-57,7	-49,1

Key figures of the Group

Key figures, which has been affected by the change in accounting policy:

	Reported 31.12.2019	Adjusted 31.12.2019
Equity ratio, %	38,1	27,8
Net gearing, %	112,4	191,7
Operating profit/loss, % of revenue	1,4	2,5
Equity per share, EUR	11,12	6,52
Return on equity, rolling 12 months, %	-6,6	-6,9
Return on capital employed, rolling 12 months, %	0,9	1,8

Consolidated statement of financial position

EUR million	Reported 1.1.2019	Adjusted 1.1.2019	Reported 31.12.2019	Adjusted 31.12.2019
Land and water	102,5	17,5	100,6	17,5
Buildings and constructions	578,5	245,0	567,1	237,4
Property, plant and equipment, total	1 266,9	848,3	1 219,3	806,5
NON-CURRENT ASSETS, TOTAL	1 947,4	1 528,9	1 889,4	1 476,6
ASSETS, TOTAL	2 361,9	1 943,3	2 103,2	1 690,3
Revaluation surplus	358,2		329,0	
Retained earnings	-212,1	-189,6	-239,6	-241,8
EQUITY, TOTAL	843,7	507,9	800,9	469,6
Deferred tax liabilities	128,3	45,5	125,4	43,8
NON-CURRENT LIABILITIES, TOTAL	1 020,9	938,2	930,0	848,5
EQUITY AND LIABILITIES, TOTAL	2 361,9	1 943,3	2 103,2	1 690,3

The effect of the change in accounting policy to previous periods:

EUR million	2015	2016	2017
Depreciation, amortisation and impairment losses	12,0	11,5	12,2
Income taxes	-2,4	-2,3	-2,4
NET PROFIT/LOSS FOR THE PERIOD	9,6	9,2	9,8
ASSETS, TOTAL	-481,7	-498,4	-494,5
Equity total	-379,7	-387,6	-395,2
Deferred tax liabilities	-102,1	-110,8	-99,3
EQUITY AND LIABILITIES, TOTAL	-481,7	-498,4	-494,5

Stockmann plc

Income Statement, FAS

EUR	Note	1.1.-31.12.2020	% of Rev.	1.1.-31.12.2019	% of Rev.
REVENUE		225 832 154,34	100,0	304 985 802,50	100,0
Other operating income	2	7 100 481,53	3,1	7 237 225,69	2,4
Materials and services					
Materials and consumables:					
Purchases during the financial year		-114 307 160,08		-145 801 784,42	
Change in inventories, increase (+), decrease (-)		-3 622 307,14		-5 807 585,54	
Materials and services, total		-117 929 467,22	52,2	-151 609 369,96	49,7
Wages, salaries and employee benefits	3	-45 775 442,26	20,3	-57 311 858,12	18,8
Depreciation, amortisation and impairment losses	4	-23 710 882,30	10,5	-23 693 871,68	7,8
Other operating expenses	5	-91 690 023,75	40,6	-102 740 141,56	33,7
		-279 105 815,53	123,6	-335 355 241,32	110,0
OPERATING PROFIT (LOSS)		-46 173 179,66	-20,4	-23 132 213,13	-7,6
Financial income and expenses	6	-301 498 504,03	-133,5	-12 752 638,90	-4,2
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-347 671 683,69	-154,0	-35 884 852,03	-11,8
Appropriations	7	5 098 546,17	2,3	35 596 776,49	11,7
Income taxes					
Change in deferred taxes		20 002 166,89			
Income taxes, total		20 002 166,89	8,9		
PROFIT (LOSS) FOR THE PERIOD		-322 570 970,63	-142,8	-288 075,54	-0,1

Stockmann plc

Balance sheet, FAS

EUR	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8		
Intangible rights		15 078 814,94	19 998 618,43
Other intangible assets		212 037,84	282 614,64
Advance payments and construction in progress		1 567 190,38	2 553 117,35
Intangible assets, total		16 858 043,16	22 834 350,42
Property, plant, equipment	9		
Land and water		12 232 609,70	12 232 609,70
Buildings and constructions		239 167 004,98	247 313 359,28
Machinery and equipment		22 984 885,79	25 962 548,33
Modification and renovation expenses for leased premises		3 021 605,21	3 664 047,38
Other tangible assets		54 601,65	54 601,65
Advance payments and construction in progress		5 263 215,54	988 861,16
Property, plant, equipment, total		282 723 922,87	290 216 027,50
Investments	10		
Shares in Group companies		20 663 112,18	292 533 477,95
Other shares and participations		748 761,86	760 443,74
Investments, total		21 411 874,04	293 293 921,69
NON-CURRENT ASSETS, TOTAL		320 993 840,07	606 344 299,61
CURRENT ASSETS			
Inventories			
Materials and consumables		39 214 527,39	42 836 834,53
Inventories, total		39 214 527,39	42 836 834,53
Non-current receivables			
Loan receivables from Group companies		487 410 042,24	755 775 071,55
Other receivables		20 378 068,60	
Non-current receivables, total		507 788 110,84	755 775 071,55
Current receivables	11		
Trade receivables		1 700 458,15	2 285 180,11
Receivables from Group companies		6 563 599,07	24 466 768,88
Other receivables		300 077,12	10 270,07
Prepayments and accrued income		19 247 658,10	8 057 906,77
Current receivables, total		27 811 792,44	34 820 125,83
Cash in hand and at banks	12	56 151 388,28	6 460 561,98
CURRENT ASSETS, TOTAL		630 965 818,95	839 892 593,89
ASSETS, TOTAL		951 959 659,02	1 446 236 893,50

Stockmann plc

Balance sheet, FAS

EUR	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13-14	144 097 366,00	144 097 366,00
Share premium fund		186 346 445,72	186 346 445,72
Invested unrestricted equity fund		255 735 789,28	255 735 789,28
Other funds		43 728 921,17	43 728 921,17
Retained earnings		-229 781 013,28	-229 492 937,74
Net profit (loss) for the financial year		-322 570 970,63	-288 075,54
EQUITY, TOTAL		77 556 538,26	400 127 508,89
ACCUMULATED APPROPRIATIONS	15	70 344 380,32	73 962 926,49
PROVISIONS	16	17 292 677,95	15 664 402,24
LIABILITIES			
Non-current liabilities			
Hybrid bond	17		106 000 000,00
Bonds			250 000 000,00
Loans from credit institutions			116 000 000,00
Accrued expenses and prepaid income			1 315 954,00
Liabilities to Group companies		81 699 444,01	
Non-current liabilities, total		81 699 444,01	473 315 954,00
Current liabilities			
Hybrid bond	18	108 117 103,82	
Loans from credit institutions		488 908 765,08	1 142 730,78
Advances received		853 064,14	961 755,64
Trade payables		59 910 329,06	25 391 126,98
Liabilities to Group companies		963 657,40	352 911 886,10
Other payables		10 853 511,04	58 825 286,48
Accrued expenses and prepaid income	19	35 460 187,94	43 933 315,90
Current liabilities, total		705 066 618,48	483 166 101,88
LIABILITIES, TOTAL		786 766 062,49	956 482 055,88
EQUITY AND LIABILITIES, TOTAL		951 959 659,02	1 446 236 893,50

Stockmann plc

Cash flow statement

EUR	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	-322 570 970,63	-288 075,54
Adjustments for:		
Depreciation and amortisation according to plan	23 710 882,30	23 693 871,68
Impairment losses	373 013 068,59	
Other non-cash income and expenses	1 380 787,95	-4 185 577,14
Financial income and expenses	-62 588 179,41	10 476 808,72
Appropriations	-5 098 546,17	-35 596 776,49
Deferred taxes	-20 002 166,89	
Changes in working capital:		
Increase (-) / decrease (+) of current receivables	-9 972 916,67	8 062 076,34
Increase (-) / decrease (+) of inventories	3 622 307,14	5 807 585,54
Increase (+) / decrease (-) of current non-interest bearing liabilities	23 972 853,72	1 691 778,78
Interest and other financial expenses paid from operating activities	-33 356 621,79	-30 851 781,77
Interest received from operating activities	231 753,21	139 681,36
CASH FLOW FROM OPERATING ACTIVITIES	-27 657 748,65	-21 050 408,52
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-10 794 697,41	-11 150 501,18
Proceeds from disposal of tangible and intangible assets	11 681,88	
Increase (-)/decrease (+) of loan receivables	22 809 511,37	38 327 759,84
Additions to holdings in Group companies	-22 229 094,99	-38 327 759,84
Realised exchange rate difference on the hedge of a net investment *	7 074 744,27	11 055 342,00
Dividends received/return of equity	3 131 069,25	
NET CASH FROM INVESTING ACTIVITIES	3 214,37	-95 159,18
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (-)/decrease (+) of loan receivables	4 463 226,14	8 064 074,87
Proceeds from (+)/ repayments of (-) short-term loans	3 072 180,30	-145 607 916,43
Proceeds from long-term loans	75 809 954,09	529 101 322,62
Repayments of long-term loans	-6 000 000,00	-379 728 195,08
NET CASH FROM FINANCING ACTIVITIES	77 345 360,53	11 829 285,98
Change in cash in hand and at banks, increase (+) / decrease (-)	49 690 826,25	-9 316 281,72
Cash in hand and at banks in the beginning of the financial year	6 460 561,98	15 776 843,70
Cash in hand and at banks at the end of the financial year	56 151 388,28	6 460 561,98

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

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

By its decision on the 8 April 2020 the District Court of Helsinki has ruled to initiate proceedings for Stockmann plc in accordance with the law of corporate restructuring.

At the time of beginning the restructuring programme all existing external liabilities, consisting of bonds, bank loans, commercial papers and hybrid bond, were frozen and are included in restructuring debt.

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 1.2.

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.

Year 2020 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. During the accounting period 2019 deferred taxes were not recognised in parent company's income statement and balance sheet. During the accounting period 2020, a deferred tax asset has been recognized 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.

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 been entered impairment loss for 373m€, of which is directed at shares 187m€ and at loan receivables from Group companies 186m€. 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 recognized as accruals and amortized over the life of the instrument. Transaction cost and loan interest are recognized in the income statement as financial expenses over the life of the instrument.

A hybrid bond is an instrument which is presented under current liabilities. A hybrid bond is subordinated to the company's other debt obligations, but has seniority over other equity items. The holders of a hybrid bond do not possess the same rights as shareholders concerning control or voting at General Meetings of shareholders. Hybrid bond has not

been bearing interest during the company restructuring process. 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 program began on the 8 April 2020. Realised exchange and interest rate differences related to derivative agreements have been entered on an accrual basis as financial income and expenses.

2. Other operating income

EUR	2020	2019
Compensation for services to Group companies	6 587 041,00	7 234 490,30
Other capital gains	241,94	3 600,00
Other operating income	13 198,59	-864,61
Covid-19 cost support	500 000,00	
Total	7 100 481,53	7 237 225,69

3. Wages, salaries and employee benefits expenses

EUR	2020	2019
Salaries and remuneration paid to the CEO	528 270,02	862 817,00
Salaries and remuneration paid to the Board of Directors	333 300,00	457 400,00
Other wages and salaries	37 111 797,54	45 901 425,31
Wages during sick leave	1 127 128,27	1 440 772,87
Pension expenses	5 242 221,16	7 397 165,55
Other employee benefits expenses	1 432 725,27	1 252 277,39
Total	45 775 442,26	57 311 858,12
Personnel, average	1 211	1 422

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 2020 two of the Management Team members had voluntary defined contribution pension insurance taken by the company. The costs of the insurances in 2020 amounted to EUR 179 600 (EUR 85 972 in 2019).

4. Depreciation, amortisation and impairment losses

EUR	2020	2019
Intangible rights	9 243 693,79	8 999 205,33
Buildings and constructions	9 039 360,09	9 063 106,77
Machinery and equipment	4 709 779,45	4 926 723,89
Modification and renovation expenses for leased premises	718 048,97	704 835,69
Total	23 710 882,30	23 693 871,68

5. Other operating expenses

EUR	2020	2019
Site expenses	48 177 169,05	49 734 615,18
ICT expenses	12 342 348,06	10 977 123,72
Marketing expenses	7 068 107,48	13 626 701,93
Professional services expenses	6 085 751,44	12 645 425,00
Goods handling expenses	4 845 601,57	4 183 684,02
Staff leasing expenses	3 210 729,29	4 113 665,47
Rental expenses	836 176,13	2 259 873,96
Voluntary indirect employee expenses	381 796,74	1 219 051,07
Credit losses	128 413,98	29 281,43
Other expenses	8 613 930,01	3 950 719,78
Total	91 690 023,75	102 740 141,56

Auditors' fees

EUR	2020	2019
Auditing	172 974,69	141 000,00
Tax advisory	36 572,68	107 785,00
Other services	40 255,00	251 900,00
Total	249 802,37	500 685,00

6. Financial income and expenses

EUR	2020	2019
Interest income from Group companies	40 458 588,94	41 515 104,45
Dividend from Group companies	19 625 604,79	
Other dividend income	1 619 072,29	
Interest income from parties outside the Group	51 754,57	139 667,83
Interest expenses to Group companies	-3 650 677,85	-14 589 517,67
Interest and other financial expenses to parties outside the Group	-27 280 984,43	-32 473 252,05
Impairment of loan receivables and investments *	-373 013 068,59	
Foreign exchange gains and losses (net)	40 691 206,25	-7 344 641,46
Total	-301 498 504,03	-12 752 638,90

* Impairment of Lindex shares and loan receivables

7. Appropriations

EUR	2020	2019
Difference between depreciation according to plan and depreciation in taxation	3 618 546,17	13 446 776,49
Received Group contributions	1 480 000,00	22 150 000,00
Total	5 098 546,17	35 596 776,49

Non-current assets

8. Intangible assets

Intangible rights

EUR	2020	2019
Acquisition cost 1 January	46 452 471,68	46 244 759,07
Increases		45 635,00
Transfers between items	4 506 179,35	5 798 613,87
Decreases	-10 305 226,64	-5 636 536,26
Acquisition cost 31 December	40 653 424,39	46 452 471,68
Accumulated amortisation 1 January	26 453 853,25	23 091 184,18
Accumulated amortisation on decreases	-10 122 937,59	-5 636 536,26
Amortisation for the financial year	9 243 693,79	8 999 205,33
Accumulated amortisation 31 December	25 574 609,45	26 453 853,25
Book value 31 December	15 078 814,94	19 998 618,43

Other intangible assets

EUR	2020	2019
Acquisition cost 1 January	705 768,85	705 768,85
Acquisition cost 31 December	705 768,85	705 768,85
Accumulated amortisation 1 January	423 154,21	352 577,29
Amortisation for the financial year	70 576,80	70 576,92
Accumulated amortisation 31 December	493 731,01	423 154,21
Book value 31 December	212 037,84	282 614,64

Advance payments and construction in progress

EUR	2020	2019
Acquisition cost 1 January	2 553 117,35	812 960,08
Increases	3 520 252,38	7 538 771,14
Transfers between items	-4 506 179,35	-5 798 613,87
Acquisition cost 31 December	1 567 190,38	2 553 117,35
Book value 31 December	1 567 190,38	2 553 117,35
Intangible assets, total	16 858 043,16	22 834 350,42

9. Tangible assets

Land and water

EUR	2020	2019
Acquisition cost 1 January	6 334 259,12	6 334 259,12
Acquisition cost 31 December	6 334 259,12	6 334 259,12
Revaluations 1 January and 31 December	5 898 350,58	5 898 350,58
Book value 31 December	12 232 609,70	12 232 609,70

Buildings and constructions

EUR	2020	2019
Acquisition cost 1 January	337 854 442,74	336 056 368,11
Increases	14 992,28	181 378,71
Transfers between items	878 013,51	2 508 563,98
Decreases	-1 943 153,67	-891 868,06
Acquisition cost 31 December	336 804 294,86	337 854 442,74
Accumulated depreciation 1 January	115 389 913,80	107 218 675,09
Accumulated depreciation on decreases	-1 943 153,67	-891 868,06
Depreciation for the financial year	9 039 360,09	9 063 106,77
Accumulated depreciation 31 December	122 486 120,22	115 389 913,80
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	239 167 004,98	247 313 359,28

Machinery and equipment

EUR	2020	2019
Acquisition cost 1 January	41 683 101,06	44 635 547,34
Increases	148 698,74	101 615,00
Transfers between items	1 593 554,45	391 990,12
Decreases	-3 127 062,75	-3 446 051,40
Acquisition cost 31 December	40 298 291,50	41 683 101,06
Accumulated depreciation 1 January	15 720 552,73	14 239 880,24
Accumulated depreciation on decreases	-3 116 926,47	-3 446 051,40
Depreciation for the financial year	4 709 779,45	4 926 723,89
Accumulated depreciation 31 December	17 313 405,71	15 720 552,73
Book value 31 December	22 984 885,79	25 962 548,33

Modification and renovation expenses for leased premises

EUR	2020	2019
Acquisition cost 1 January	6 235 325,22	6 411 019,82
Increases		1 519,77
Transfers between items	5 030,00	949,10
Decreases	-55 333,29	-178 163,47
Acquisition cost 31 December	6 185 021,93	6 235 325,22
Accumulated depreciation 1 January	2 571 277,84	2 115 182,54
Accumulated depreciation on decreases	-55 333,29	-178 163,47
Depreciation for the financial year	647 472,17	634 258,77
Accumulated depreciation 31 December	3 163 416,72	2 571 277,84
Book value 31 December	3 021 605,21	3 664 047,38

Other tangible assets

EUR	2020	2019
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	2020	2019
Acquisition cost 1 January	988 861,16	742 388,24
Increases	6 750 952,34	3 147 976,12
Transfers between items	-2 476 597,96	-2 901 503,20
Acquisition cost 31 December	5 263 215,54	988 861,16
Book value 31 December	5 263 215,54	988 861,16
Tangible assets, total	282 723 922,87	290 216 027,50

Revaluations included in balance sheet values

EUR	2020	2019
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	2020	2019
Acquisition cost 1 January	292 533 477,95	254 205 718,11
Increases	22 229 094,99	38 327 759,84
Impairments*	-294 099 460,76	
Book value 31 December	20 663 112,18	292 533 477,95

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

Other shares and participations

EUR	2020	2019
Acquisition cost 1 January	760 443,74	760 443,74
Decreases	-11 681,88	
Book value 31 December	748 761,86	760 443,74
Investments, total	21 411 874,04	293 293 921,69

11. Current receivables**Trade receivables**

EUR	2020	2019
Interest-bearing trade receivables	8 952,18	67 273,30
Non-interest bearing trade receivables	1 691 505,97	2 217 906,81
Total	1 700 458,15	2 285 180,11

Receivables from Group companies

EUR	2020	2019
Group contribution receivables	1 480 000,00	22 150 000,00
Trade receivables	4 811 599,07	2 308 130,88
Prepayments and accrued income		8 638,00
Other current receivables	272 000,00	
Total	6 563 599,07	24 466 768,88

Other receivables

EUR	2020	2019
Other receivables	300 077,12	10 270,07
Total	300 077,12	10 270,07

Prepayments and accrued income

EUR	2020	2019
Derivative receivables	8 938 901,12	263 736,96
Prepayments of interests	3 721 703,62	
Receivable from credit card co-operation	2 189 668,61	2 489 306,60
Periodised ICT expenses	1 622 814,46	933 678,61
Receivable from trademark co-operation	1 000 000,00	1 000 000,00
Periodised loan arrangement expenses	757 796,24	2 184 665,72
Receivables from suppliers	140 650,89	475 139,39
Periodised indirect employee expenses	84 251,00	353 138,04
Taxes and customs duties receivable	200 000,00	200 000,00
Periodised rental and leasing expenses	50 659,17	32 483,00
Other prepayments and accrued income	541 212,99	125 758,45
Total	19 247 658,10	8 057 906,77

12. Cash in hand and at banks

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

13. Changes in equity**Share capital**

EUR	2020	2019
Series A shares 1 January	61 061 736,00	61 061 736,00
Series A shares 31 December	61 061 736,00	61 061 736,00
Series B shares 1 January	83 035 630,00	83 035 630,00
Series B shares 31 December	83 035 630,00	83 035 630,00
Share capital, total	144 097 366,00	144 097 366,00
Share premium fund 1 January and 31 December	186 346 445,72	186 346 445,72
Reserve for invested unrestricted equity 1 January and 31 December	255 735 789,28	255 735 789,28
Other funds 1 January and 31 December	43 728 921,17	43 728 921,17
Retained earnings 1 January	-229 781 013,28	-229 492 937,74
Retained earnings 31 December	-229 781 013,28	-229 492 937,74
Net profit (loss) for the financial year	-322 570 970,63	-288 075,54
Equity, total	77 556 538,26	400 127 508,89

Breakdown of distributable funds 31 December

EUR	2020	2019
Funds	299 464 710,45	299 464 710,45
Retained earnings	-229 781 013,28	-229 492 937,74
Net profit (loss) for the financial year	-322 570 970,63	-288 075,54
Covid-19 cost support	-500 000,00	
Total	-253 387 273,46	69 683 697,17

14. Parent company's shares

Par value EUR 2.00	shares	shares
Series A shares (10 votes each)	30 530 868	30 530 868
Series B shares (1 vote each)	41 517 815	41 517 815
Total	72 048 683	72 048 683

15. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

16. Provisions

Other provisions

EUR	2020	2019
Business restructuring cost	263 677,95	15 664 402,74
Provision on the claims on rental agreements as part of company restructuring debt	17 029 000,00	17 029 000,00
Total	17 292 677,95	15 664 402,74

The Company has terminated some of its lease agreements pursuant to Section 27(1) of the Restructuring Act. 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 will increase considerably total 111m€.

In the notes of consolidated financial statements, note 1.3, has specifications about conditional debts.

17. Non-current liabilities

EUR	2020	2019
Hybrid bond		106 000 000,00
Bonds		250 000 000,00
Loans from credit institutions		116 000 000,00
Accrued expenses and prepaid income		
Accrued site expenses		1 065 900,00
Accrued it expenses		250 054,00
Accrued expenses and prepaid income, total		1 315 954,00
Liabilities to Group companies	81 699 444,01	
Non-current liabilities, total	81 699 444,01	473 315 954,00

In the 2020 annual report hybrid bond and loans from credit institutions are recognised as current liabilities. Liabilities to group companies are recognised as non-current liabilities in the 2020 annual report according to the company restructuring programme.

18. Current liabilities

EUR	2020	2019
Interest-bearing liabilities	488 908 765,08	398 871 099,55
part of company restructuring debt	488 908 765,11	
Non-interest-bearing liabilities	216 157 853,40	84 295 002,33
part of company restructuring debt	166 334 489,57	
Total	705 066 618,48	483 166 101,88

Restructuring debt

EUR	2020	2019
Current interest-bearing restructuring debt		
Secured	435 396 697,51	
Unsecured	53 512 067,60	
Current interest-bearing restructuring debt total	488 908 765,11	
Current non-interest-bearing restructuring debt		
Secured	7 125 683,61	
Unsecured	51 091 702,14	
Hybrid Bond	108 117 103,83	
Current non-interest-bearing restructuring debt total	166 334 489,58	
Restructuring debt related to provisions	17 029 000,00	
Restructuring debt to group companies		
Trade payable to group companies	16 017,80	
Liabilities to group companies	81 683 426,22	
Restructuring debt to group companies total	81 699 444,02	
Restructuring debt total	753 971 698,71	

Liabilities to Group companies

EUR	2020	2019
Trade payables	963 657,39	407 341,61
Other liabilities, interest-bearing*		352 161 929,10
Other liabilities, non-interest-bearing		339 776,56
Accrued liabilities		2 838,83
Total	963 657,39	352 911 886,10

*Other liabilities to group companies represented as current liabilities has been renegotiated during year 2020.

19. Accruals and prepaid income, current

EUR	2020	2019
Accrued interest and other financial expenses	21 168 061,58	13 702 843,99
Accrued personnel expenses	10 263 410,86	11 364 315,99
Accrued site expenses	1 634 435,10	1 136 382,09
Reserve for returns	952 500,00	707 900,00
Periodised purchases of stock items	845 668,75	2 935 613,92
Accrued professional expenses	287 737,02	4 078 970,80
Derivative payables		8 017 283,77
Other accrued expenses and prepaid income	308 374,63	1 990 005,34
Total	35 460 187,94	43 933 315,90

20. Contingent liabilities

Mortgages given as collateral for liabilities and commitments

EUR	2020	2019
Loans from credit institutions	442 522 381,12	367 142 730,78
Mortgages given	1 671 681 800,00	1 671 681 800,00
Book value of the assets	251 515 192,46	367 220 938,93
Guarantees	30 000,00	150 000,00
Security pledged on behalf of the company, total	1 671 711 800,00	1 671 831 800,00

Security pledged on behalf of Group companies

EUR	2020	2019
Rent guarantees	4 380 796,74	5 564 051,92
Other guarantees	28 196 692,71	32 199 271,58
Total	32 577 489,45	37 763 323,50

Security pledged, total

EUR	2020	2019
Mortgages	1 671 681 800,00	1 671 681 800,00
Guarantees	32 607 489,45	37 913 323,50
Total	1 704 289 289,45	1 709 595 123,50

21. Liability engagements and other commitments

EUR	2020	2019
Rental commitments *	110 110 012,00	306 834 710,00
Electricity commitments	693 646,00	1 205 734,00
Leasing commitments	898 726,04	1 158 467,92
Total	111 702 384,04	309 198 911,92

* Events after the reporting period: rental commitments of shopping center Itis have changed

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2011-2020, if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2030, and the maximum liability is 2 911 280 EUR. In 2019 the maximum liability was EUR 3 998 482.

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
Oy Suomen Pääomarahoitus - Finlands Kapitalfinans Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	100	100

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 PL Sp.z.o.o., Warsaw	100	100
Lindex UK Fashion Ltd, London	100	100
Lindex Commercial (Shanghai) Co.Ltd., Shanghai	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

District Court of Helsinki has approved Stockmann plc's restructuring programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki and Tallinn and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The key content of the restructuring programme is described as notes to consolidated financial statements.

Rental agreement of department store located in shopping center Itis has been renegotiated and as a result of the negotiations the rental commitments will diminish 28m€. Rental commitments will be after this totally 82m€.

The effects of restructuring programme on balance sheet items are presented in Pro forma calculation.

Pro forma:**Equity and liabilities according to the company restructuring programme**

EUR Mill.	Reported 31.12.2020	Unsecured debt conversion to shares	Hybrid bonds conversion and cut	Non-current part of unsecured debt	Pro forma Balance sheet
EQUITY					
Share capital	144,1				144,1
Share premium fund	186,3				186,3
Invested unrestricted equity fund	255,7	24,3	54,1		334,1
Other funds	43,7				43,7
Retained earnings	-229,8				-229,8
Net profit (loss) for the financial year	-322,6		54,1		-268,5
EQUITY, TOTAL	77,6	24,3	108,1		210,0
LIABILITES					
Non-current liabilities	81,7			97,3	179,0
Current liabilities	705,1	-24,3	-108,1	-97,3	475,3
LIABILITES, TOTAL	786,8	-24,3	-108,1		654,3

Restructuring programme and other events:

Altogether 20% of unsecured restructuring debts will be cut, and the cash payments to be made towards the remaining 80% according to the repayment schedule once a year on 30 April at the latest. The first payment will be made in 2022, and payments will continue until 30 April 2028. The cut 20% will be converted, if the relevant creditor so wishes, into the company's series B shares in a share issue decided upon by the general meeting that will be held after the restructuring programme has been certified by the District Court. The exchange rate is the volume weighted average price of the series B share between 8 April and 27 November 2020, i.e. EUR 0,9106. The pro forma calculation describes the effect on the company's equity and liabilities if all creditors convert 20% of their receivables into B shares. The remaining 80% of the unsecured restructuring debt is transferred to non-current liabilities.

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

The effects of the sale of real estates nor the effects of possible sale and leaseback arrangements of real estates is not recognized in pro forma calculation.

Board proposal for disposal of net result of the financial year

According to the parent company's balance sheet at 31 December 2020 the company does not have distributable funds. The Board of Directors proposes that the net result of the financial year 2020 will be carried further in the retained earnings.

Helsinki, 4 March 2021

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

BOARD OF DIRECTORS

Lauri Ratia

Stefan Björkman

Esa Lager

Leena Niemistö

Tracy Stone

Dag Wallgren

CEO

Jari Latvanen

Our auditor's report has been issued today.

Helsinki, 8 March 2021

Henrik Holmbom
Authorised Public Accountant

Marcus Tötterman
Authorised Public Accountant



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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

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, 2020. 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, financial performance and 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Stockmann plc Corporate restructuring impact on financial reporting (Refer to notes 1.2, 1.3, 1.4, 1.5, 5.1 and 5.3 to the consolidated financial statements and notes 1, 16 and 18 to the parent company financial statements)	
<ul style="list-style-type: none">— Stockmann plc filed for Corporate restructuring on April 6 and the proposal for the restructuring programme was submitted on December 14, 2020. The court approval was announced on February 9, 2021 in accordance with the proposal.— The Corporate restructuring has triggered several events and changes impacting the financial reporting in 2020 both for the consolidated and parent company financial statements.<ul style="list-style-type: none">— As the Corporate restructuring was initiated, financial liabilities including payments terms were defined as restructuring debt in accordance with the law of corporate restructuring. Consequently, the repayment of the restructuring debt will take place in 2021 and onwards in accordance with the restructuring programme.— As at 31.12.2020 the entire restructuring debt is classified as short term.— During the Corporate restructuring all department store- and office lease agreements were renegotiated, decreasing the IFRS 16 Leases	<ul style="list-style-type: none">— We have assessed the Corporate restructuring proceedings and the restructuring programme and their impacts on the basis of preparation, accounting treatment and related information disclosed in the consolidated and parent company financial statements.— Our audit procedures included, among others:<ul style="list-style-type: none">— We investigated the report issued by the Administrator related to corporate restructuring proceedings and the proposal for restructuring programme.— We evaluated how the various classes of the restructuring debt are reflected in the financial statements.— We evaluated the principles and calculations in determining the lease liabilities of the renegotiated lease agreements.— We assessed the treatment of the department store properties including related liabilities as assets held for sale and related liabilities.— In addition, we assessed the appropriateness and the adequacy of the overall information disclosed in the financial statements including the presentation of subsequent events information.

standard lease liabilities, Right of use assets and lease receivables.

- In accordance with the restructuring programme Stockmann will sell and lease-back its department store properties.
- Due to several different classes of liabilities concerned and complex circumstances Stockmann plc Corporate restructuring and its impacts on financial reporting is considered a key audit matter.

Valuation of goodwill and trademark / parent company investment in Lindex
(Refer to notes 1.4 and 3.2 to the consolidated financial statements and notes 1 and 6 to the parent company financial statements)

- In 2020 an impairment of € 250 million for Lindex goodwill was recognized in the consolidated income statement. An impairment of € 373 million for the investment in Lindex was recognized in the parent company income statement.
 - The remaining goodwill and the trademark balances carried in the consolidated statement of financial position totalled € 368 million as at December 31,2020, and is entirely related to the Lindex segment.
 - Impairment testing of the Lindex cash-generating unit performed by management relies on estimates of value in use and considers the uncertainty arisen from Covid-19 pandemic.
 - Determining the key assumptions underlying the impairment calculation requires management to make judgements for example in respect of sales growth, profitability and discount rate.
 - Due to the uncertainty related to the projections used in the testing, and the significance of the carrying amounts involved, the valuation of goodwill and trademark and parent company investment
- We have assessed the impairments recognized in 2020 of the goodwill in the Consolidated Financial Statements and the Parent company investment in Lindex and the year-end impairment testings.
 - We involved KPMG valuation specialists and our audit procedures included, among others:
 - We challenged the appropriateness of the key assumptions used in the impairment calculations.
 - We compared the key assumptions used in the impairment calculations, such as cash flows forecasts, discount rates and growth estimates, to the forecasts determined by the Group, market data derived from external sources and to Stockmann's own historical data from the previous financial years.
 - We tested the arithmetical accuracy of the impairment calculations.
 - We considered the disclosures in respect of impairment testing, including an assessment of the appropriateness and the adequacy of the information provided on the key assumptions and the sensitivity analyses.

in Lindex was deemed to be a key audit matter.

Monitoring and valuation of inventories **(Refer to notes 1.4 and 2.4 to the consolidated financial statements)**

- Stockmann carries out its business through a wide network of department-, fashion- and online stores, both in Finland and abroad. This increases the importance of functional IT systems, internal controls and management monitoring to ensure the accuracy of inventory balances and the appropriate valuation of inventories.
 - The Group sells fashion goods and other goods being subject to changing consumer demands and fashion trends.
 - The valuation of inventories involves management judgement and assessment in relation to obsolete inventory and net realisable value and therefore considered a key audit matter.
- Our audit procedures included, among others:
- We assessed the appropriateness of the inventory control process and reports used by the management for monitoring purposes.
 - In respect of the Group's inventory-related IT systems, associated system access controls and IT security, we assessed the control environment and the effectiveness of system-based controls.
 - We attended physical inventory counts at selected locations and assessed the appropriateness of the stock taking processes in the Group's central warehouses.
 - We performed data analysis to test the accuracy of inventory pricing and the reliability of calculations used for inventory valuation purposes.
 - We assessed the principles applied for inventory valuation and the adequacy of the write-downs recognised.

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 a 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 about 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 the 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

KPMG Oy Ab or auditors representing the audit firm have served as auditors of Stockmann plc for an uninterrupted period of at least 30 years. The undersigned were appointed as auditors by the Annual General Meeting in spring 2015, and have uninterruptedly served for six years.

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 the 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, 8 March 2021

HENRIK HOLMBOM
Authorised Public Accountant, KHT

MARCUS TÖTTERMAN
Authorised Public Accountant, KHT