

STOCKMANN GROUP
FINANCIAL REVIEW
2023



LINDEX



STOCKMANN

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REPORT BY THE BOARD OF DIRECTORS

The Stockmann Group's consolidated revenue in 2023 was EUR 951.7 (981.7) million. The revenue decreased by 3.1% but increased by 1.6% in local currencies. Gross margin was 58.2% (57.9). The adjusted operating result was EUR 80.0 million (79.8, and improved significantly in local currencies). Operating result was EUR 76.5 (154.9) million. The comparison year result was impacted by the capital gain of EUR 95.4 million from selling the real estates in Helsinki city centre and in Riga and a EUR 15.9 million provision related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision. Earnings per share were EUR 0.33 (0.65). Adjusted earnings per share were EUR 0.16 (0.24). The Board of Directors will propose for the Annual General Meeting, that no dividend will be paid for the financial year 2023.

Guidance for 2024:

In 2024, the Stockmann Group expects its revenue to increase by 1-3% in local currencies compared to 2023. The Group's adjusted operating result is estimated to be EUR 70-90 million. Foreign exchange rate fluctuations may have a significant effect on the adjusted operating result.

Market outlook for 2024:

The market environment in 2024 is expected to remain challenging. The macroeconomic situation in Europe remains uncertain due to the continuing geopolitical instability. High interest rates and inflation are holding back economic growth, and the retail sector may be affected by lower consumer demand. Forecasts are indicating a stagnant GDP (Gross Domestic Product) development or slow growth in the company's key markets. Inflation is forecasted to continue declining from high to targeted levels. The situation may vary between the Group's markets. Disruptions in supply chains and international logistics during the year cannot be excluded either.

STRATEGIES AND FINANCIAL TARGETS

The Stockmann Group's two divisions, Lindex and Stockmann, have their own strategies. The divisions share the view that customer centricity, an omnichannel approach, and strong brands are key strategic factors in building future growth. On November 13, 2023, Stockmann Group published updated strategies and new financial targets for the Lindex and Stockmann divisions.

The Lindex division's strategy builds on Lindex's purpose of empowering and inspiring women everywhere, targeting sustainable and profitable growth. The division's three strategic must-win areas are to accelerate growth, transform into a sustainable business, and decouple cost from growth. The Lindex division's financial targets and outcomes for 2023 and 2022 are presented in the table below.

Financial targets for the Lindex division	2023	2022
3–5% annual local currency revenue growth in the mid-term and reaching an annual revenue of SEK 10 billion by 2030, %	2.7	10.9
30% digital share of revenue in the mid-term, %	19.0	18.5
15% adjusted operating margin in the long-term, %	14.3	13.6

The Stockmann division's customer-centric strategy builds on Stockmann's purpose of being a marketplace for a good life and aims to achieve profitable and sustainable growth. The division's three strategic must-win areas are to elevate offering, grow and leverage the loyal customer base, and ensure a seamless omnichannel experience. The Stockmann division's financial targets and the outcomes for 2023 and 2022 are presented in the table below.

Financial targets for the Stockmann division	2023	2022
Revenue growth in line with market *) growth in the mid-term, %	-0.6**)	10.0
Reaching a positive free cash flow in the mid-term, EUR mill. ***)	-12.0	-20.9
5% adjusted operating margin in the mid-term, %	-2.0	-1.7

*) Stockmann addressable market in Finland, Latvia and Estonia, comprising of fashion, beauty and home categories. Market growth was 2.7% in 2023 and 7.0% in 2022.

***) The Stockmann division's revenue was negatively affected by the reduced size of the Stockmann Itis department store.

***) Free cash flow is calculated as EBITDA - adjustments - lease payments +/- changes in net working capital - capital expenditure.

The Stockmann Group has developed a science-based climate plan and target for the entire Group and its value chain. The Group aims to reduce the climate emissions from its own operations and its value chain by 42% by 2030 compared to 2022. Stockmann signed the Science Based Targets initiative (SBTi) in autumn 2021 and submitted its climate target to SBTi in October 2023. The Group expects SBTi to validate its climate target during 2024.

STRATEGIC ASSESSMENT

On 25 September 2023, Stockmann plc's Board of Directors decided to initiate a strategic assessment to crystallise shareholder value by refocusing the Group's business on Lindex. As part of the strategic assessment, Stockmann plc is considering a name change to Lindex Group and will investigate strategic alternatives for the Stockmann department stores business.

The possible name change would better reflect the Lindex division's role in the Group's business. Lindex represents over two thirds of the Stockmann Group's revenue and over the last years, Lindex has been the main profit contributor within the Stockmann Group. This possible name change would not impact the Stockmann department stores, which would continue to operate under the Stockmann brand.

As part of the investigation of strategic alternatives for Stockmann's department stores business, the company will evaluate the best environment for developing the business in the future. These options will include increasing the business' independence within the Group, considering possible ownership changes or strategic partnerships, or continuing under the current structure. The strategic assessment will not have any immediate impact on the Stockmann department stores' brand or its daily business operations, which will continue with full commitment on their ordinary course.

Decisions relating to a possible proposal on a name change, which would ultimately be subject to a decision by Stockmann plc's general meeting, will be made at a later date. Stockmann expects the strategic assessment to be finalised during 2024. Stockmann will provide an update on the strategic assessment if, and when, appropriate.

OPERATING ENVIRONMENT

The operating environment of the Stockmann Group continued to be challenging throughout the year in 2023. Geopolitical tensions, high inflation and rising interest rates weakened both consumer confidence and purchasing power. The development was seen in all markets of the Stockmann Group. However, towards the latter part of the year, the inflation slowed down and was in some markets getting closer to the target levels. The global easing of supply chain challenges, reduced input costs in some areas and declining energy costs supported the economies in bringing inflation down.

The EU Commission's recent Business and Consumer Survey reported a slightly positive trend towards the year-end. The Economic Sentiment Indicator (ESI) and Employment Expectations Indicator (EEI) improved in the EU area. Retail trade confidence stabilised in December after a declining trend. Consumer confidence also increased due to improved assessments of household finances, optimism about the general economic situation, and intentions to make major purchases. However, there are variations in economic situations and consumer sentiment among different countries. (Source: The EU Commission's Business and Consumer Survey.)

In terms of the development of the fashion market, sales in the Swedish fashion market showed a 1.1% increase from January to December. Although the market development was relatively flat throughout the year and partly even negative, there was some improvement, particularly during the summer months. (Source: Swedbank Pay & Swedbank Makroanalys.) In Finland, fashion sales declined by 0.4% in January–December. Despite higher sales at the beginning of the year, there was a decrease during the second half of the year. (Source: Fashion and Sports Commerce association.)

Throughout the year, the Group was challenged by high inflation, which negatively impacted operating costs. However, the impact was mitigated by cost-saving measures. Currency fluctuations played a significant role as the all-time high USD against SEK adversely affected the purchasing prices of Lindex's raw materials and freights. Furthermore, the weaker SEK and NOK compared to EUR had a substantial impact on the overall financials of the Group.

REVENUE AND EARNINGS, STOCKMANN GROUP

In January–December, the Stockmann Group's revenue decreased to EUR 951.7 (981.7) million but increased in local currencies by 1.6%. The Lindex division's revenue decreased by 4.2% and increased by 2.7% in local currencies. The Stockmann division's revenue decreased slightly by 0.6%.

The Group's gross profit declined to EUR 554.2 (568.3) million, which is explained by the currency impact on the Lindex division's gross profit, as well as lower sales and gross margin in the Stockmann division.

The Group's gross margin improved to 58.2% (57.9). Lindex contributed to this improvement by enhancing its gross margin through improved cost-efficiency in sourcing and supply chain as well as strategic price adjustments, helping to offset the impact of the more expensive USD. The Stockmann division's gross margin lowered as a result of the higher share of price-driven campaigns and clearance sales.

Other operating income decreased to EUR 2.6 (99.6) million as the comparison year included the capital gain of selling real estates in Riga and Helsinki, which amounted to EUR 95.4 million. The capital gain was treated as an item affecting comparability. The comparison year also included retroactive governmental support of EUR 3.1 million for Lindex and EUR 0.7 million for the Stockmann division.

Operating costs decreased to EUR 380.1 (409.8) million. The comparison period's costs included the EUR 15.9 million provision for the LähiTapiola arbitration decision. Inflation had an impact on the costs in both divisions, coupled with costs for strategic investments in digitalisation and future growth. However, successful cost-saving actions and on-going process automation helped to mitigate the cost increases. Additionally, the positive currency impact on the costs of the Lindex division contributed to these efforts.

The adjusted operating result improved slightly to EUR 80.0 (79.8) million and improved significantly in local currencies. The Lindex division's adjusted operating result strengthened significantly in local currencies, driven by higher sales, improved gross margins and effective cost-efficiency. However, the positive development was negatively impacted by currency exchange rates. The Stockmann division's adjusted operating result weakened due to the reduced size of the Stockmann Itis department store, a higher share of price driven campaigns and clearance sales as well as higher depreciations for leases. The Stockmann division implemented successful cost-efficiency measures, which mitigated the decline in adjusted operating result.

The operating result declined to EUR 76.5 (154.9) million. The comparison year's operating result includes the capital gain of EUR 95.4 million from the sale of real estate in Riga and Helsinki as well as the EUR 15.9 million provision for the LähiTapiola arbitration decision.

ITEMS AFFECTING COMPARABILITY (IAC)

EUR million	1–12/ 2023	1–12/ 2022
Operating result (EBIT)	76.5	154.9
<i>Adjustments to EBIT</i>		
Gain on sales of real estate		-95.4
Gain on lease modifications of sale-and-leaseback items	-2.1	
Costs for disputed, conditional and maximum restructuring debt	1.1	18.1
Corporate restructuring cost	1.6	1.6
Costs related to transformation of organisation	2.3	0.4
Loss on disposal of subsidiary shares	0.6	
Costs related to the war in Ukraine		0.5
Employee insurance refund		-0.3
Adjusted operating result (EBIT)	80.0	79.8

FINANCING AND CASH FLOW

At the end of December, cash and cash equivalents totalled EUR 137.5 (167.9) million.

The Stockmann Group's full year operating free cash flow excluding the investment in Lindex omnichannel distribution centre strengthened significantly to EUR 70.8 (39.6) million with improvements in both divisions. The Lindex division's operating free cash flow excluding the omnichannel distribution centre investment totalled EUR 86.7 (65.3) million. This was explained by both stronger sales in local currencies, improved gross margin and reduced inventories. The Stockmann division also improved its operating free cash flow substantially to EUR -12.0 (-20.9) million, primarily explained by lower net working capital.

For the full year, the total cash flow was EUR -30.3 (-45.8) million. The cash flow was positively affected by improved business operations within both profitability and lower inventories, but negatively affected by higher tax payments. The comparison year was impacted by a repayment of VAT loans of EUR 40 million for Lindex as well as Stockmann plc's restructuring process.

Investments affected the full-year cash flow by EUR 65.8 (62.7) million. The key investments were the Lindex division's omnichannel distribution centre amounting to EUR 43.0 (38.4) million and digitalisation investments for both the Lindex and Stockmann divisions.

At the end of December, total inventories were EUR 162.9 (174.2) million. The Lindex division's inventories decreased, due to both good inventory management and less goods in transit. The Stockmann division's inventories remained at the comparison year level.

At the end of December, the Group had the interest-bearing liability of a non-current senior secured bond of EUR 71.9 (67.5) million. The increase in the bond liability is explained by some creditors choosing the bond as a payment of undisputed restructuring debts. The lease liabilities under the IFRS 16 reporting standard totalled EUR 587.2 (554.8) million, where the lease liabilities related to the Stockmann division were EUR 329.5 (287.7) million and to the Lindex division EUR 257.6 (267.1) million. Excluding the IFRS 16 lease liabilities, the interest-bearing net debt was positive at EUR 65.6 (100.4) million. In the third quarter, the Group signed a loan agreement for a revolving credit facility of EUR 40 million, which has not been used.

The equity ratio was 29.9% (26.2) and net gearing 133.2% (135.4) at the end of December. IFRS 16 lease liabilities has a significant impact on the equity ratio and net gearing. Excluding IFRS 16 lease liabilities, the equity ratio was 60.6% (53.4) and net gearing was -12.8% (-22.3).

The Group's capital employed at the end of December was EUR 1 050.7 (957.9) million and EUR 587.6 (517.1) million excluding IFRS 16 lease liabilities.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 65.1 million (62.5) in January–December. Most of the capital expenditure was used for the Lindex division's new omnichannel distribution centre (EUR 43.3 million), but also for the Lindex and the Stockmann divisions' digitalisation projects and omnichannel development (EUR 21.8 million).

The Lindex division's new omnichannel distribution centre will be an important enabler for continued growth and improved efficiency. The new omnichannel warehouse will manage the supply of goods to all the fashion company's stores, as well as managing the strongly growing digital sales and the company's third-party collaborations with global fashion platforms. The investment is the largest in the Lindex division's history and amounts to approximately EUR 110 million between 2022 and 2025. Until the fourth quarter of 2023, EUR 82 million of the total investment sum had been used for the project.

REVENUE AND EARNINGS BY DIVISION

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

LINDEX DIVISION

	1–12/ 2023	1–12/ 2022
Revenue, EUR mill.	633.1	661.1
Gross profit, EUR mill.	414.4	423.7
Gross margin, %	65.4	64.1
Adjusted operating result, EUR mill.	90.3	90.0
Operating result, EUR mill.	89.1	90.3
Capital expenditure, EUR mill.	57.9	55.3

The Lindex division's revenue decreased to EUR 633.1 (661.1) million, but in local currencies it increased by 2.7% with growth both in physical stores and digital channels. The digital sales accounted for 19.0% (18.5) of total Lindex sales. Sales improved in all main markets despite the challenging market situation and lingerie was the best performing category.

The gross profit declined to EUR 414.4 (423.7) million, but increased in local currencies due to improved sales and a stronger gross margin. The gross margin improved to 65.4% (64.1) due to improved cost-efficiency in sourcing and supply chain. Certain adjustments to pricing have been implemented in response to rising procurement costs resulting from the strengthened USD.

Operating costs decreased to EUR 253.6 (260.1) million explained by the currency effect. In local currencies, inflation and strategic investments in digitalisation and future growth increased costs, but the raise was partly mitigated by successful cost saving actions.

The Lindex division's adjusted operating result strengthened slightly to EUR 90.3 (90.0) million and improved significantly in local currencies by 6.3%. The key reasons for the improvement were increased sales and gross margin together with strong cost focus. Lindex's operating result was EUR 89.1 (90.3) million. The slight decline in the operating result was related to the costs of organisational changes.

Capital expenditure during the period was EUR 57.9 (55.3) million. It was mainly related to the ongoing construction of the new omnichannel distribution centre, which is planned to be taken into operation in 2024.

In 2023, Lindex opened 8 new stores and closed 5 stores.

STOCKMANN DIVISION

	1–12/ 2023	1–12/ 2022
Revenue, EUR mill.	318.5	320.6
Gross profit, EUR mill.	139.8	144.6
Gross margin, %	43.9	45.1
Adjusted operating result, EUR mill.	-6.3	-5.4
Operating result, EUR mill.	-5.6	71.2
Capital expenditure, EUR mill.	7.2	7.2

The Stockmann division's revenue was EUR 318.5 (320.6) million. Revenue in Finland totalled EUR 242.8 (245.5) million and in the Baltics EUR 75.8 (75.1) million. The digital sales accounted for 12.4% (12.6) of total sales. Excluding the negative impact of the reduced size of the Stockmann Itis department store, the division would have increased its revenue. The best performing categories were cosmetics and food while fashion sales remained at the comparison year level.

The gross profit declined to EUR 139.8 (144.6) million due to lower gross margin. The gross margin decreased to 43.9% (45.1) explained by the higher share of clearance sales and price-driven campaigns.

The Stockmann division's operating costs, excluding depreciations, decreased to EUR 119.5 (143.1) million. The division's cost saving actions accounted for EUR 7.7 million of the decline, while the rest is explained by the EUR 15.9 million provision related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision.

The adjusted operating result declined to EUR -6.3 (-5.4) million due to lower sales, an increased share of price-driven campaigns and clearance sales as well as higher depreciations for leases. However, the division successfully implemented cost-efficiency measures that mitigated the decline in adjusted operating result. The operating result weakened to EUR -5.6 (71.2) million. The comparison period's result included a capital gain of EUR 95.4 million from selling the real estates in Helsinki and Riga as well as the provision related to LähiTapiola.

Capital expenditure was EUR 7.2 (7.2) million, which is mainly related to the department store renewals in Helsinki and Turku as well as the concept change in Itis but also to investments in digital growth and omnichannel capabilities.

SHARES AND SHARE CAPITAL

At the end of December, Stockmann had a total of 158 715 555 shares.

According to the restructuring programme, the company may not distribute the company's assets to shareholders during the implementation of the repayment schedule under the restructuring programme.

At the end of December, the share capital was EUR 77.6 million and the market capitalisation stood at EUR 460.3 million (307.1). The price of a STOCKA share was EUR 2.90 (1.97) at the end of December 2023. In January–December, the highest price of a STOCKA share was 3.03 (3.26) and the lowest price was 1.68 (1.46). A total of 47.4 million shares were traded on Nasdaq Helsinki in January–December. This corresponds to 30.1% of the average number of shares.

The company does not hold any of its own shares, and the Board of Directors has no valid authorisations to purchase company shares. At the end of December, Stockmann had 42 328 (44 289) shareholders. Foreign ownership was 24.1% (23.8).

BUSINESS CONTINUITY, RISKS AND UNCERTAINTIES

The Stockmann Group is exposed to risks that arise from the operating environment, risks related to the company's own operations and supply chain as well as financial risks.

Macroeconomic situation

High inflation and interest rates negatively impact the Stockmann Group's cost structure and customers' purchasing power. The effect may also be seen in changing customer behaviour and shifts in demand in different product categories. The future macroeconomic situation may have an impact on the asset valuation. Interest rate fluctuations may also have an impact on goodwill impairment testing through discount rates.

Exchange rates

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 financial performance of the Group's business operations. The Group is currently only partly hedging the transactional risks due to the corporate restructuring.

Seasonality

The Stockmann Group's business is affected by normal seasonal fluctuations during the year. The revenue in the first quarter is typically low and revenue in the second and fourth quarter are typically higher. Fashion accounts for approximately 80% of the Group's revenue, and fashion sales are affected by trends and weather conditions. In addition, the timing of the Crazy Days campaign in the Stockmann division has a significant impact on the revenue and operating result in the quarters when it is organised.

Supply chain and logistics

In the retail sector, the value chain of products contains many stages and involves risks related to ensuring human and labour rights, environmental topics, and ethical business conduct. In addition, unexpected issues in the supply chain may increase costs. As the Group's supply chain is global, unexpected logistics problems could increase freight costs and lead times.

Information and cyber security

Professional cybercrime has increased the risk of cyber-attacks, which could cause interruptions in the information systems as well as affect the privacy of customer or personnel data.

Restructuring programme

The restructuring programme is proceeding according to plan, which means that all of Stockmann's department store properties have been sold and all interest-bearing debt has been paid except for a bond of EUR 71.9 million. There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end.

DISPUTES RELATED TO THE RESTRUCTURING PROCESS

All confirmed undisputed debts have been duly paid. There were still three disputed claims left at the end of December with the total amount of EUR 43.7 million. By end of December 2022, the comparable disputed amount was EUR 61.3 million. The remaining disputed claims are related to the termination of long-term leases of premises, where the creditors claim payment for all remaining years in the terminated lease contracts. The supervisor of the restructuring programme has disputed the claims and considered it justified to pay 18 months' compensation for the leases.

Stockmann has made a provision of EUR 18.0 million for the disputed claims and has ongoing discussions with creditors and the supervisor of the restructuring programme to solve the disputes. If they are not solved with the creditors and the Administrator, the disputes will be settled in the District Court. After respective claims have been solved or settled, the creditors will be entitled to convert their receivable to shares and bonds.

LähiTapiola Keskustakiinteistöt Ky, the landlord of Stockmann's Tapiola department store, initiated arbitration proceedings against Stockmann in which the company demanded up to EUR 43.4 million in compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The supervisor of the restructuring proceedings disputed the demand of LähiTapiola Keskustakiinteistöt Ky in the restructuring programme to the extent that it exceeds EUR 3.5 million. In connection with the same, LähiTapiola Keskustakiinteistöt Ky filed a claim against Stockmann, Stockmann AS and the supervisor at the Helsinki District Court to leave the matter in abeyance. On 31 August 2022, the Arbitration Court in its arbitration decision partially rejected the claims of LähiTapiola Keskustakiinteistöt Ky and confirmed that the compensation to be paid to LähiTapiola Keskustakiinteistöt Ky is EUR 19.3 million, of which a previously agreed undisputed amount of EUR 3.4 million was converted to shares and paid. Stockmann has filed a claim in the District Court regarding the nullity and the application for annulment regarding the decision given in the arbitration proceedings between LähiTapiola Keskustakiinteistöt Ky and Stockmann. As a result, EUR 15.9 million is seen as a disputed case again. The remaining compensation to be paid is recognised as a provision and will be re-classified as restructuring debt after the confirmation of the Court. An arbitration procedure separate from Stockmann plc's arbitration procedure is in progress between LähiTapiola and Stockmann AS concerning the amount of compensation to be paid to LähiTapiola as part of the restructuring proceedings, as well as a separate dispute in the Helsinki District Court. In addition, concerning this same amount of compensation, a dispute is in progress between the supervisor and LähiTapiola. The supervisor deems LähiTapiola's receivable to be under dispute until the claims mentioned above have been finally resolved. The supervisor has announced to the company and the Helsinki District Court that the supervisor will not request the District Court to amend the restructuring programme based on the arbitration decision while the receivable is under dispute. It is the supervisor's view that no payment based on the arbitration decision must be made to LähiTapiola while the amount of the receivable is under dispute, because the company, the supervisor and Stockmann AS consider the arbitration decision to be erroneous. LähiTapiola has applied to the Helsinki District Court to amend Stockmann's restructuring programme so that the amount of the restructuring debt, based on the arbitration decision, would be confirmed at EUR 19.3 million. Stockmann, Stockmann AS and the

supervisor objected to the application because the claimed amount is still disputed. The District Court and Court of Appeal have rejected LähiTapiola's application. LähiTapiola has applied for leave to appeal to the Supreme Court.

Nordika II SHQ Oy, the landlord of Stockmann's former Takomotie office space, has filed a claim with the Helsinki District Court in which the company demands compensation amounting to a maximum of EUR 14.5 million from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. This claim has been disputed by the supervisor of the restructuring programme to the extent that it exceeds EUR 1.3 million. The EUR 1.3 million was converted to shares and paid in March 2022, but the difference is still a claim. In the same claim, Nordika II SHQ Oy has named the supervisor and Stockmann as respondents.

Tampereen Seudun Osuuspankki, the second lessor of the Tampere department store, has initiated proceedings at the Pirkanmaa District Court in which the company demands up to EUR 14.5 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. In the restructuring programme, the supervisor has disputed the claim presented by Tampereen Seudun Osuuspankki during the restructuring proceedings (at which time the maximum amount of the claim was EUR 17.7 million) to the extent that it exceeds EUR 2.0 million. After the financial year, Stockmann and Tampereen Seudun Osuuspankki reached a settlement agreement, which ends the disputed claims between the parties concerning the restructuring programme. More information in the chapter 'Events after the financial year'.

The company's Board of Directors decided on 21 June 2023, in accordance with the restructuring programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 2 835 349 new shares of the company in deviation from the shareholders' pre-emptive subscription rights to such creditors of the company whose previously conditional or disputed restructuring debts under the restructuring programme were confirmed to their final amounts by 24 May 2023. The new shares were registered with the Finnish Trade Register on 22 June 2023.

DISCLOSURE OF NON-FINANCIAL INFORMATION

The Stockmann Group is an international retail group with two divisions: Lindex and Stockmann. Lindex is a global fashion company with a purpose to empower and inspire women everywhere. It is a market leader in lingerie in the Nordics and has sustainability as a strategic focus area. Stockmann is a premium multi-brand retailer with department stores in Finland, Estonia and Latvia. Its purpose is to be a marketplace for a good life. Fashion accounts for some 80% of the Group's revenue while the other categories include cosmetics, home and food. The Group has eight Stockmann department stores and 439 Lindex fashion stores including franchising stores in over 18 countries. Both divisions have their own online stores and Lindex products are also sold in third-party online stores. Stockmann plc's shares are listed on the Nasdaq Helsinki Ltd. in Finland.

Sustainability is embedded in the Stockmann Group's business plans and strategies. The Lindex and Stockmann divisions have their own sustainability strategies with climate, circularity and human rights as common themes. The Lindex division's sustainability promise is to make a difference for future generations and the Stockmann division is aiming at resource-wise retail business. The sustainability focus areas for both divisions are identified through materiality assessments and stakeholder dialogue. Sustainability targets and indicators are integrated into business operations, and their development is regularly monitored.

In addition to this Disclosure on Non-Financial Information, the Stockmann Group publishes Sustainability Review in accordance with the Global Reporting Initiative (GRI) standards. The Sustainability Review will be published in week 9 on the Group's website year2023.stockmanngroup.com. Lindex's Sustainability Report will be published at the end of March on lindex.com and on www.stockmanngroup.com.

Key commitments, codes of conduct and policies

The Stockmann Group Code of Conduct forms the foundation for the Group's operating practices. The Code of Conduct covers compliance with laws and ethical practices, free competition and consumer rights, employees and working conditions, the environment, as well as corruption and conflicts of interest. The Code of Conduct is supplemented by more detailed guidelines and policies, such as the Group's Anti-corruption Policy and divisions' policies on environment, human rights and discrimination. The Group also requires its suppliers and other partners to follow the principles of the divisions' Supplier Code of Conducts.

By the end of 2023, 93 (93)% of the Stockmann division's personnel had completed online training on the Code of Conduct. Our target is for 100% of the Group's personnel in all countries to have completed the training.

The Group complies with international and national laws and regulations in its countries of operation. The Group's operations are also guided by international agreements and recommendations, such as the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights as well as the International Accord for Health and Safety in the Textile and Garment Industry (previously the Bangladesh Accord on Fire and Building Safety).

Furthermore, the Stockmann Group is committed to the UN Global Compact initiative and with the sustainability strategies of its divisions, the Group promotes the UN Sustainable Development Goals. The Group is also committed to the Science Based Targets initiative (SBTi), which sets a clearly defined path to reducing climate emissions in line with the Paris Agreement.

The environment

Respecting the environment is one of the key sustainability promises for the Stockmann Group. Targets to reduce greenhouse gas emissions and promote circularity are included in the sustainability strategies of both divisions. In 2023, the Group continued the work to reduce its climate impact across the value chain and supported the transition towards circular economy by implementing circular design principles and by testing and scaling circular business models.

In line with its commitment to the Science Based Targets (SBTi) initiative, the Group submitted its climate target for approval in October 2023 and expects the validation during 2024. The Stockmann Group commits to reduce greenhouse gas emissions from its own operations and its value chain by 42% by 2030 compared to 2022. The target includes Forest, Land and Agriculture (FLAG) emissions, which are greenhouse gas (GHG) emissions from land use and land management related to the Group's raw materials.

The Stockmann Group is continuously developing its climate roadmap to achieve its target. In 2023, the key measures included energy efficiency measures throughout the value chain, increasing the use of renewable energy and choosing transport solutions with less climate impacts. The Group's greenhouse gas emissions for scopes 1–3 were 261 (296) ktCO₂e, of which 21 (12) ktCO₂e were from the Group's own operations (scopes 1–2). FLAG emissions account for 15% of the Group's total emissions.

The Stockmann Group participates annually in the CDP climate change survey. In 2023, Stockmann's CDP result was B- (B-), the same as in the previous three years. Stockmann's rating is better than the global average (C) and slightly below the European regional average (B).

Transforming the business towards circularity is a key sustainability theme for the Stockmann Group. In 2023, the Group continued the transition in both divisions by guiding customers towards sustainable consumption and by optimising in-house design and supply chain in line with the circular approach.

The Lindex division has set ambitious targets for its recycled and sustainably sourced materials: 100% of Lindex's product materials will be recycled or sustainably sourced by 2025 and 70% of all products will include a minimum of 15% recycled content. At the end of 2023, 78% of the product materials were recycled or sustainably sourced, and 42% of the products included a minimum of 15% recycled content. In addition, Lindex collaborates with partners such as Södra Skogsägarna, Infinited Fiber and Rester to scale up recycling of postconsumer textile waste.

The Stockmann division participated in the Circular Design training programme that examined the principles and practical solutions of circular design. In the Stockmann division's own-brand garments, 33% of product materials were recycled or sustainably sourced. Active collaboration and dialogue with suppliers continued to improve supply chain transparency and traceability of materials, for both own and partners' brands.

The Stockmann Group's environmental management is based on continuous improvement. The Stockmann division's operations in Finland have ISO 14001 environmental management certificate and its principles have also been adopted in the Baltic department stores.

Personnel

The Stockmann Group ensures a healthy and empowering working environment, promotes equality and diversity, and supports the professional growth and wellbeing of its employees. The Group also strengthens ethical working practices in the supply chain.

People and culture management is based on the Lindex and Stockmann divisions' people policies, values, strategies and the Group Code of Conduct. The HR management is monitored through employee surveys, performance appraisal discussions and other feedback channels. Cooperation also takes place in local personnel committees and the Group's employee council.

Both divisions continued to drive diversity, equity and inclusion (DEI) at workplace through awareness trainings. The Stockmann division also carried out a DEI survey among its employees to increase understanding of the current situation and needed measures.

Leadership in the Lindex division was further developed by implementing Lindex's principles on self-leadership and leadership approach. Employee engagement was strengthened through an online engagement platform.

The Stockmann division continued to implement initiatives in several areas to improve operational and cost efficiency. At the same time, the division continued to implement its revised customer centric growth strategy and related capability building. The division continued its Merchant Mindset learning programme and developed the content of its learning

platform. The division's employer brand was strengthened through a launch of new career website and introduction of candidate listening and feedback processes. New site-specific wellbeing teams also began their work.

	2023	2022
Personnel on average*	5 801	5 802
Personnel on average, full-time equivalents (FTE)	4 283	4 332
Personnel 31 Dec	6 062	6 008
in Finland	1 547	1 619
in Sweden	2 071	2 185
in other countries	2 444	2 204
Women / men, %	91 / 9	91 / 9
Wages and salaries, EUR mill.	163.5	165.7
Total employee benefit expenses, EUR mill.	212.5	212.1

Human rights and responsible supply chain

The Stockmann Group respects and promotes human rights in accordance with its Code of Conduct. In addition, Lindex has a more detailed human rights policy. The Group is committed to ensuring that fundamental rights are respected, and that people are treated with dignity and respect. It implements due diligence as required by the UN Guiding Principles on Business and Human Rights to identify and prevent any negative human rights impacts caused by or resulting from our business operations. The Lindex division performs due diligence in its production countries every other year or more frequently based on current events and stakeholder recommendations.

The Stockmann Group has identified that the most significant human rights risks associated with its business are related to product supply chains and working conditions. The Stockmann Group is aware of the risk of potential violations of the Code of Conduct in its production countries, and therefore actively seeks to ensure compliance. The Group supports and enables improved working conditions through its responsible purchasing practices and aim to build long-term relationships with key suppliers.

All factories in high-risk countries that manufacture the Group's own-brand products undergo regular in-house audits by the Group's local personnel, as well as third-party amfori BSCI, Sedex or SA8000 audits. All potential deviations are addressed immediately, and corrective measures are taken. The Group's purchasing offices have local personnel in the five main production countries to monitor production quality and compliance with the Code of Conduct. In line with stakeholder expectations and to ensure transparency, Lindex and Stockmann divisions publish a comprehensive list of suppliers and factories for their own brands on their websites.

The Lindex division has set goals for promoting fair and decent work in the supply chain. By 2025, Lindex's suppliers who stand for 80% of the division's production, must show total supply chain transparency and a commitment to improving working conditions and actively work with a living wage programme. In 2023, 100% of Lindex's top 30 suppliers calculated a living wage and conducted self-assessments. Lindex had also implemented digital wage payments for 100% of its top 30 suppliers.

All suppliers and business partners supplying to Lindex are required to sign the Lindex sustainability commitment, code of ethics and Code of Conduct. Together, these outline the Lindex expectations for suppliers and business partners. In 2023 Lindex worked with 104 suppliers and a total of 159 factories, and all of them were covered by the Code of Conduct. Lindex is a member of Sedex and uses the SMETA audit approach. SMETA stands for Sedex Members Ethical Trade Audit, and Lindex chose this system because of the embedded focus on gender equality.

All manufacturers of the Stockmann division's own products have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or a similar commitment. The Stockmann division is a member of amfori BSCI, and therefore is committed to systematically improving the working conditions at its production facilities.

Prevention of corruption and bribery

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

The Stockmann Group has a Group-wide whistleblowing channel operated by an external supplier. The channel can be used anonymously by employees, partners and other stakeholders to report any suspected or detected violations of the Code of Conduct or other Group guidelines. The whistleblowing service is available at <https://report.whistleb.com/en/Stockmann>. The Stockmann Group's employees can also report any suspicions to their supervisor, their unit's security manager, the Group management, the legal department or the Group's Internal Audit. All whistleblowing reports and discussions are taken seriously and handled confidentially. All incidents are reported to Internal Audit and the Director of Legal Affairs. In 2023, 1 (1) incident(s) was reported through the channel. It was investigated, and appropriate measures were taken. Stockmann was not made aware of any legal cases, proceedings or decisions concerning corruption, anti-competitive behaviour or anti-trust practices in 2023.

Sustainability risks and risk management

Sustainability risk assessment is included in the Stockmann Group's strategy process. The Board of Directors and the Group Management Team regularly assess the risk factors to which the business is exposed and the adequacy of risk management actions. Risk management is supported by internal control systems and guidelines.

The Stockmann Group's most significant sustainability risks are related to the supply chains, and concern traceability and transparency of supply chains, ensuring human and labour rights, and the environmental impacts of production and raw materials. The identified risks are managed through the divisions' sustainability strategies.

Corruption and bribery risks associated with the Stockmann Group's own activities are prevented and managed through clearly defined approval processes, other internal control processes and personnel training. These risks are especially related to the supply chain and procurement.

Climate change may pose risks to the Group in terms of changing consumer needs and consumption habits as well as the cost and availability of raw materials. Climate change may also increase energy and freight costs. In line with its climate roadmap, the Stockmann Group is reducing its climate impact across its value chain.

The Stockmann Group's human resource risks relate to the availability of skilled and committed personnel, work safety and the attractiveness of the Group as an employer. In addition, any legal or illegal strikes in the Group's value chain and in its operations may cause business risks. The risks are managed by improving cooperation and the competence and wellbeing of employees.

EU TAXONOMY-ELIGIBLE AND -ALIGNED ACTIVITIES

EU Taxonomy is the EU's sustainable finance classification system, which defines environmentally sustainable economic activities. The introduction of the Taxonomy regulation is proceeding in stages, starting with technical criteria for climate change mitigation and adaptation in the sectors with the greatest climate impact. The Stockmann Group has reported in line with the EU Taxonomy regulation since 2021 although the Taxonomy does not define criteria specifically for the Group's retail business. The Stockmann Group monitors the development of the EU Taxonomy and reports the data in accordance with the EU Commission's guidance.

Business in the retail sector

At the time of preparing this report, the Stockmann Group's retail business is not included in the sectors that are within the scope of the EU Taxonomy. The retail sector may have a significant impact on the other environmental objectives of the Taxonomy, such as the circular economy, but applicable criteria have not yet been published. The Stockmann Group continued to reduce its climate impact and disclosed its greenhouse gas emissions for the entire value chain.

Real estate holdings

The EU Taxonomy defines criteria for sustainable financial activity in the real estate business buildings (Activity 7.7 'Acquisition and ownership of buildings'). The leases of the Stockmann Group's department stores are treated as right-of-use assets in the Group's accounts in accordance with IFRS 16. The amounts of right-of-use assets held by the Group are recorded in capital expenditure and thus included as eligible for the EU Taxonomy assessment.

Assessment of other potential Taxonomy-eligible activities

Another EU Taxonomy category under which the Stockmann Group's operating activity could be assessed is transport by motorbikes, passenger cars and light commercial vehicles (Activity 6.5. 'Transport by motorbikes, passenger cars and light commercial vehicles'). Currently the impact of owned and leased cars is below the Stockmann Group's definition of financial materiality.

The Stockmann Group has assessed the eligibility and alignment of its real estate activities with the EU Taxonomy in terms of turnover, capital expenditure and operating expenses as follows:

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023	2023			Substantial Contribution criteria							DNSH criteria ('Does Not Significantly Harm')								
	Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Category (enabling activity) (19)
		EUR mill.	% ¹	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	% ²	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	0.0	0.0%														0.0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%		
Of which Enabling		0.0	0.0%														0.0%	E	
Of which Transitional		0.0	0.0%														0.0%		T

A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	18.3	1.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.8%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		18.3	1.9%	100%	N/EL	N/EL	N/EL	N/EL	N/EL								1.8%		
A. Turnover of Taxonomy eligible activities (A.1. + A.2.)		18.3	1.9%	100%	N/EL	N/EL	N/EL	N/EL	N/EL								1.8%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)	933.4	98.1%
Total (A + B)	951.7	100.0%

¹ All percentages relate to the Group's total sales revenue.

Of the Stockmann Group's total sales revenue in 2023, € 18.3 million, or 1.9%, was Taxonomy-eligible sales revenue.

EL - Taxonomy eligible activity for the relevant objective

N/EL - Taxonomy non-eligible activity for the relevant objective

Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023	2023			Substantial Contribution criteria							DNSH criteria ('Does Not Significantly Harm')								
	Economic activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2023 (18)	Category (enabling activity) (19)
		EUR mill.	% ¹	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	% ¹	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	0.0	0.0%														0.0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%		
Of which Enabling		0.0	0.0%														0.0%	E	
Of which Transitional		0.0	0.0%														0.0%		T

A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	152.7	87.6%	EL	EL	N/EL	N/EL	N/EL	N/EL								92.0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		152.7	87.6%	100%	0%	N/EL	N/EL	N/EL	N/EL								92.0%		
A. CapEx of Taxonomy eligible activities (A.1. + A.2.)		152.7	87.6%	100%	0%	N/EL	N/EL	N/EL	N/EL								92.0%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

CapEx of Taxonomy-non-eligible activities (B)	21.6	12.4%
Total (A + B)	174.4	100.0%

¹All percentages relate to the Group's total capital expenditure.

Of the Stockmann Group's total capital expenditure in 2023, € 152.7 million, or 87.6%, was Taxonomy-eligible capital expenditure.

EL - Taxonomy eligible activity for the relevant objective

N/EL - Taxonomy non-eligible activity for the relevant objective

Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023	2023			Substantial Contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) OpEx, year 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		EUR mill.	% ¹	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	% ¹	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	0.0	0.0%														0.0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0.0	0.0%														0.0%		
Of which Enabling		0.0	0.0%														0.0%	E	
Of which Transitional		0.0	0.0%														0.0%		T

A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Acquisition and ownership of buildings (Renting and operating of own or leased real estate)	CCM 7.7	3.7	8.7%	EL	EL	N/EL	N/EL	N/EL	N/EL								10.1%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		3.7	8.7%	100%	0%	N/EL	N/EL	N/EL	N/EL								10.1%		
A. OpEx of Taxonomy eligible activities (A.1. + A.2.)		3.7	8.7%	100%	0%	N/EL	N/EL	N/EL	N/EL								10.1%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OpEx of Taxonomy-non-eligible activities (B)	38.4	91.3%
Total (A + B)	42.1	100.0%

¹All percentages relate to the Group's total operating expenditure.

Of the Stockmann Group's total operating expenditure in 2023, € 3.7 million, or 8.7%, was Taxonomy-eligible operating expenditure. Stockmann distribution center meets 2 out of the 3 Taxonomy criteria (Substantial contribution and Minimum safeguards criteria). However, the assessment for the DNSH requirements has not been made yet. If the distribution center was considered fully aligned, € 1.2 million, or 3.0%, would be Taxonomy-aligned operating expenditure.

EL - Taxonomy eligible activity for the relevant objective

N/EL - Taxonomy non-eligible activity for the relevant objective

Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

EVENTS AFTER THE FINANCIAL YEAR

On 25 January 2024, the Stockmann's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorization granted by the Annual General Meeting, to issue 307 489 new shares of the company in deviation from the shareholders' pre-emptive subscription rights to a creditor of the company whose previously conditional or disputed restructuring debt under the Restructuring Programme has been confirmed to its final amount by 9 November 2023 and has approved the subscription made in the Share Issue.

The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

The total of 307 489 Conversion Shares subscribed for in the Share Issue were registered in the trade register maintained by the Finnish Patent and Registration Office on 26 January 2024. Following the registration of the Conversion Shares, the total number of issued shares in the Company is 159 023 044.

On 25 January 2024, Stockmann announced that it had received and verified one subscription form from the creditor of the company above whose previously conditional or disputed receivable subject to the payment programme of the Restructuring Programme has been clarified and the final amounts of such receivable has been confirmed. The Subsequent Bonds duly subscribed for by such creditor of the company amount to the aggregate principal amount of EUR 1 120 000. The receivable of the creditor of the company will be converted, by way of set-off, into Subsequent Bonds. The Subsequent Bonds are settled through the clearance system of Euroclear Finland Ltd and will be recorded on the book-entry accounts maintained by Euroclear Finland Ltd as soon as practicably possible.

Stockmann also submitted an application for the issued Subsequent Bonds to be admitted to trading on the list of Nasdaq Helsinki Ltd together with the already trading fungible Bonds under the trading code "STCJ001026".

After the financial year in February, Stockmann and disputed creditor Tampereen Seudun Osuuspankki reached a settlement agreement, which ends the disputed claims between the parties concerning the restructuring programme. Execution of the settlement agreement is subject to the court confirming the amendment of the payment programme of the restructuring programme. Amendment application will be submitted to the Helsinki District Court. After this agreement, there are still two disputed claims left with the total amount of EUR 29.1 million.

ANNUAL REPORTING 2023

Stockmann Group's Business Review, Remuneration Report, Corporate Governance Statement and Sustainability Review for 2023 are published as separate documents at the same time as the Report by the Board of Directors and Financial Statements. All the reports are available at the company's website www.stockmanngroup.com.

FINANCIAL RELEASES IN 2024

Stockmann Group will publish its financial reports in 2024 as follows:

- 26 April 2024, Interim Report for January–March
- 19 July 2024, Half year Financial Report for January–June
- 25 October 2024, Interim Report for January–September

Helsinki, 22 February 2024

STOCKMANN plc
Board of Directors

Key figures

		2023	2022	2021	2020	2019
Revenue	EUR mill.	951.7	981.7	899.0	790.7	960.4
Gross profit	EUR mill.	554.2	568.3	527.0	443.7	540.9
Gross margin	%	58.2	57.9	58.6	56.1	56.3
EBITDA	EUR mill.	176.7	258.0	184.9	109.6	153.0
Adjustments to EBITDA	EUR mill.	-3.5	75.1	13.8	-7.3	-15.6
Adjusted EBITDA	EUR mill.	180.2	183.0	171.1	116.9	168.6
Operating result	EUR mill.	76.5	154.9	82.1	-269.6	24.1
Share of revenue	%	8.0	15.8	9.1	-34.1	2.5
Adjustments to operating result	EUR mill.	-3.5	75.1	13.8	-257.3	-15.6
Adjusted operating result	EUR mill.	80.0	79.8	68.3	-12.3	39.8
Net result for the period	EUR mill.	51.7	101.6	47.9	-291.8	-45.6
Adjustments to net result for the period *)	EUR mill.	26.6	64.0	7.9	-255.8	-12.5
Adjusted net result for the period *)	EUR mill.	25.1	37.6	40.0	-36.0	-33.1
Share capital	EUR mill.	77.6	77.6	77.6	144.1	144.1
A share	EUR mill.				61.1	61.1
B share	EUR mill.	77.6	77.6	77.6	83.0	83.0
Return on equity	%	14.2	33.7	20.2	-86.7	-9.3
Return on capital employed	%	8.1	15.7	8.0	-20.1	1.6
Capital employed	EUR mill.	1,004.3	1,005.4	1,059.2	1,237.4	1,529.1
Capital turnover rate		0.9	1.0	0.8	0.6	0.6
Inventories turnover rate		2.4	2.4	2.4	2.6	2.9
Equity ratio	%	29.9	26.2	18.9	14.5	27.8
Net gearing	%	133.2	135.4	212.8	340.7	191.7
Capital expenditure **)	EUR mill.	65.1	62.5	16.9	18.5	33.8
Share of revenue	%	6.8	6.4	1.9	2.3	3.5
Interest-bearing net debt ***)	EUR mill.	521.6	454.4	570.8	702.5	900.2
Interest-bearing net debt / EBITDA	EUR mill.	3.0	1.8	3.1	6.4	5.9
Total assets	EUR mill.	1,310.2	1,282.9	1,416.5	1,425.3	1,690.3
Staff expenses	EUR mill.	212.5	212.1	194.6	181.9	211.1
Personnel, average	persons	5,801	5,802	5,649	5,991	7,002
Average number of employees, converted to full-time equivalents	persons	4,283	4,332	3,886	3,973	4,891
Revenue per person	EUR thousands	164.1	169.2	159.1	132.0	137.2

*) 2022 restated due to change in definition of tax adjustments.

**) excluding right-of-use assets

***) 2022 revised with interest-bearing assets.

The definition of adjustments to net result was revised in 2023 to include changes in deferred taxes. The 2022 figures have been restated accordingly.

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

Stockmann Group changed from its previous revaluation model to a cost model for its property, plant and equipment in the financial year 2020. The change in accounting method was applied retrospectively as of 1 January 2019 according to the IAS 8 standard.

Key figures per share

		2023	2022	2021	2020*)	2019*)
Earnings per share, undiluted and diluted	EUR	0.33	0.65	0.42	-3.89	-0.69
Adjusted Earnings per share, undiluted and diluted **)	EUR	0.16	0.24	0.35	-0.48	-0.53
Cash flow from operating activities per share	EUR	0.65	0.35	1.32	2.03	1.42
Equity per share	EUR	2.47	2.15	1.74	2.86	6.52
P/E ratio of shares						
A share					-0.3	-3.1
B share		8.8	3.0	5.1	-0.3	-2.9
Share quotation at 31.12.	EUR					
A share					1.27	2.26
B share		2.90	1.97	2.16	1.16	2.06
Highest price during the period	EUR					
A share					3.59	3.16
B share		3.03	3.26	2.44	3.22	2.74
Lowest price during the period	EUR					
A share					0.88	1.90
B share		1.68	1.46	1.07	0.65	1.78
Average price during the period	EUR					
A share					1.87	2.41
B share		2.13	2.19	1.61	1.45	2.12
Share turnover	thousands					
A share				576	2,102	1,281
B share		47,442	94,830	90,210	30,258	13,127
Share turnover	%					
A share				0.5	6.9	4.2
B share		29.9	60.8	79.1	72.9	31.6
Market capitalisation at 31.12.	EUR mill.	460.3	307.1	333.6	86.9	154.5
Number of shares at 31.12.	thousands	158,716	155,880	154,437	72,049	72,049
A share					30,531	30,531
B share		158,716	155,880	154,437	41,518	41,518
Weighted average number of shares, undiluted	thousands	157,379	155,189	114,009	75,102	75,102
Total number of shareholders at 31.12.		42,328	44,289	45,054	43,656	43,394

*) Key figures per share for years 2019-2020 were earlier adjusted for comparison purposes.

***) 2022 restated due to change in definition of tax adjustments.

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.

The adjusted operating result (adjusted EBIT) is calculated from the operating result excluding any adjustments related to acquisitions and disposals, corporate restructuring, restructuring, impairment losses, litigation fees and settlements, value adjustments to assets, pension fund rebates, losses related to the war in Ukraine as well as disputed, conditional or maximum restructuring debt.

The adjusted net result is calculated from the net profit/loss for the period excluding any adjustments after the tax impact related to acquisitions and disposals, corporate restructuring, restructuring, impairment losses, litigation fees and settlements, value adjustments to assets, pension fund rebates, losses related to the war in Ukraine as well as disputed, conditional or maximum restructuring debt. The tax impact is calculated on the transaction level and it includes changes in deferred taxes. Moreover, the adjustments to net result include tax income and expenses resulting from settlements of tax disputes.

EUR mill.	2023	2022	2021	2020	2019
EBITDA	176.7	258.0	184.9	109.6	153.0
<i>Adjustments to EBITDA</i>					
Gain on sale of real estate		-95.4	-21.7		0.4
Gain on lease modifications of sale-and-leaseback items	-2.1				
Costs for disputed, conditional and maximum restructuring debt	1.1	18.1			
Corporate restructuring cost	1.6	1.6	2.0	5.3	
Costs related to transformation of organisation	2.3	0.4	0.2	2.0	14.2
Income and costs related to termination of lease agreements			8.7		1.0
Loss on disposal of subsidiary shares	0.6				
Costs related to the war in Ukraine		0.5			
Employee insurance refund		-0.3	-3.0		
Adjustments total	3.5	-75.1	-13.8	7.3	15.6
Adjusted EBITDA	180.2	183.0	171.1	116.9	168.6
Operating result (EBIT)	76.5	154.9	82.1	-269.6	24.1
<i>Adjustments to operating result (EBIT)</i>					
Goodwill impairment				250.0	
Gain on sale of real estate		-95.4	-21.7		0.4
Gain on lease modifications of sale-and-leaseback items	-2.1				
Costs for disputed, conditional and maximum restructuring debt	1.1	18.1			
Corporate restructuring cost	1.6	1.6	2.0	5.3	
Costs related to transformation of organisation	2.3	0.4	0.2	2.0	14.2
Income and costs related to termination of lease agreements			8.7		1.0
Loss on disposal of subsidiary shares	0.6				
Costs related to the war in Ukraine		0.5			
Employee insurance refund		-0.3	-3.0		
Adjustments total	3.5	-75.1	-13.8	257.3	15.6
Adjusted operating result (EBIT)	80.0	79.8	68.3	-12.3	39.8

EUR mill.	2023	2022	2021	2020	2019
Net result for the period	51.7	101.6	47.9	-291.8	-45.6
<i>Adjustments to net profit/loss for the period</i>					
Goodwill impairment				250.0	
Gain on sale of real estate		-95.4	-21.7		0.4
Gain on lease modifications of sale-and-leaseback items	-2.1				
Costs for disputed, conditional and maximum restructuring debt	1.1	18.1			
Corporate restructuring cost	1.6	1.6	2.0	5.3	
Costs related to transformation of organisation	2.3	0.4	0.2	2.0	14.2
Income and costs related to termination of lease agreements			8.7		1.0
Loss on disposal of subsidiary shares	0.6				
Costs related to the war in Ukraine		0.5			
Employee insurance refund		-0.3	-3.0		
Income taxes	-30.1	23.6	5.9	-1.5	-3.2
Adjustments total	-26.6	-51.5	-7.9	255.8	12.4
Adjusted net result for the period	25.1	50.2	40.0	-36.0	-33.1

Definition of key figures

Performance measures according to IFRS

Earnings per share, undiluted and diluted	(Result for the period attributable to the parent company's shareholders – tax-adjusted interest on hybrid bond) / Average number of shares, adjusted for share issue
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Alternative performance measures

Gross profit	Revenue – materials and services
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
Adjusted net result for the period	Net profit/loss for the period – adjustments after taxes
Adjusted earnings per share	(Adjusted net result for the period attributable to the parent company's shareholders – tax-adjusted interest on hybrid bond) / Average number of shares, adjusted for share issue
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
Free cash flow	EBITDA – items affecting comparability – lease payments +/- changes in net working capital – capital expenditure

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 excluding own shares owned by the company
P/E ratio of shares	Share quotation on balance sheet date / Earnings per share
Share turnover	Number of shares traded during the period
Market capitalisation	Number of shares multiplied by the quotation for the respective share series on balance sheet date

Shares and share capital

Stockmann plc has a single class of shares, all shares of which shall carry one (1) vote per share and have equal rights also in other respects. The company's share is listed on the Helsinki Stock Exchange and its trading code is STOCKA and ISIN number is FI0009000251.

The company's share capital on 31 December 2023 was EUR 77 556 538 and number of shares was 158 715 555.

The number of registered shareholders was 42 328 (44 289 shareholders on 31 December 2022).

The company's market capitalisation on 31 December 2023 was EUR 460.3 million (EUR 307.1 million on 31 December 2022).

Number of shares, 31 December 2023

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1-100	26,465	62.5	0.6	0.6
101-1000	11,979	28.3	2.7	2.7
1001-10000	3,366	8.0	6.1	6.1
10001-100000	442	1.0	8.0	8.0
100001-1000000	62	0.1	10.2	10.2
1000001-	14	0.0	72.3	72.3
Total	42,328	100	100	100

Ownership structure, 31 December 2023

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	41,158	97.2	19.0	19.0
Private and public corporations	778	1.8	31.4	31.4
Nominee registrations (incl. foreign shareholders)	187	0.4	24.1	24.1
Foundations and associations	173	0.4	21.9	21.9
Financial and insurance companies	32	0.1	3.6	3.6
Total	42,328	100	100	100

Major shareholders, 31 December 2023

	Percentages of shares %	Percentages of shares %
1 Nordic Retail Partners Jv Ky	15.1	15.1
2 Varma Mutual Pension Insurance Company	8.4	8.4
3 Society of Swedish Literature in Finland	7.3	7.3
4 Etola Group	5.0	5.0
5 Hc Holding Oy Ab	4.1	4.1
6 Niemistö Kari Pertti Henrik	3.2	3.2
7 Samfundet Folkhälsan i Svenska Finland	1.7	1.7
8 eQ Nordic Small Cap Mutual Fund	1.6	1.6
9 Ilmarinen Mutual Pension Insurance Company	1.2	1.2
10 Jenny and Antti Wihuri Foundation	0.9	0.9
11 Sijoitusrahasto Eq Eurooppa Pienyhtiö	0.8	0.8
12 Kaloniemi Markku Petteri	0.5	0.5
13 Lahitapiola Keskustakiinteistot Ky	0.5	0.5
14 LähiTapiola Mutual Life Insurance Company	0.5	0.5
15 Mandatum Life Insurance Company Ltd.	0.5	0.5
16 Wilhelm och Else Stockmanns Stiftelse	0.4	0.4
17 Säästöpankki Small Cap Mutual Fund	0.4	0.4
18 Anmiil Oy	0.3	0.3
19 Helene och Walter Grönqvists Stiftelse	0.3	0.3
20 Proprius Partners Micro Finland (non-Ucits)	0.3	0.3
Other	47.0	47.0
from which Nominee registered shares	23.8	23.8
Total	100.0	100.0

Consolidated Financial Statements

Consolidated Income Statement

EUR mill.	Note	1.1.-31.12.2023	1.1.-31.12.2022
REVENUE	2.2	951.7	981.7
Other operating income	2.2	2.6	99.6
Materials and services	2.3	-397.5	-413.4
Employee benefit expenses	2.5, 5.5, 5.6	-212.5	-212.1
Depreciation, amortisation and impairment losses	3.1	-100.2	-103.2
Other operating expenses	2.6	-167.6	-197.7
Total expenses		-877.8	-926.4
OPERATING PROFIT/LOSS	2.1	76.5	154.9
Financial income	4.1	5.1	2.6
Financial expenses	4.1	-35.0	-28.3
Total financial income and expenses		-29.9	-25.7
PROFIT/LOSS BEFORE TAX		46.6	129.2
Income taxes	2.7	5.0	-27.5
NET PROFIT/LOSS FOR THE PERIOD		51.7	101.6
Profit/loss for the period attributable to:			
Equity holders of the parent company		51.7	101.6
Earnings per share, EUR:	4.13		
From the period result, undiluted and diluted		0.33	0.65

Consolidated Statement of Comprehensive Income

EUR mill.	Note	1.1.-31.12.2023	1.1.-31.12.2022
PROFIT/LOSS FOR THE PERIOD		51.7	101.6
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax		1.6	-33.3
Exchange differences on translating foreign operations, net of tax	2.7, 4.12	1.6	-33.3
Cash flow hedges, before tax		-0.8	-2.2
Cash flow hedges, net of tax	2.7, 4.12	-0.8	-2.2
Other comprehensive income for the period, net of tax		0.9	-35.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		52.6	66.1
Total comprehensive income attributable to:			
Equity holders of the parent company		52.6	66.1

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		250.6	250.9
Trademark		81.9	81.8
Intangible rights		32.4	26.8
Other intangible assets		0.4	0.7
Advance payments and construction in progress		0.7	4.2
Intangible assets, total	3.2	366.0	364.4
Property, plant and equipment			
Land and water		0.2	0.0
Machinery and equipment		39.3	37.6
Modification and renovation expenses for leased premises		4.2	4.4
Right-of-use assets	3.5	440.5	419.2
Advance payments and construction in progress		77.9	37.1
Property, plant and equipment, total	3.3	562.1	498.2
Investment properties	3.4	0.5	0.5
Non-current receivables	4.10, 4.11	3.2	3.1
Other investments	4.10	0.4	0.2
Deferred tax assets	2.8	30.3	31.0
NON-CURRENT ASSETS, TOTAL		962.4	897.4
CURRENT ASSETS			
Inventories	2.4	162.9	174.2
Current receivables			
Income tax receivables		5.3	0.2
Non-interest-bearing receivables		42.0	43.2
Current receivables, total	4.3	47.3	43.5
Cash and cash equivalents	4.4	137.5	167.9
CURRENT ASSETS, TOTAL		347.7	385.5
ASSETS, TOTAL		1,310.2	1,282.9

Consolidated Statement of Financial Position

EUR mill.	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital		77.6	77.6
Invested unrestricted equity fund		75.9	73.3
Other funds		-1.6	-1.0
Translation reserve		-17.3	-18.9
Retained earnings		256.9	204.6
Equity attributable to equity holders of the parent company	4.12	391.5	335.6
EQUITY, TOTAL		391.5	335.6
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	51.0	40.3
Non-current interest-bearing financing liabilities	4.5	71.9	67.5
Non-current lease liabilities	4.5	505.6	477.5
Non-current non-interest-bearing liabilities and provisions	4.5, 4.9, 4.10, 5.3	0.3	0.7
NON-CURRENT LIABILITIES, TOTAL		628.9	585.9
CURRENT LIABILITIES			
Current lease liabilities	4.6	81.6	77.3
Trade payables and other current liabilities	4.6, 4.9	178.4	179.1
Income tax liabilities	4.6	11.7	73.7
Current provisions	5.3	18.0	31.2
Current non-interest-bearing liabilities, total		208.2	284.0
CURRENT LIABILITIES, TOTAL		289.8	361.3
LIABILITIES, TOTAL		918.6	947.3
EQUITY AND LIABILITIES, TOTAL		1,310.2	1,282.9

Consolidated Cash Flow Statement

EUR mill.	Note	1.1.-31.12.2023	1.1.-31.12.2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period		51.7	101.6
Adjustments for:			
Depreciation, amortisation and impairment losses		100.2	103.2
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		-1.3	-95.2
Interest and other financial expenses		34.9	28.3
Interest income		-5.1	-2.6
Income taxes		-5.0	27.5
Other adjustments		0.6	17.7
Working capital changes:			
Increase (-) /decrease (+) in inventories		11.2	-28.3
Increase (-) / decrease (+) in trade and other current receivables		1.6	-1.2
Increase (+) / decrease (-) in current liabilities		-7.1	-50.5
Interest expenses paid		-33.3	-29.0
Interest received from operating activities		3.5	1.3
Income taxes paid from operating activities		-49.7	-17.9
Net cash from operating activities		102.2	55.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible assets		0.0	429.1
Purchase of tangible and intangible assets		-65.4	-62.7
Security deposit		-0.1	-0.1
Investments in subsidiary shares		-0.2	0.0
Other investments		-0.2	0.0
Net cash used in investing activities		-65.9	366.3
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current liabilities		0.0	-381.5
Payment of lease liabilities		-66.3	-73.8
Net cash used in financing activities		-66.3	-455.2
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
		-30.0	-33.9
Cash and cash equivalents at the beginning of the period		167.9	213.7
Net increase/decrease in cash and cash equivalents		-30.0	-33.9
Effects of exchange rate fluctuations on cash held		-0.3	-11.9
Cash and cash equivalents at the end of the period	4.4	137.5	167.9

In 2022 the proceeds from sales of real estate properties were paid directly to the secured creditors of the restructuring programme. The transactions are presented as proceeds from the sale of tangible assets and repayment of current liabilities.

Consolidated Statement of Changes in Equity

	Share capital	Reserve for un-restricted equity	Hedging reserve	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Total
EUR mill.								
EQUITY 1.1.2023	77.6	73.3	-1.1	0.1	-18.9	204.6	335.6	335.6
Profit/loss for the period						51.7	51.7	51.7
Exchange differences on translating foreign operations *)					1.6		1.6	1.6
Cash flow hedges *)			-0.8				-0.8	-0.8
Total comprehensive income for the period, net of tax	0.0	0.0	-0.8	0.0	1.6	51.7	52.6	52.6
Share issue to creditors for unsecured restructuring debt		2.6					2.6	2.6
Share-based payments **)						0.8	0.8	0.8
Other changes				0.1		-0.1	0.0	0.0
Other changes in equity total	0.0	2.6	0.0	0.1	0.0	0.6	3.3	3.3
EQUITY 31.12.2023	77.6	75.9	-1.8	0.2	-17.3	256.9	391.5	391.5

*) Notes 2.7, 4.12

***) Note 5.6

	Share capital	Reserve for un-restricted equity	Hedging reserve	Other reserves	Translation differences	Retained earnings	Equity attributable to shareholders total	Total
EUR mill.								
EQUITY 1.1.2022	77.6	72.0	1.1	0.1	14.4	102.9	268.2	268.2
Profit/loss for the period						101.6	101.6	101.6
Exchange differences on translating foreign operations *)					-33.3		-33.3	-33.3
Cash flow hedges *)			-2.2				-2.2	-2.2
Total comprehensive income for the period, net of tax	0.0	0.0	-2.2	0.0	-33.3	101.6	66.1	66.1
Share issue to creditors for unsecured restructuring debt		1.3					1.3	1.3
Share-based payments **)						0.1	0.1	0.1
Other changes in equity total	0.0	1.3	0.0	0.0	0.0	0.1	1.4	1.4
EQUITY 31.12.2022	77.6	73.3	-1.1	0.1	-18.9	204.6	335.6	335.6

*) Notes 2.7, 4.12

***) Note 5.6

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1 Basis of preparation

1.1 Corporate information

Company name	Stockmann Plc
Parent company	Stockmann Plc
Ultimate parent of Group	Stockmann Plc
Change in company name	-
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.

1.2 General

Stockmann Group'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 2023. 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.

Stockmann Group issues a financial review complying with the ESEF requirements on its website. In addition, Stockmann Group voluntarily issues a financial review in pdf format, which does not fulfil the disclosure requirements set in the Finnish Securities Markets Act, chapter 7, section 5.

Stockmann's Board of Directors has approved these financial statements for disclosure on 22 February 2024.

1.3 New and amended standards and interpretations

On 1 January 2023, the Stockmann Group adopted the following amendments to the accounting standards issued by the IASB and endorsed by the EU:

- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments did not have a material impact on the Stockmann Group's result, financial position, or presentation of financial statements.

Stockmann Group has not carried out early adoption of any new and amended standards and interpretations that have been issued but are not yet effective. The new and amended standards and interpretations issued by the IASB that are effective in future periods are not expected to have a material impact on the consolidated financial statements of Stockmann when adopted. Stockmann intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are endorsed by the EU.

1.4 Corporate restructuring programme

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, and the restructuring proceedings were ended. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group.

The restructuring programme is proceeding according to plan, which means that all Stockmann's department store properties have been sold and all interest-bearing debt has been paid except for the bond of EUR 71.9 million. There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end.

The Company's Board of Directors decided on 21 June 2023, in accordance with the restructuring programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 2,835,349 new shares of the Company in

deviation from the shareholders' pre-emptive subscription rights to such creditors of the Company whose previously conditional or disputed restructuring debts under the restructuring programme had been confirmed to their final amounts by 24 May 2023. It also approved the subscriptions made in the share issue. The subscription price in the share issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the share issue, the total number of shares in the Company increased by 2,835,349 shares to a total of 158,715,555 shares.

On 21 June 2023, the Company announced that it had received and verified two subscription forms from entitled persons whose previously conditional or disputed receivables subject to the payment programme of the restructuring programme had been clarified and the final amounts of such receivables had been confirmed. The subsequent bonds duly subscribed for by such entitled persons amounted to the aggregate principal amount of EUR 4,393,381. The receivables of the entitled persons have been converted, by way of set-off, into subsequent bonds.

Under the restructuring programme, Stockmann plc has restructuring debt that is disputed, conditional or the maximum amount in respect of which the amount subject to the payment programme will be confirmed later and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed. The conversion to shares will take place in accordance with the terms as stated in the chapter 14.5.2. of the restructuring programme with a subscription price of 0.9106 euro per share. The conversion to bonds will take place according to the terms as stated in the chapter 14.5.4 of the restructuring programme on a euro-for-euro basis.

Note 4.6 presents an itemisation of the restructuring debts and Note 4.8 presents the maturities of all the Group's debts on 31 December 2023.

1.5 Transactions resulting from the corporate restructuring programme

Stockmann plc has duly paid all confirmed undisputed external restructuring debt, but still has disputed claims and undisputed conditional or maximum restructuring debt. During the reporting period, the confirmed undisputed restructuring debt has been settled with conversion to Company's shares (EUR 2.6 million), conversion to bonds (EUR 4.4 million) and cash payment of EUR 5.7 million.

At the end of the reporting period, the amount of the disputed claims was EUR 43.7 million. The claims are mainly related to the termination of the long-term lease agreements of premises. The administrator of the restructuring programme has disputed the claims and considered it justified to pay 18 months' rent for the leases instead of all the years left in the terminated lease contracts. The claims will be settled in the District Court. The amount of confirmed undisputed restructuring debt was EUR 1.4 million. Stockmann plc has decreased the provision for disputed claims from EUR 30.8 million to EUR 18.0 million, which corresponds to the company's estimate of the probable amount relating to both the disputed claims and the undisputed conditional or maximum restructuring debt. The amount and the time of realisation of the disputed claims are uncertain. Therefore, the disputed amount exceeding the provision, EUR 25.8 million, is disclosed as a contingent liability.

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

1.6 Accounting policies requiring management's judgement and key sources of estimation uncertainty

The current geopolitical situation is increasing inflation which can affect sales negatively due to the level of consumer confidence, as well as increased buying prices and operating costs. Further it might cause delays in the supply chains due to issues in production and freight. The future macroeconomic situation may have an impact on the Group's valuation of the assets. The management and the Board of Directors regularly assess the operational and strategic risks associated with the current situation.

The management considers climate-related matters, where appropriate. The assessment includes possible impacts on the Group due to physical and transition risks. The management believes its business model and products will still be viable in the future low-carbon economy, but climate-related matters increase the uncertainty in estimates and assumptions related to some items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as climate-related legislation and changes in customer behaviour.

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 the management's best knowledge on the Financial Statements date. On 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 the impairment testing of Lindex goodwill and the brand. More detailed information on these is provided in Notes 2.4, 3 and 5.3.

1.7 War in Ukraine

In response to the war in Ukraine, Stockmann removed products of Russian and Belarusian origin from sale in February 2022. Stockmann also discontinued selling merchandise to the Russian partner Debruss. The impact of the war on Stockmann Group is limited.

1.8 Business continuity

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

Helsinki District Court approved Stockmann plc's restructuring programme in February 2021. The eight-year restructuring programme is based on the continuation of the Company's department store operations, the sale and lease back of the department store properties in Helsinki, Tallinn and Riga and the continuation of Lindex business operations under the ownership of the Stockmann Group. The restructuring process is proceeding according to plan, which means that all Stockmann's department store properties have been sold and both the secured restructuring debt and undisputed unsecured restructuring debt have been paid. There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end.

The current geopolitical situation is increasing inflation which may affect sales negatively due to the level of consumer confidence, as well as increased buying prices and operating costs. Further, it may cause delays in the supply chains due to issues in production and freight. The management and the Board of Directors regularly assess the operational and strategic risks associated with the current situation.

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

Due to the nature of its business, Stockmann Group's revenues are divided to a large number of customers and no single customer poses a significant threat to the Group's cash flows.

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

1.9 Principles of consolidation

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

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

Joint arrangements in which Stockmann and another party, based on an agreement or the Articles of Association, have rights to the assets and obligations for the liabilities of the joint arrangement are dealt with as joint operations. The 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.

1.10 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 currencies 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 from 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 on the date of the financial statements. The exchange rate difference from translating the income statement and other comprehensive income at the average rate and the statement of financial position on the date of the financial statements 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.

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 the management's assessment of the profitability of the segments is based on the 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

Lindex is one of Europe's leading fashion companies, with 439 stores in 18 countries and online sales worldwide through third-party partnerships. Lindex offers inspiring and affordable fashion, and the assortment includes several different concepts within womenswear, kidswear, lingerie and cosmetics.

Stockmann

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

EUR mill.

Revenue	2023	2022
Lindex	633.1	661.1
Stockmann	318.5	320.6
Group total	951.7	981.7
Operating profit/loss	2023	2022
Lindex	89.1	90.3
Stockmann	-5.6	71.2
Unallocated	-7.0	-6.7
Group total	76.5	154.9
Financial income	5.1	2.6
Financial expenses	-35.0	-28.3
Consolidated profit/loss before taxes	46.6	129.2
Depreciation, amortisation and impairment losses	2023	2022
Lindex	-72.2	-76.8
Stockmann	-28.0	-26.4
Group total	-100.2	-103.2
Includes depreciation of right-of-use assets		
Capital expenditure	2023	2022
Lindex	113.4	154.6
Stockmann	61.6	129.9
Group, total	175.0	284.5
Includes investments in right-of-use assets		
Assets	2023	2022
Lindex	935.7	935.0
Stockmann	374.1	344.8
Unallocated	0.4	3.1
Group, total	1,310.2	1,282.9

2.1.2 Information on market areas

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

EUR mill.		
Revenue	2023	2022
Finland	322.0	321.1
Sweden*)	332.1	354.3
Norway	126.7	139.1
Baltics and other countries	170.8	167.3
Group total	951.7	981.7
Finland, %	33.8 %	32.7 %
International operations, %	66.2 %	67.3 %
Operating profit/loss		
	2023	2022
Finland	-14.0	50.9
Sweden*)	75.7	66.6
Norway	4.7	4.5
Baltics and other countries	10.2	32.8
Group total	76.5	154.9
Non-current assets		
	2023	2022
Finland	252.2	219.1
Sweden*)	587.8	556.5
Norway	43.7	46.5
Baltics and other countries	48.4	44.3
Group total	932.1	866.4
Finland, %	27.1 %	25.3 %
International operations, %	72.9 %	74.7 %

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

2.2 Operating income

2.2.1 Revenue recognition

Accounting policies

Revenue is recognised, when a performance obligation is satisfied by transferring a promised good or service to a customer and the customer obtains control of the good or service. Most of the Group's operating 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 the goods or services.

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

Customers have a right to return the products purchased from a store or the online store within a certain time frame. An accrual for the returns is calculated as an experience-based percentage of sales, and it is recognised as a deduction of revenue and accrued liability. Cost of goods for anticipated returns are recognised as adjustment in materials and services and inventory value.

Income from credit card co-operation is recognised as revenue. For the customer loyalty scheme the sales adjustment items include customer loyalty award points. The amount corresponding to the estimated stand-alone selling price of unused bonus points accumulated by customers is recognised as a deduction from revenue and short-term contract liability. The liability is recognised in the same financial period as the related revenue. When a customer uses accumulated points as payment in a store, the value of the points used is recognised as revenue and a reduction of short-term contract liability. If bonus points are not used by their expiry date, the value of unused points is recognised as revenue and as a reduction of short-term contract liability.

Lease income from lease and sublease agreements classified as operating leases are recognised as revenue in even instalments over the lease term. Turnover-based lease income is recognised based on the actual revenue of the tenants.

2.2.1.1 Revenue

EUR mill.	2023	2022
Merchandise revenue	922.9	952.8
Rental income and service charges	28.8	28.9
Total	951.7	981.7

2.2.1.2 Disaggregated revenue information

1.1.-31.12.2023, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	633.1	289.7	922.9
Rental income and service charges		28.8	28.8
Total	633.1	318.5	951.7

Market areas			
Finland	79.3	242.8	322.0
Sweden	332.1		332.1
Norway	126.7		126.7
Baltics and other countries	95.1	75.8	170.8
Total	633.1	318.5	951.7

1.1.-31.12.2022, EUR mill.	Lindex	Stockmann	Total
Revenue streams			
Merchandise revenue	661.0	291.8	952.8
Rental income and service charges	0.1	28.8	28.9
Total	661.1	320.6	981.7

Market areas			
Finland	75.5	245.5	321.1
Sweden	354.3		354.3
Norway	139.1		139.1
Baltics and other countries	92.2	75.1	167.3
Total	661.1	320.6	981.7

2.2.1.3 Contract balances

EUR mill.	2023	2022
Contract assets	0.7	0.7
Contract liabilities	6.2	5.6

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

2.2.2 Other operating income

Accounting policies

Among items included in other operating income are both sale and sale-and-leaseback of property, plant and equipment as well as income received on the sale of a business. In the previous period, the gain on sale-and-leaseback of the department store properties deducted with the cost of sales was recognised as other operating income.

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

EUR mill.	2023	2022
Gains on sales of non-current assets	2.1	95.5
COVID-19 support received	0.0	3.8
Refunds of health insurance premiums from years 2004-2008 in Sweden		0.3
Electricity subsidies for companies	0.5	
Total	2.6	99.6

2.3 Gross margin

EUR mill.	2023	2022
Revenue	951.7	981.7
Materials and services	397.5	413.4
Gross profit	554.2	568.3
Gross margin, % of revenue	58.2%	57.9%

2.4 Inventories

Accounting policies

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

The inventories turnover rate and the potential decline of the net realisable value below the acquisition cost are estimated regularly and if necessary, an impairment is recognised for inventories. Lindex recognises a provision for obsolete inventories, which is based on consideration if the inventories are older than one year as well as parameters depending on inventory levels and uncertainties in the environment. Stockmann recognises a provision for obsolete inventories, which is a percentage of the acquisition price of 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.	2023	2022
Materials and consumables	162.9	174.2
Total	162.9	174.2

The value of inventories has been written down by EUR 7.6 (7.2) million for obsolete assets.

2.5 Employee benefits

Accounting policies

Pension obligations

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. During the reporting period, the Group had no defined benefit pension plans.

Other long-term employee benefits

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 liability are recognised in the income statement.

EUR mill.	2023	2022
Wages and salaries	163.5	165.7
Share-based payments	0.8	0.1
Pension expenses, defined contribution plans	14.5	13.4
Other employee benefits expenses	33.8	32.9
Total	212.5	212.1

Information on the management's employee benefits is given in Notes 5.5 Related party transactions and 5.6 Share-based incentives.

2.6 Other operating expenses

Accounting policies

Other operating expenses comprise expenses, which are not directly related to the actual sales of goods and services. They include, for example, site expenses, marketing expenses, goods handling expenses, ICT expenses, expenses for professional services and expenses for leased workforce. Also, expenses related to short-term leases, leases of low-value assets and variable lease payments not included in the measurement of lease liabilities are recognised in other operating expenses. In addition, sales losses of property, plant and equipment and valuation losses of assets classified as held for sale are recognised in other operating expenses.

EUR mill.	2023	2022
Site expenses	55.6	59.9
Marketing expenses	32.6	36.6
Goods handling expenses	24.7	27.0
ICT expenses	20.1	20.8
Professional services	8.3	9.2
Leased workforce	6.5	6.9
Bank and cash calculation expenses	5.3	5.0
Voluntary social security expenses	3.5	4.3
Credit losses	0.1	0.8
Other expenses *)	11.0	27.1
Total	167.6	197.7

*) 2022 corporate restructuring related expenses EUR 18.1 million.

Fees to the auditors

EUR mill.	2023	2022
Auditing/EY	0.6	0.5
Auditing/others	0.1	0.0
Tax advisory/EY	0.0	0.1
Other services/EY	0.1	0.1
Total	0.7	0.7

2.7 Income taxes

Accounting policies

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

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

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

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

The Group deducts deferred tax assets and liabilities from each other in cases when it has a legally enforceable right to set off tax assets against tax liabilities, which are based on taxable income for the period. Furthermore, such tax assets and liabilities shall be 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.

The Stockmann Group adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provided a temporary mandatory exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules and they were effective immediately. In addition, the amendments provided requirements for new disclosures about the Pillar Two exposure. The mandatory exception applies retrospectively.

EUR mill.	2023	2022
Income taxes for the financial period	-12.9	-50.5
Income taxes from previous financial periods	29.1	2.1
Change in deferred tax liability/assets	-11.1	20.9
Total	5.0	-27.5

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.	2023	2022
Profit before taxes	46.6	129.2
Income taxes at current tax rate	-9.3	-25.8
Income taxes from previous financial periods	29.1	2.1
Previous periods' confirmed losses	0.0	18.4
Tax-exempt income	0.2	1.0
Differing tax rates of foreign subsidiaries	-0.2	-0.5
Non-deductible expenses	-6.8	-3.2
Previous periods' confirmed losses for which deferred tax assets has been booked		-12.4
Effect of deferred taxes not recognised	-1.0	-4.2
Changes in tax rates	-1.0	
Deferred tax on results from previous financial periods	-5.9	
Other taxes *)		-2.8
Income taxes in the income statement	5.0	-27.5

*) Other taxes consists of taxes not directly based on taxable income.

The Swedish tax authorities took a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. The Administrative Court of Appeal made a decision in September 2022, in which it overturned the previous court decisions and approved Stockmann's appeal and confirmed that Stockmann Sverige AB was entitled to a deduction of the interest expenses during the years 2013–2016. According to a decision received in October 2022, the County Administrative Court in Gothenburg approved Stockmann's appeal and confirmed that Stockmann Sverige AB was entitled to a deduction of interest expenses during the years 2017–2019. Both decisions became legally valid after the Supreme Administrative Court in Sweden decided on 27 January 2023 that it would not grant a leave to appeal to the Swedish Tax Agency on the decision made by the Administrative Court of Appeal. As a consequence of the legally valid decisions, Stockmann Sverige AB's tax liability and income taxes have decreased by approx. EUR 30 million during the period and no tax liability for the years 2013–2019 remains.

The Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning on 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

2.8 Deferred tax assets and deferred tax liabilities

Changes in deferred tax assets

	1.1.2023	Recognised in income statement	Translation difference	31.12.2023
Changes in deferred tax assets, EUR mill.				
Difference between carrying amounts and tax bases of property, plant and equipment	1.4		0.0	1.4
Lease liability	105.4	5.8	0.0	111.1
Other temporary differences	7.9	-2.7	-0.2	5.1
Deferred tax assets	114.7	3.1	-0.2	117.6
Netting of deferred taxes	-83.7			-87.3
Deferred tax assets, net	31.0			30.3

	1.1.2022	Recognised in income statement	Translation difference	31.12.2022
Changes in deferred tax assets, EUR mill.				
Confirmed losses	12.4	-12.4		0.0
Difference between carrying amounts and tax bases of property, plant and equipment	1.5		-0.1	1.4
Lease liability	64.7	45.1	-4.4	105.4
Other temporary differences	5.2	2.9	-0.1	7.9
Deferred tax assets	83.8	35.5	-4.6	114.7
Netting of deferred taxes	-60.0			-83.7
Deferred tax assets, net	23.8			31.0

Changes in deferred tax liabilities

	1.1.2023	Recognised in income statement	Translation difference	Liabilities related to assets classified as held for sale	31.12.2023
Changes in deferred tax liabilities, EUR mill.					
Cumulative depreciation differences	14.7	3.6	0.2		18.4
Difference between carrying amount and tax bases of prop., plant and equip.	4.3	-0.0	0.0		4.3
Difference between carrying amounts and tax bases of investment property					
Measurement at fair value of intangible and tangible assets	13.6		0.0		13.7
Measurement at fair value of investment property					
Unrealised exchange rate difference on the non-current foreign currency loan					
Right-of-use assets	83.7	3.8	-0.2		87.4
Other temporary differences	7.7	6.9	-0.0		14.6
Deferred tax liabilities	124.0	14.3	0.0		138.3
Netting of deferred taxes	-83.7				-87.3
Deferred tax liabilities, net	40.3				51.0

	1.1.2022	Recognised in income statement	Translation difference	Liabilities related to assets classified as held for sale	31.12.2022
Changes in deferred tax liabilities, EUR mill.					
Cumulative depreciation differences	13.1	-10.0	-0.8	12.4	14.7
Difference between carrying amount and tax bases of prop., plant and equip.	4.9	-0.3	-0.4		4.3
Difference between carrying amounts and tax bases of investment property					
Measurement at fair value of intangible and tangible assets	14.8		-1.2		13.6
Measurement at fair value of investment property					
Unrealised exchange rate difference on the non-current foreign currency loan					
Right-of-use assets	60.0	27.9	-4.1		83.7
Other temporary differences	7.7	-2.9	0.0	2.9	7.7
Deferred tax liabilities	100.6	14.6	-6.5	15.3	124.0
Netting of deferred taxes	-60.0				-83.7
Deferred tax liabilities, net	40.6				40.3

The companies belonging to the group have tax losses of 77.7 million euros, which can be deducted if taxable income is generated in the coming years. EUR 30.1 million of the tax losses can be used until 2033, and EUR 47.6 million can be carried forward indefinitely.

No deferred tax assets have been recognised for the losses. The group records a deferred tax asset to the extent it is probable that taxable profit is available to offset losses in the coming years or that it is possible to use them elsewhere in the group.

In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the accumulated distributable earnings of EUR 20.3 million (18.1) of the Estonian and Latvian subsidiaries.

At the end of the reporting period, the Stockmann Group recorded a deferred tax liability of EUR 5.9 million for the undistributed accumulated distributable earnings of Stockmann Plc's branch in Estonia. Currently, the taxes in Estonia for the potential future profit sharing from the branch would not be deductible from the taxes payable in Finland.

3 Intangible and tangible assets and leasing arrangements

3.1 Depreciation, amortisation and impairment losses

EUR mill.	2023	2022
Intangible assets	10.5	11.3
Machinery and equipment	10.5	12.0
Modification and renovation expenses for leased premises	1.2	1.2
Right of use assets	78.0	78.7
Depreciation and amortisation, total	100.2	103.2
Depreciation, amortisation and impairment losses, total	100.2	103.2

3.2 Goodwill and other intangible assets

Accounting policies

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

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

The amortisation periods of intangible assets are:

software	3–10 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 operating expenses when they are incurred.

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

	Goodwill	Trademark	Intangible rights	Other intangible assets	Advance payments and construction in progress	Intangible assets, total
Intangible assets, EUR mill. 2023						
Acquisition cost 1.1.	632.7	82.0	94.2	4.1	4.2	817.2
Translation difference +/-	1.4	0.2	0.4	-0.1	-0.0	2.0
Increases during the period			10.3	0.1	1.8	12.2
Decreases during the period	-0.9		-6.7	-0.7	-0.0	-8.3
Transfers between items during the period			5.3		-5.3	0.0
Acquisition cost 31.12.	633.3	82.2	103.5	3.3	0.7	823.1
Accumulated amortisation 1.1.	-381.8	-0.3	-67.4	-3.4		-452.8
Translation difference +/-	-0.9	-0.0	-0.3	0.0		-1.1
Amortisation on reductions during the period			6.7	0.7		7.4
Amortisation and impairment losses during the period			-10.2	-0.3		-10.5
Accumulated amortisation 31.12.	-382.7	-0.3	-71.2	-3.0		-457.1
Carrying amount 1.1.	250.9	81.8	26.8	0.7	4.2	364.4
Carrying amount 31.12.	250.6	81.9	32.4	0.4	0.7	366.0
Intangible assets, EUR mill. 2022						
Acquisition cost 1.1.	685.5	89.0	98.2	4.8	2.1	879.6
Translation difference +/-	-53.8	-7.0	-5.1	-0.0		-65.9
Increases during the period	0.9		9.3	0.0	3.9	14.1
Decreases during the period			-9.9	-0.8		-10.7
Transfers between items during the period			1.8	0.0	-1.8	-0.0
Acquisition cost 31.12.	632.7	82.0	94.2	4.1	4.2	817.2
Accumulated amortisation 1.1.	-414.0	-0.3	-70.6	-3.7		-488.5
Translation difference +/-	32.2	0.0	4.1	-0.0		36.3
Amortisation on reductions during the period			9.9	0.8		10.7
Amortisation and impairment losses during the period			-10.8	-0.5		-11.3
Accumulated amortisation 31.12.	-381.8	-0.3	-67.4	-3.4		-452.8
Carrying amount 1.1.	271.5	88.7	27.6	1.1	2.1	391.1
Carrying amount 31.12.	250.9	81.8	26.8	0.7	4.2	364.4

Impairment testing

Accounting policies

The carrying amounts of asset items are regularly assessed to identify any potential impairment indicators. When such indications arise, the recoverable amount of the asset is determined. Goodwill and the brand are allocated to cash-generating units and undergo annual testing for impairment. If the value of an asset item or cash-generating unit on the statement of financial position exceeds its recoverable amount, an impairment loss is recognised, and these losses are reflected in the income statement.

For impairment losses on a cash-generating unit, the reduction is first allocated to the goodwill of the unit. Subsequently, any remaining impairment loss is allocated proportionally to reduce the unit's other asset items.

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 the value in use, the estimated future cash flows are discounted to their present value using discount rates reflecting the average capital costs before taxes of the relevant cash generating unit. Climate-related risks, both physical and transitional, are constantly monitored when measuring the recoverable amount. While the Group believes its operations are not currently significantly exposed to physical risk, the value-in-use may be impacted by transition risks, such as climate-related legislation, regulations and changes in demand for the Group's products.

Impairment losses on property, plant and equipment, as well as other intangible assets (excluding goodwill), can be reversed if there is a change in the estimates used to determine the recoverable amount. However, any reversal is limited to the carrying amount of the asset if no impairment loss had been recognised in previous years.

Under IFRS 8, the Stockmann Group's reportable segments are fashion chain Lindex and Stockmann for the department store business, which are both considered as cash-generating units. The assets for these segments are tested for

impairment either during the preparation of the financial statements or when there are indications that assets may be impaired.

Since 2019, Lindex has consistently achieved an annual revenue growth of approximately 4%, predominantly attributed to its digital expansion efforts. The strategic plan is to maintain this growth momentum in the upcoming years, with financial targets set at 3-5% yearly growth in the mid-term, aiming to reach SEK 10 billion in the long-term. Additionally, the digital share is projected to increase from 19% in 2023 to 30% in the mid-term, indicating a substantial focus on digital advancement.

To enhance both growth and profitability, Lindex will implement a new fully automated logistics center in 2024. This strategic move is designed to bolster digital sales and explore new sales channels.

Regarding financial performance, the adjusted operating profit is expected to reach 15% in the long-term, while approximately maintaining the existing levels in the mid-term. This dual focus on sustained growth and profitability reflects Lindex's commitment to a balanced and sustainable business strategy. The implementation of the new logistics centre is anticipated to play a pivotal role in achieving these targets, providing a robust infrastructure for digital expansion and diversification into new channels.

Despite the impact of inflation on consumer confidence in recent years, Lindex has predominantly grown internationally acquiring new customers and revenue. While lower consumer confidence is anticipated to affect the retail market in the coming years, Lindex aims to mitigate this impact, drawing from its experience in navigating similar challenges in the past.

The Group has concluded that no single climate-related assumption is a key assumption for the 2023 test of goodwill. Lindex has incorporated its expectations for the changing consumer needs and consumption habits, expected cost increases due to stricter recycling requirements and more sustainably sourced materials as well as higher energy and freight cost due to climate change in the cash-flow forecasts when assessing value-in-use amounts.

As of 31 December 2023, there are no indications for impairment. The goodwill of EUR 250.6 million is allocated to the Lindex segment, and the Lindex trademark, valued at EUR 81.9 million, is entirely allocated to the Lindex segment. The Lindex brand is considered to have an indefinite useful life due to high brand awareness. With a 70-year history, the Group plans to continue utilising the brand both in existing markets and by introducing it to new markets through both online and physical store concepts.

Main assumptions and variables used in the calculation of the value-in-use of Lindex

In the impairment testing, future cash flows have been forecasted based on the organisation's strategy and financial targets, and also considering potential climate related risks. Cash flows have been forecasted with a conservative approach. These forecasts have received approval from the management team. This conservative methodology ensures that financial projections are grounded in a realistic assessment, taking into account potential challenges and uncertainties. The approval from management affirms the validity and careful consideration embedded in the forecasts as the organisation navigates the dynamic business landscape.

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

1. **Revenue growth.** The forecasted revenue growth for Lindex is based on an estimation of sales expansion in both physical stores and online platforms, covering a five-year period. Over the last four years, the average yearly revenue growth rate has stood at approximately 4%. However, to adopt a more conservative stance, the management has opted for a slightly lower growth rate, coupled with a terminal growth rate of 2.0%. These revenue forecasts take into consideration a range of factors, including shifts in the economy, insights from market research, expansion initiatives in physical stores, online channels and collaboration with third-party platforms. A significant catalyst for growth is anticipated with the operationalisation of Lindex's fully automated logistics center by the end of 2024. This facility is expected to provide robust support for growth, particularly in the realm of online channels. The strategic integration of these variables reflects a prudent approach by management to ensure a realistic and attainable projection of revenue growth for the coming years.
2. **Gross margins and operating margins.** In recent years, Lindex has achieved an increase in both gross margins and operating margins. This improvement is attributed to various strategic actions implemented across the supply chain, assortments, strategic pricing, cost efficiency measures, and digitalisation initiatives. Forecasts for Lindex's gross margin and operating margin percentages extend over a 5-year period. The gross margin was 65.4% in 2023, and the adjusted operating margin was 14.3% in the same year.

To provide a conservative outlook, the management anticipates that factors such as increases in raw material prices, a shift towards sustainable sourcing and changes in the sales mix may gradually decrease profitability from the current level over the forecast period, being somewhat lower in the terminal period. The lower starting margin, combined with an increased inflation, is planned to be effectively mitigated by continuously streamlining operations through automation and digitalisation. This ensures that the long-term goal of achieving a 15%

adjusted operating result remains unchanged.

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, country risk premium, size risk premium and cost of debt and debt-to-equity ratio, which corresponds to the capital structure in the retail industry. Lease liabilities have been taken into account in the calculation of the discount rate and correspondingly the right-of-use assets are included in the value of assets.

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

The discount rate determined is a pre-tax rate. The discount rate of Lindex is based on the market interest rate and country-specific risk pertaining to Sweden and Finland; the discount rate used for Lindex is 11.9% (11.2% in 2022).

Sensitivity in determining the recoverable amount

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

A sensitivity analysis was carried out on Lindex using downside scenarios. The scenarios involved were:

- reducing the sales growth from the level given in the management's estimates for the cash flow period also reflecting the sales value of the terminal period,
- reducing the Gross Margin per cent from the level given in the management estimates for the cash flow period also reflecting to the Gross Margin per cent value of the terminal period,
- or raising the discount rate.

A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below.

Change, percentage points	2023
Discount rate increase	5.6%
Decline in sales growth	8.9%
Decline in Gross Profit per cent	5.2%

Based on the impairment testing carried out, there is headroom of more than EUR 300 million.

3.3 Property, plant and equipment

Accounting policies

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

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

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

The depreciation periods for property, plant and equipment are:

- costs of leased premises 5–20 years
- machinery and equipment 4–10 years
- ICT equipment 3–5 years
- lightweight store fixtures and equipment 3–5 years

The Group reviews the estimated residual values and expected useful lives of property, plant and equipment annually and adjusts them prospectively, if appropriate. The review includes climate-related considerations, including physical and transition risks. Especially, the Group determines if the climate-related legislation and regulations might impact either the useful life or residual values of the assets. At balance sheet date the climate-related considerations had no impact on the useful life or valuation of the assets.

	Land and water	Machinery and equipment	Modification and renovation expenses for leased premises	Right-of-use assets	Advance payments and construction in progress	Property, plant and equipment, total
Property, plant and equipment, EUR mill. 2023						
Acquisition cost 1.1.		244.0	9.4	636.7	37.1	927.1
Translation difference +/-	0.0	-2.9		1.8	1.5	0.4
Increases during the period	0.2	8.5	0.0	109.9	44.1	162.6
Decreases during the period		-4.0	-1.5	-32.6		-38.2
Transfers between items during the period		3.8	0.9		-4.8	-0.0
Acquisition cost 31.12.	0.2	249.3	8.8	715.7	77.9	1,051.9
Accumulated depreciation 1.1.		-206.4	-5.0	-217.5		-428.9
Translation difference +/-		2.9		-1.8		1.2
Depreciation on reductions during the period		4.0	1.5	22.1		27.5
Depreciation and impairment losses during the period		-10.5	-1.2	-78.0		-89.7
Accumulated depreciation 31.12.		-210.0	-4.6	-275.2		-489.8
Carrying amount 1.1.		37.6	4.4	419.2	37.1	498.2
Carrying amount 31.12.	0.2	39.3	4.2	440.5	77.9	562.1
Property, plant and equipment, EUR mill. 2022						
Acquisition cost 1.1.		252.4	9.2	468.6	1.2	731.3
Translation difference +/-		-12.5		-34.5	-1.7	-48.6
Increases during the period		8.1	0.0	222.0	40.3	270.4
Decreases during the period		-5.9	-0.7	-19.5		-26.0
Transfers between items during the period		1.9	0.8		-2.7	-0.0
Acquisition cost 31.12.		244.0	9.4	636.7	37.1	927.1
Accumulated depreciation 1.1.		-211.8	-4.4	-172.0		-388.2
Translation difference +/-		11.6		14.4		26.0
Depreciation on reductions during the period		5.7	0.7	18.9		25.3
Depreciation and impairment losses during the period		-12.0	-1.2	-78.7		-91.9
Accumulated depreciation 31.12.		-206.4	-5.0	-217.5		-428.9
Carrying amount 1.1.		40.6	4.8	296.6	1.2	343.2
Carrying amount 31.12.		37.6	4.4	419.2	37.1	498.2

In 2023 and 2022 advance payments for property, plant and equipment and construction in progress relate mainly to the ongoing construction of the new omnichannel distribution center in Lindex.

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. Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through income statement 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 the income statement.

The Tapiolan Säästötammi property in Espoo, of which Stockmann owns 37.8%, was classified as an investment property in accordance with IAS 40 on 31 December 2023.

EUR mill.	2023	2022
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 until 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 have not been 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 instead. 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 the option to terminate will be exercised.

The lease liability is later measured at the 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 the index or if there is a change in the estimate of the amount expected to be payable under the residual value guarantee or if there is a change in 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 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 that the option will be exercised. In the Stockmann Group, Lindex uses a scoring system based on the operating profit to determine if prolongation of the original rental period is included in the lease term. Operating profit is measured as a percentage of turnover and the higher the percentage, the more likely the option to extend will be exercised.

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

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

Sale and leaseback

Accounting policies

The sale and leaseback agreement of Stockmann's Riga department store property was signed on 29 December 2021 with the closure in January 2022. On 21 March 2022, Stockmann agreed on the sale of its department store property in Helsinki city centre, and the closing took place in April 2022. The department store property in Tallinn was sold on 29 December 2021. Department store operations continue with long-term leaseback agreements with the new owners.

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

Right-of use assets

2023, EUR mill.	Buildings	Machinery and equipment	Total
Acquisition cost 1.1.	635.4	1.3	636.7
Translation difference +/-	1.8	0.0	1.8
Increases during the period	109.0	0.8	109.9
Decreases during the period	-31.9	-0.7	-32.6
Acquisition cost 31.12.	714.3	1.4	715.7
Accumulated depreciation and impairment losses 1.1.	-216.7	-0.8	-217.5
Translation difference +/-	-1.8	0.0	-1.8
Depreciation on reductions during the period	21.4	0.7	22.1
Depreciation, amortisation and impairment losses during the period	-77.6	-0.4	-78.0
Accumulated depreciation and impairment losses 31.12.	-274.6	-0.6	-275.2
Carrying amount 1.1.	418.7	0.5	419.2
Carrying amount 31.12.	439.7	0.9	440.5

2022, EUR mill.	Buildings	Machinery and equipment	Total
Acquisition cost 1.1.	466.7	1.8	468.6
Translation difference +/-	-34.4	0.0	-34.5
Increases during the period	104.8	0.3	105.1
Increase relating to sale and leaseback arrangements	116.9		116.9
Decreases during the period	-18.7	-0.8	-19.5
Acquisition cost 31.12.	635.4	1.3	636.7
Accumulated depreciation and impairment losses 1.1.	-170.9	-1.0	-172.0
Translation difference +/-	14.3	0.0	14.4
Depreciation on reductions during the period	18.2	0.6	18.9
Depreciation, amortisation and impairment losses during the period	-78.3	-0.5	-78.7
Accumulated depreciation and impairment losses 31.12.	-216.7	-0.8	-217.5
Carrying amount 1.1.	295.8	0.8	296.6
Carrying amount 31.12.	418.7	0.5	419.2

Increases of right-of use assets are mainly due to extensions to the contracts and price increases. Decreases mainly relate to changes in terms of lease agreements for business premises.

Carrying amount 31.12. by operating segments

EUR mill.	2023	2022
Lindex	236.4	252.0
Stockmann	204.1	167.2
Total	440.5	419.2

Leases recognised in profit and loss

EUR mill.	2023	2022
Interest expenses on lease liabilities	-32.1	-24.7
Expenses relating to leases of low-value assets	-0.6	-0.1
Expense relating to variable lease payments not included in lease liabilities	-4.8	-5.7
Total	-37.6	-30.5

Total cash outflow for leases in 2023 was EUR 98.4 million (98.4).

Group as lessor**Accounting policies**

When the Group acts as a lessor, for each lease it is determined at the lease inception whether it is a finance lease or an operating lease. A lease is a finance lease if substantially all of the risks and rewards incidental to ownership of the underlying asset are transferred to the lessee, otherwise it is an operating lease. All leases in which the Stockmann Group acts as a lessor on 31 December 2023 and 31 December 2022 are operating leases. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

4 Capital structure

4.1 Financial income and expenses

Financial income

EUR mill.	2023	2022
Interest income on bank deposits and other investments	3.5	1.3
Other financial income	1.6	1.3
Total	5.1	2.6

Financial expenses

EUR mill.	2023	2022
Interest expenses on financial liabilities measured at amortised cost	-1.5	-2.8
Interest expenses from lease contracts	-32.1	-24.7
Foreign exchange differences	-1.4	-0.7
Total	-35.0	-28.3

EUR mill.	2023	2022
Financial income and expenses, total	-29.9	-25.7

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. 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 the reporting date, Stockmann Group did not hold any financial assets classified at fair value through other comprehensive income.

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

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

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

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

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

Hedge accounting is applied to certain currency derivatives that are used in hedging forecasted foreign currency denominated sales and purchases and which meet the hedge accounting requirements of IFRS 9. The hedged cash flow must be highly probable and ultimately affect profit or loss. Changes in the fair value of derivative contracts taken out to hedge cash flows are recognised in the statement of comprehensive income and presented in the fair value reserve under equity, and any ineffective component is recognised through profit or loss. Cumulative changes in fair value in

equity are recognised in items adjusting sales or purchases through profit or loss in the same period as that in which the forecast transactions covered by hedge accounting are recognised in the income statement. If a hedged cash flow is no longer expected to be realised, the related fair value change that has been recognised for the hedging instrument directly to equity is transferred to the income statement.

Hedge accounting is also applied to certain currency derivatives that hedge foreign currency denominated net investments in foreign operations. Changes in the fair value of the hedging instrument are recognised in the statement of comprehensive income and presented in the translation difference in shareholders' equity. Gains and losses from the hedging of net investments that are recognised in translation differences are transferred to the income statement when the net investment is disposed of in full or in part. The realised foreign exchange rate gain on the hedge of a net investment in a foreign operations and internal loans are included in the 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 the effectiveness of the hedge. 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 as defined in IFRS 9.

4.3 Current receivables

EUR mill.	2023	2022
Non-interest-bearing trade receivables	14.5	15.1
Receivables based on derivative contracts	0.0	0.1
Other receivables	1.2	0.7
Prepayments and accrued income	26.3	27.3
Income tax receivables	5.3	0.2
Current receivables, total	47.3	43.5

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

Prepayments and accrued income

EUR mill.	2023	2022
Prepaid rents	13.8	15.0
Merchandise prepayments	4.6	5.2
Periodised ICT expenses	2.9	2.5
Receivable from credit card co-operation	1.8	1.9
Periodised indirect employee expenses	1.2	1.3
Periodised restructuring expenses		0.1
Others	1.9	1.4
Total	26.3	27.3

4.4 Cash and cash equivalents

Accounting policies

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

EUR mill.	2023	2022
Cash and cash equivalents	137.5	167.9
Total	137.5	167.9

Restricted cash on 31 December 2023 EUR 0.6 million (0.6).

4.5 Non-current liabilities

EUR mill.	Carrying amount 2023	Carrying amount 2022
Bond issues	72.0	67.6
Periodised loan arrangement expenses	-0.1	-0.1
Lease liabilities	505.6	477.5
Other non-interest bearing liabilities	0.3	0.7
Total	577.9	545.7
of which interest-bearing	577.6	545.0

The carrying amount of bond issues 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 reporting date.

In May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring programme. Pursuant to the restructuring programme, the unsecured creditors are entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. On 31 December 2022, the receivables which had been converted to subsequent bonds amounted to EUR 67.5 million.

In June 2023, the Company announced that it had received and verified two subscription forms from entitled persons whose previously conditional or disputed receivables subject to the payment programme of the restructuring programme had been clarified and the final amounts of such receivables had been confirmed. The aggregate principal amount by which the entitled persons were entitled to subscribe for subsequent bonds amounted to EUR 4.4 million. The receivables of the entitled persons were converted, by way of set-off, into subsequent bonds. After the conversion, the subsequent bonds amount to EUR 71.9 million.

During the reporting period, the Company entered into agreement according to which EUR 1.1 million of its current restructuring debt will be converted into subsequent bonds by way of set-off. See Note 5.9.

The bonds are presented as non-current interest-bearing financing liabilities in the Consolidated Statement of Financial Position.

4.6 Current liabilities

EUR mill.	Carrying amount 2023	Carrying amount 2022
Lease liabilities	81.6	77.3
Trade payables	63.9	67.0
Other current liabilities	33.2	32.5
Accruals and prepaid income	79.4	78.5
Derivative contract liabilities	1.9	1.2
Income tax liability	11.7	73.7
Current provisions	18.0	31.2
Total	289.8	361.3
of which interest-bearing	81.6	77.3

Restructuring debt

EUR mill.	31.12.2023	31.12.2022
Current non-interest-bearing restructuring debt, unsecured	1.4	0.2
Restructuring debt total	1.4	0.2
Restructuring debt related to current provisions	18.0	31.2
Provisions related to restructuring debt *)	18.0	31.2
Total	19.4	31.3

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

*) Consists of conditional and maximum restructuring debt and disputed landlords' claims for terminated lease agreements.

Accruals and prepaid income

EUR mill.	2023	2022
Personnel expenses	40.7	41.4
Periodised purchases	16.0	11.7
Customer loyalty programme MORE	6.2	5.6
Reserve for returns and periodisation of sales	4.3	2.9
Derivative liabilities	1.9	1.2
Other accruals and prepaid income	10.4	15.5
Total	79.4	78.5

4.7 Reconciliation of liabilities arising from financing activities

EUR mill.	1.1.2023	Cash flows from liabilities	Non-cash changes from liabilities		Non-cash changes from loans	31.12.2023
			Changes in leases	The effect of changes in foreign exchange rates		
Non-current liabilities, interest-bearing	67.5				4.4	71.9
Lease liabilities	554.8	-66.3	98.4	0.3		587.2
Total liabilities from financing activities	622.3	-66.3	98.4	0.3	4.4	659.1

EUR mill.	1.1.2022	Cash flows from liabilities	Non-cash changes from liabilities		Non-cash changes from loans	31.12.2022
			Changes in leases	The effect of changes in foreign exchange rates		
Non-current liabilities, interest-bearing	66.0				1.5	67.5
Current liabilities, interest-bearing	381.5	-381.5				0.0
Lease liabilities	337.2	-73.8	312.7	-21.3		554.8
Total liabilities from financing activities	784.7	-455.2	312.7	-21.3	1.5	622.3

4.8 Financial risk management

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

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

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

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

Currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and 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 2023 were the euro, the Swedish krona, and the Norwegian krone. The primary purchasing currencies were the United States dollar, the euro and the Swedish krona. In 2023, non-euro sales accounted for 52 % of the Group's entire sales (2022: 54 %). Purchases with a transaction risk made up 48 % of the Group's purchases (2022: 56 %). In addition, the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Sweden. In 2023 these purchases accounted for 4 % of the Group's total purchases (2022: 4 %).

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 six months. The hedging period is generally a maximum of six 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 had no possibilities to hedge its foreign exchange positions. Lindex obtained hedging facilities in September 2021 and is now hedging its transaction exposure in accordance with the treasury policy. Stockmann plc currently has no hedging facilities.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges. The main transaction risks arise in Lindex. The Stockmann division operates mainly in its local currency and its transaction exposure is limited. The outstanding cash flow hedges are hedging Lindex's purchases in US-dollar and sales in Swedish Krona, Norwegian Krona and euro and will mature during the first six months of 2024. The gain/loss of these hedge instruments will affect the Group's operating profit in the same period during which the forecasted hedged items affect profit, which is usually 4-6 months after maturity. Information about the fair value of these hedges is provided in Note 4.9. The table below shows the distribution of currency for outstanding derivatives hedging cash flows. For each derivative, the amounts are shown for both the bought and the sold currency. No ineffectiveness arose on cash flow hedges during the year 2023.

Foreign exchange derivatives hedging cash flows

EUR Mill.	2023	2022
USD	45.2	45.9
SEK	-29.3	-18.1
NOK	-12.1	-16.2
EUR	-5.5	-12.5

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

2023, EUR Mill.	USD	SEK	NOK
Change + 10 %	-3.3	-0.4	0.9
Change - 10 %	4.0	0.5	-1.1
2022, EUR Mill.	USD	SEK	NOK
Change + 10 %	-3.3	-0.9	1.2
Change - 10 %	4.1	1.1	-1.4

All outstanding derivatives hedging cash flows relate to Lindex. The functional currency of Lindex is the Swedish Krona. At year-end, the outstanding cash flow hedges in US-dollars covered approximately 72 % of the Stockmann Group's estimated net USD flows for the coming six months.

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

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

The Group's transaction exposure

2023, EUR Mill.	SEK	GBP	NOK	CZK	USD
Receivables	5.2	1.2	30.5	14.2	4.2
Trade payables and other current liabilities	-29.2		-17.2		-18.8
Foreign currency exposure in the balance sheet	-24.0	1.2	13.3	14.2	-14.6
Foreign exchange derivatives hedging balance sheet items					14.7
Foreign currency loans hedging the net investment					
Net position in the balance sheet	-24.0	1.2	13.3	14.2	0.1
2022, EUR Mill.	SEK	GBP	NOK	CZK	USD
Receivables	8.5	3.9	24.7	12.1	18.7
Trade payables and other current liabilities	-10.0		-14.1		-20.6
Foreign currency exposure in the balance sheet	-1.5	3.9	10.6	12.1	-1.9
Foreign exchange derivatives hedging balance sheet items					12.0
Net position in the balance sheet	-1.5	3.9	10.6	12.1	10.1

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

2023, EUR Mill.	SEK	GBP	NOK	CZK	USD
Change + 10 %	1.8	-0.1	-1.0	-1.0	-0.3
Change - 10 %	-2.1	0.1	1.2	1.2	0.3
2022, EUR Mill.	SEK	GBP	NOK	CZK	USD
Change + 10 %	0.1	-0.3	-0.8	-0.9	-0.7
Change - 10 %	-0.1	0.3	0.9	1.1	0.9

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 considered.

During 2018 Stockmann reclassified a major part of the Swedish krona denominated intra-group loan, granted for the acquisition of the shares in Lindex, as part of its net investment to a foreign subsidiary. The net investment has been designated in a net investment hedge and was hedged to 50% by currency derivatives until 6 April 2020 when outstanding derivatives were closed by the banks. The degree of hedging can vary from zero 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 on translation difference. At the end of 2023 the translation risk was not hedged since Stockmann plc didn't have any hedging facilities.

The following table shows how a 10% change in 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 euros.

Sensitivity Analysis, effect on equity

2023, EUR Mill.	SEK
Change + 10 %	-57.6
Change - 10 %	70.4
<hr/>	
2022, EUR Mill.	SEK
Change + 10 %	-52.7
Change - 10 %	64.4

Interest rate risk

Fluctuations in the level of interest rates affect the Group's interest expenses and interest income. 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. 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 but were not in use at the end of 2023.

Interest-bearing liabilities consist of a five-year bullet bond (excl. IFRS16 leases) issued to certain unsecured creditors who were entitled to convert their receivables to senior secured bonds. The bond matures in July 2026 and the interest of the bond is 0.10 % per annum.

Interest-bearing receivables consist mainly of bank receivables in different currencies, with a maturity less than 1 month.

Interest terms of the Group's interest-bearing liabilities and bank receivables on 31 December 2023:

Interest rate adjustment, period, EUR mill	< 12 months	1–3 years	3–5 years	Total
Bond Issues		72.0		72.0
Total	0.0	72.0	0.0	72.0
Cash and bank receivables	-137.5			-137.5
Total	-137.5	72.0	0.0	-65.5

Interest terms of the Group's interest-bearing liabilities and bank receivables on 31 December 2022:

Interest rate adjustment, period, EUR mill	< 12 months	1–3 years	3–5 years	Total
Bond Issues			67.6	67.6
Total	0.0	0.0	67.6	67.6
Cash and bank receivables	-167.9			-167.9
Total	-167.9	0.0	67.6	-100.2

Electricity price risk

Stockmann Group normally has electricity price commitments to reduce the price risk affecting future electricity procurements. In accordance with the financial policy, the degree of commitments of future electricity prices is 50 % for years 2024-2025. As both divisions are having energy price commitments for the main part of their electricity consumption, Stockmann Group does not expect an increase in electricity costs for 2024, and therefore electricity cost would not have high impact on the Group's net result in 2024 as it had in the net results in previous years.

Financing and liquidity risk

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

Stockmann plc's restructuring programme was approved by the District Court on 9 February 2021, where the Company's confirmed debts were classified as secured restructuring debt or unsecured restructuring debt. The unsecured restructuring debts were subject to a 20% cut or 20% conversion to Stockmann plc's shares. The remaining 80 % was either converted to a secured 5-year bullet bond or subject to a repayment schedule during the years 2022-2028. According to the restructuring programme, Stockmann sold and leased back the real estate properties of the Helsinki, Tallinn and Riga department stores in 2021-2022. Funds received from these sales were primarily used for repayment of secured restructuring debt and undisputed unsecured restructuring debt.

There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end. These claims are further explained in Notes 1.4 and 1.5.

In July 2023, Stockmann signed for a committed secured revolving credit facility of EUR 40 million, which will mature in July 2028. The credit facility has not been used as of 31 December 2023.

Stockmann Group does not expect to have any need to acquire new equity or interest-bearing debt during the restructuring programme with the exception of a possible need to take seasonal working capital and financing for a significant investment for Lindex's new Omnichannel Distribution Centre. The investment is EUR 110 million and it will be ready in 2024.

Stockmann plc has covered all new payment obligations that have arisen since the restructuring proceedings started. Positive cash flows from operations and selling real estates have been used for investments and repaying debts.

At the end of the year Stockmann Group had EUR 137.5 million (EUR 167.9 million) in cash assets.

Liquid assets and unused committed credit facilities

EUR Mill.	2023	2022
Cash and cash equivalents	137.5	167.9
Credit facility	40.0	
Total	177.5	167.9

Cash flows based on agreements in financial liabilities, including financing costs, on 31 December 2023

EUR Mill.	Carrying amount	2024	2025	2026	2027	2028-	Total
Current restructuring debts	1.4	-1.4					-1.4
Restructuring debts total	1.4	-1.4	0.0	0.0	0.0	0.0	-1.4
Non-current bond (5-y bullet)	71.9	-0.1	-0.1	-72.1			-72.2
Current trade payables and other current liabilities	95.7	-95.7					-95.7
Non-current lease liabilities	505.6		-96.1	-86.2	-77.5	-419.3	-679.1
Current lease liabilities	81.6	-100.1					-100.1
Lease liabilities, total	587.2	-100.1	-96.1	-86.2	-77.5	-419.3	-779.2
Total	756.3	-197.3	-96.2	-158.3	-77.5	-419.3	-948.6
Currency derivatives	1.9						
Assets		41.6					41.6
Liabilities		-43.4					-43.4
Total	1.9	-1.8	0.0	0.0	0.0	0.0	-1.8

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.

In July 2021 EUR 66.1 mill. of the restructuring debt was converted into a new bond, which will be repaid in 2026 and to which annual interest of EUR 0.1 mill. will be paid. In 2022 more bonds were converted with 1.5 mill. euros and in June 2023 with 4.4 mill. euros. Provisions regarding disputed landlords' claims are not included in the cash flows.

Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

Cash flows based on agreements in financial liabilities, including financing costs, on 31 December 2022

EUR Mill.	Carrying amount	2023	2024	2025	2026	2027-	Total
Current restructuring debts	0.2	-0.2					-0.2
Restructuring debts total	0.2	-0.2	0.0	0.0	0.0	0.0	-0.2
Non-current bond (5-y bullet)	67.5	-0.1	-0.1	-0.1	-67.7		-67.9
Current trade payables and other current liabilities	99.3	-99.3					-99.3
Non-current lease liabilities	477.5		-92.8	-85.3	-77.3	-406.4	-661.8
Current lease liabilities	77.3	-96.8					-96.8
Lease liabilities, total	554.8	-96.8	-92.8	-85.3	-77.3	-406.4	-758.7
Total	721.8	-196.4	-92.9	-85.4	-145.0	-406.4	-926.0
Currency derivatives	1.2						
Assets		36.6					36.6
Liabilities		-37.6					-37.6
Total	1.2	-1.1	0.0	0.0	0.0	0.0	-1.1

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.

In July 2021 EUR 66.1 mill. of the restructuring debt was converted into a new bond, which will be repaid in 2026 and to which annual interest of EUR 0.1 mill. will be paid. In 2022 more bonds were converted with 1.5 mill. euros. Remaining restructuring debt 0.2 mill. EUR will be paid according to the restructuring program. Provisions regarding disputed landlords' claims are not included in the cash flows.

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 2023, 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 number of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

In response to the war in Ukraine Stockmann discontinued selling merchandise to the Russian partner Debruss. All receivables from Debruss have been written off.

Ageing of trade and lease receivables

31.12.2023

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	12.6	0.0
Trade receivables fallen due in 1–30 days	0.8	-0.0
Trade receivables fallen due in 31–60 days	0.2	0.0
Trade receivables fallen due in 61–90 days	0.2	0.0
Trade receivables fallen due in 91–120 days	0.2	0.0
Trade receivables fallen due in over 120 days	1.2	0.7
Total	15.3	0.7

31.12.2022

EUR mill.	Gross carrying amount	Loss allowance
Trade receivables not due	13.9	0.1
Trade receivables fallen due in 1–30 days	0.9	0.0
Trade receivables fallen due in 31–60 days	0.1	
Trade receivables fallen due in 61–90 days	0.2	0.1
Trade receivables fallen due in 91–120 days	0.1	0.0
Trade receivables fallen due in over 120 days	0.8	0.7
Total	16.0	0.8

The Stockmann Group recognises impairment provisions based on lifetime expected credit losses from trade and lease receivables in accordance with IFRS 9. The Group 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 the 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 ageing bucket and the 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.	2023	2022
Cash flow hedges, currency forwards	47.0	46.9
Total	47.0	46.9

Fair value of derivative contracts 2023

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Cash flow hedges, currency forwards	0.0	-1.9	-1.8
Total	0.0	-1.9	-1.8

Fair value of derivative contracts 2022

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Cash flow hedges, currency forwards	0.1	-1.2	-1.1
Total	0.1	-1.2	-1.1

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 2023.

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 management's judgment.

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

Financial assets, EUR mill.	Level	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Derivative contracts, hedge accounting applied	2	0.0	0.0	0.1	0.1
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Financial assets at amortised cost					
Non-current receivables		3.2	3.2	3.1	3.1
Current receivables, non-interest-bearing		42.0	42.0	43.1	43.1
Cash and cash equivalents		137.5	137.5	167.9	167.9
Other investments	3	0.4	0.4	0.2	0.2
Financial assets, total		183.2	183.2	214.4	214.4

Financial liabilities, EUR mill.	Level	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Derivative contracts, hedge accounting applied	2	1.9	1.9	1.2	1.2
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	71.9	62.5	67.5	55.8
Non-current lease liabilities		505.6	505.6	477.5	477.5
Non-current non-interest-bearing liabilities		0.3	0.3	0.7	0.7
Current lease liabilities		81.6	81.6	77.3	77.3
Current liabilities, non-interest-bearing		176.6	176.6	177.9	177.9
Financial liabilities, total		837.9	828.5	802.1	790.4

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 in 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.	2023	2022
Carrying amount 1.1.	0.2	0.2
Increases during the period	0.2	
Carrying amount 31.12.	0.4	0.2

4.11 Financial instruments subject to netting arrangements

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

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

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

31.12.2023

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	0.0	0.0	0.0
Financial assets, total	0.0	0.0	0.0

Financial liabilities, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	-1.9	0.0	-1.8
Financial liabilities, total	-1.9	0.0	-1.8

31.12.2022

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	0.1	-0.1	0.0
Financial assets, total	0.1	-0.1	0.0

Financial liabilities, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	-1.2	0.1	-1.1
Financial liabilities, total	-1.2	0.1	-1.1

4.12 Shareholders' equity

EUR mill.	Entered in trade register	Number of shares, B	Total	Share capital	Invested unrestrict ed equity fund	Total
31.12.2021		154,436,944	154,436,944	77.6	72.0	149.6
Share issue	27.1.2022	28,139	28,139			
Share issue	23.3.2022	284,337	284,337			
Share issue	22.7.2022	1,130,786	1,130,786			
31.12.2022		155,880,206	155,880,206	77.6	73.3	150.9
Share issue	22.6.2023	2,835,349	2,835,349			
31.12.2023		158,715,555	158,715,555	77.6	75.9	153.5

Share capital and number of shares

In May 2021, Stockmann plc's Board of Directors resolved, pursuant to the authorisation granted by the Annual General Meeting, on a directed share issue of at most 100,000,000 new shares of the company to the unsecured and hybrid bond creditors of the company's restructuring debt, carried out in deviation from the shareholders' pre-emptive subscription rights. As of 31 December 2022, a total of 80,778,437 conversion shares had been subscribed for in the share issue, and the total number of Stockmann shares had increased to a total of 155,880,206 shares.

In June 2023, the Company's Board of Directors decided, in accordance with the restructuring programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 2,835,349 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to such creditors of the Company whose previously conditional or disputed restructuring debts under the restructuring programme had been confirmed to their final amounts by 24 May

2023 and approved the subscriptions made in the share issue. The subscription price in the share issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the share issue, the total number of shares in the Company increased to a total of 158,715,555 shares.

During the reporting period, the Company entered into an agreement on payments of an additional EUR 280,000 of the Company's restructuring debt by setting off with subscriptions of shares. The subscription price in the share issue will be EUR 0.9106 per share. As a result of the share issue, the number of shares in the Company will increase by 307,489 shares. See Note 5.9

On 31 December 2023 Stockmann Plc's share capital was EUR 77.6 million. All the shares issued have been fully paid in.

Redemption obligation

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

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 into share capital under a specific decision. The previously mentioned share issues in 2021-2023 have been recognised as additions in the invested unrestricted equity fund.

Translation differences

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

Other funds

EUR mill.	2023	2022
Hedging reserve	-1.8	-1.1
Reserve fund	0.2	0.1
Total	-1.6	-1.0

Other funds comprise:

- reserve fund, which contains an amount transferred from unrestricted shareholders' equity based on local regulations
- hedging reserve, which contains changes in fair value of derivatives that are used to hedge cash flows, less the deferred tax liability.

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.

On 9 April 2021, the Trade Register registered a reduction of the Company's share capital to cover accumulated losses. According to the Finnish Companies Act, distributions to shareholders during the three years following the registration of the reduction of share capital to cover losses can only be made by following the creditor protection procedure. During the restructuring programme Stockman Plc is not allowed to distribute funds either.

4.13 Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. Diluted earnings per share are calculated by adjusting the weighted average number of shares by the effect of potential diluting shares such as shares from share-based payments. On 31 December 2023 and 31 December 2022, there was no dilutive effect.

EUR mill.	2023	2022
Profit/loss for the period attributable to the equity holders of the parent company	51.7	101.6
Share issue-adjusted number of outstanding shares, weighted average	157,379,445	155,189,297
From the period result (undiluted and diluted)	0.33	0.65

5 Other notes

5.1 Group companies

31.12.2023	Shareholding %	Voting rights %
Parent company holdings		
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
Stockmann Security Services Oy Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100
Subsidiaries' holdings		
TOV Stockmann, Kiev *)	100	100
AB Lindex, Gothenburg	100	100
Lindex Sverige AB, Gothenburg	100	100
Lindex AS, Oslo	100	100
Lindex Oy, Helsinki	100	100
Oü Lindex 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, Gothenburg *)	100	100
Lindex H.K. Ltd, Hong Kong	100	100
Shanghai Lindex Consulting Company Ltd, Shanghai	100	100
Lindex India Private Ltd, New Delhi	100	100
Lindex GmbH, Dusseldorf *)	100	100
Lindex Slovakia s.r.o., Bratislava	100	100
Lindex UK Fashion Ltd, London	100	100
Lindex Commercial (Shanghai) Co.Ltd., Shanghai	100	100
Lindex Fastighets AB, Gothenburg	100	100
Closely AB, Gothenburg	100	100

*) dormant companies

Disposals

In May 2023 the Group divested its ownership in Spacerpad AB, where AB Lindex previously owned 50,1%. After the sale Lindex still has a license to use the Spacerpad innovation, for which Lindex has future income expectations.

The goodwill associated with the disposal of Spacerpad AB's shares is measured based on the relative values of the disposed operation and the portion of the unit retained.

The impact of the disposal on the result for the financial period is EUR -0.7 million.

5.2 Joint arrangements

Joint operations

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

The Group recognises its share of the joint operation in its statement of financial position as an investment property (more information in Note 3.4). The Group does not recognise the income and expenses of the joint operation, as the joint operation is not essential for the Stockmann Group.

Assets and liabilities of joint operations

EUR mill.	2023	2022
Non-current assets	1.3	1.3
Current assets	0.5	0.6
Current liabilities	0.0	0.1

Income and expenses of joint operations

EUR mill.	2023	2022
Income	0.0	2.6
Expenses	0.1	1.4

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. A provision for onerous contract is recognised, when the unavoidable costs under the contract exceed the expected economic benefits. A restructuring provision is recognised if the Group is committed to a sale or a termination of the significant line of business or a closure of business in a geographical area. Provision amounts are reviewed on each balance sheet date and adjusted to reflect the current management's estimate. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised.

Non-current provisions**Other provisions**

EUR mill.	2023	2022
Carrying amount 1.1.	0.0	17.5
Transfer between items		-17.5
Carrying amount 31.12.	0.0	0.0

Non-current provisions total

0.0	0.0
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Current provisions**Restructuring provision**

EUR mill.	2023	2022
Carrying amount 1.1.	0.1	
Increase in provisions		0.1
Used provisions	-0.1	-0.0
Carrying amount 31.12.	0.0	0.1

Other provisions

EUR mill.	2023	2022
Carrying amount 1.1.	31.2	0.0
Transfer between items		17.5
Increase in provisions		19.0
Used provisions	-12.8	-4.5
Reversal of unused provisions	-0.4	-0.7
Carrying amount 31.12.	18.0	31.2

Current provisions total

18.0	31.2
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Provision for landlords' claims related to terminated lease contracts amounted to EUR 18.0 million (EUR 30.8 million in 2022).

5.4 Contingent liabilities

Collaterals given for own liabilities

EUR mill.	2023	2022
Guarantees	0.1	0.1
Electricity commitments	1.5	2.7
Total	1.5	2.8

Contingent liabilities

EUR mill.	2023	2022
Pledged subsidiary shares *)	303.4	303.4
Pledged loan receivables **)	378.6	373.5
Guarantees	0.1	0.1
Electricity commitments	1.5	2.7
Total	683.5	679.8

*) Book-value of subsidiary shares

***) Book-value of subsidiary loan receivables

Electricity commitments relate to agreements to buy electricity for certain prices in the years 2024–2026.

Landlords' disputed claims

Some landlords have presented Stockmann Plc with claims for damages related to termination of long-term lease agreements. Stockmann has recognised a provision for the claims corresponding to 18 months' rents, which is in accordance with the restructuring programme. The amount of the claims exceeding the provision, EUR 25.8 million (EUR 40.7 million), is presented as a contingent liability. More information on the claims is provided in Note 1.4.

Lease commitments

Lease agreements on the Group's business premises

EUR mill.	2023	2022
Within one year	4.8	3.1
After one year	15.3	9.3
Total	20.1	12.4

Group's lease payments

EUR mill.	2023	2022
Within one year	0.1	0.2
After one year	0.3	0.3
Total	0.4	0.4

5.5 Related party disclosures

The Group's related parties include its management (the Board of Directors, CEO and the Group Management Team) and the companies controlled by them, their family members and companies controlled by the family members, Stockmann's subsidiaries and joint operations.

The relationships between the parent company and subsidiaries are shown in Note 5.1.

The following transactions were carried out with related parties:

Management's employee benefits

Remunerations

Employee benefits of the Chief Executive Officer and other members of the Group Management Team 2023, EUR	Chief Executive Officer *)	Other members of the Group Management Team	Total
Short-term employee benefits	984,466	1,138,787	2,123,254
Other long-term employee benefits	68,268	214,945	283,213
Severance payments	360,000		360,000
Share-based payments	156,988	252,887	409,876
Employee benefits total	1,569,723	1,606,620	3,176,343

Remunerations to the Board of Directors 2023, EUR	Fixed annual remuneration **)	Remuneration based on participation	Total
Pohjonen Sari	90,000	24,200	114,200
Neuwald Roland	65,000	18,300	83,300
Björkman Stefan	42,500	12,800	55,300
Karppinen Timo	52,500	16,700	69,200
Kuittinen Anne ***)		600	600
Stone Tracy	42,500	13,200	55,700
Williams Harriet	42,500	12,600	55,100
Remunerations to the Board of Directors total	335,000	98,400	433,400

Fees and remunerations to key personnel total, EUR **3,609,743**

*) CEO Jari Latvanen until 12 May 2023 and CEO Susanne Ehnbåge as from 12 May 2023

***) paid in 60,088 company shares and cash

**) until 22 March 2023

Employee benefits of the Chief Executive Officer and other members of the Group Management Team 2022, EUR	Chief Executive Officer	Other members of the Group Management Team	Total
Short-term employee benefits	604,315	1,935,140	2,539,455
Other long-term employee benefits		303,670	303,670
Share-based payments	11,067	23,909	34,976
Employee benefits total	615,382	2,262,719	2,878,101

Remunerations to the Board of Directors 2022, EUR	Fixed annual remuneration *)	Remuneration based on participation	Total
Neuwald Roland	80,000	16,000	96,000
Björkman Stefan	50,000	12,200	62,200
Karppinen Timo **)	40,000	10,400	50,400
Kuittinen Anne	40,000	7,800	47,800
Lager Esa ***)		2,900	2,900
Niemistö Leena ***)		3,800	3,800
Pohjonen Sari **)	40,000	11,000	51,000
Stone Tracy	40,000	7,200	47,200
Williams Harriet	40,000	9,000	49,000
Remunerations to the Board of Directors total	330,000	80,300	410,300

Fees and remunerations to key personnel total, EUR **3,288,401**

*) paid in 60 134 company shares and cash

**) as from 23 March 2022

***) until 23 March 2022

Management's share-based incentives

Information on the management's share-based incentive plan is disclosed in Note 5.6.

Management's pension commitments

CEO Susanne Ehnbåge is eligible to take retirement upon reaching the age of 65 years. The CEO's pension will accrue based on an individual pension scheme according to the local practice.

The retirement age of the Group Management Team members is 65 years or individual based on the statutory retirement age.

In 2023, CEO Susanne Ehnbåge's pension scheme was determined according to a defined contribution-based system, partly under the local ITP1 plan and partly of an extra pension provision for 30 % of income above the ITP1 income cap. The pension cost for her as the CEO was EUR 68 268. The total cost for the defined occupational contribution pension insurances taken by the company for the Group Management Team was EUR 283 213 (EUR 303 670 in 2022).

Other related party transactions

The Board members were paid no other compensations in 2023.

5.6 Share-based incentives

Accounting policies

Stockmann group offers performance shares as a long-term equity-settled share-based incentive plan for key employees.

Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments as of the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive.

Stockmann reviews the assumptions made on a regular basis and, where necessary, revises its estimates of the number of performance shares that are expected to be settled. Share-based compensation is recognised as an expense in the consolidated income statement over the vesting and commitment period of the plan on a straight-line basis and an increase corresponding to the expensed amount is recorded in equity. Social security expenses related to the share-based compensation are recognised as an expense in the consolidated income statement over the vesting and commitment period of the plan based on the actual share price at the end of the reporting period and an increase corresponding to the expensed amount is recorded as a liability in the consolidated statement of financial position.

Share-based incentives during the period 1.1.2023 – 31.12.2023

During the financial year 2022 Stockmann Plc's Board of Directors decided on the establishment of a share-based long-term incentive scheme for the company's management and key personnel. The Performance Share Plan (PSP) consists of three individual performance periods. The Board of Directors decides separately on the performance criteria, the number of people authorised to participate and the amount of the threshold, target and maximum reward for each performance period. The objective of the Performance Share Plan is to support the implementation of the Company's strategy, to align the interests of the key personnel with those of the Company's shareholders and to retain management and key personnel.

The Board of Director's approved the commencement of the first performance period (PSP 2022-2024) and decided on the performance criteria in 2022. The performance criteria include total shareholder return, revenue, EBIT and climate neutrality. The potential reward will be paid during H1 2025, depending on the achievement of the performance criteria and the service condition. Any reward earned for the PSP 2022-2024 will be paid partly in company shares and partly in cash. The purpose of the cash contribution is to cover taxes and tax-like payments incurred by the management and key personnel from the remuneration.

The Board of Director's approved the commencement of the second performance period (PSP 2023-2025) and decided on the performance criteria in January 2023. The performance criteria include total shareholder return, revenue, EBIT and climate neutrality. The potential reward will be paid during H1 2026, depending on the achievement of the performance criteria and the service condition. Any reward earned for the PSP 2023-2025 will be paid partly in company shares and partly in cash. The purpose of the cash contribution is to cover taxes and tax-like payments incurred by the management and key personnel from the remuneration.

Performance period	2023-2025	2022-2024
Initial amount, pcs *)	2,000,000	2,000,000
Initial allocation date	6.7.2023	23.11.2022
Vesting date	30.4.2026	30.4.2025
Maximum contractual life, years	2.8	2.4
Remaining contractual life, years	2.3	1.3
Number of participants in the plan	18	18
Payment method	Equity and cash, net settlement	Equity and cash, net settlement

*) The amounts are presented in gross terms, i.e. the share reward figures both the reward paid in share and a number of shares corresponding to the amount of the reward paid in cash.

Changes in share awards during the financial year

Performance period	2023-2025	2022-2024	Total
Outstanding number of shares 1.1.	0	1,478,000	1,478,000
Granted during the year	1,238,000	18,000	1,256,000
Forfeited during the year	53,000	318,000	371,000
Outstanding number of shares 31.12.	1,185,000	1,178,000	2,363,000

Fair value determination

The fair value of share-based incentives has been determined at the grant date and the fair value is expensed until vesting. Market condition, in this case total shareholder return has been taken into account when determining the fair value at grant and it will not be changed during the plan. The pricing of the share-based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period 2023	Performance period 2023-2025	Performance period 2022-2024
Share price at grant, EUR	2.07	2.07
Share price at the end of the period, EUR	2.90	2.90
Expected volatility, % *)	41.52%	46.12%
Maturity, years	2.5	1.5
Risk-free interest rate, %	3.24%	3.39%
Expected dividends, EUR	0.08	0.00
Valuation model	Monte Carlo	Monte Carlo
Fair value per share, EUR	0.9357	0.8156

*) Expected volatility was determined by calculating the historical volatility of Stockmann's share using monthly observations over corresponding maturity.

Effect of share-based Incentives on the result and financial position

EUR mill.	2023	2022
Expenses for the financial year, share-based payments	1.0	0.1
Expenses for the financial year, share-based payments, equity-settled	0.8	0.1
Liabilities arising from share-based payments 31.12.	0.3	0.0
Estimated future cash payment related to withholding taxes	2.1	0.6

5.7 Climate-related matters

Accounting policies

The Stockmann Group considers climate-related matters in estimates and assumptions, where appropriate. The assessment includes possible impacts on the Group due to physical and transition risks. The Group believes its business model and products will be still viable in the future low-carbon economy, but climate-related matters increase the uncertainty in estimates and assumptions related to some items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes

and developments, such as climate-related legislation and changes in customer behaviour. The items and considerations which are recognised as most directly impacted by climate-related matters are:

- Impairment of goodwill. The value-in-use may be impacted in different ways by transition risk, such as climate-related legislation and changes in demand for the Group's products. The Group has concluded that no single climate-related assumption is a key assumption for the 2023 test of goodwill. Nevertheless, the Group has incorporated its expectations for the changing consumer needs and consumption habits, expected cost increases due to stricter recycling requirements and more sustainably sourced materials as well as higher energy and freight cost due to climate change in the cash-flow forecasts when assessing value-in-use amounts. See Note 3.2.
- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations which may restrict the use of assets. See Note 3.3.

5.8 EU Taxonomy Key Performance Indicators

The Stockmann Group's accounting policies for Taxonomy-eligibility and Taxonomy-alignment calculations are based on our best interpretation of the EU Taxonomy Regulation, the delegated acts and the currently available guidelines from the European Commission.

Taxonomy-eligible and non-eligible activities

The primary activity which has been identified as eligible in the Taxonomy that is currently relevant for the Stockmann Group is activity 7.7 'Acquisition and ownership of buildings (Renting and operating of own or leased real estate)'. Financial figures associated with the Taxonomy activity 6.5 'Transport by motorbikes, passenger cars and light commercial vehicles' are currently below certain materiality thresholds that the Stockmann Group has defined and therefore the activity has been categorised as non-eligible. The Stockmann Group has also evaluated the new economic activities in the Commission Delegated Regulation 2023/2486. While activity 3.2. 'Renovation of existing buildings' applies to the Stockmann Group, the amounts associated with it have not reached the predefined materiality. Activity 5.4. 'Sale of second-hand goods' is not relevant to the Group due to second-hand goods' sales being conducted by partners.

Taxonomy-aligned activities

The EU Taxonomy Regulation establishes the basis for the EU Taxonomy by setting conditions that an economic activity must meet to qualify as environmentally sustainable.

The Stockmann Group has assessed how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 of the European Parliament and the Council. In the assessment the Stockmann Group has determined whether its Taxonomy-eligible economic activities fulfill the 'substantial contribution', 'do no significant harm' and the minimum social safeguards criteria in the EU Taxonomy Regulation. Taxonomy-eligible economic activity which meets all criteria is recognised as environmentally sustainable and thus Taxonomy-aligned.

Taxonomy-aligned turnover

The share of the Stockmann Group's Taxonomy-aligned turnover is calculated as turnover from sublease and concession agreements associated with economic activities that qualify as environmentally sustainable as a proportion of Stockmann Group's total revenue, see Note 2.2.1.1.

Taxonomy-aligned CAPEX

The share of the Stockmann Group's Taxonomy-aligned CAPEX is calculated as the CAPEX related to assets associated with economic activities that qualify as environmentally sustainable as a proportion of the Stockmann Group's total CAPEX that is accounted for based on IFRS 16 (53: 8h)) and IAS 16 (73: (e) (i)) and thereby included in Increases during the period, see Notes 3.3 and 3.5.

Taxonomy-aligned OPEX

The share of the Stockmann Group's Taxonomy-aligned OPEX is calculated as OPEX related to assets associated with economic activities that qualify as environmentally sustainable as a proportion of the Stockmann Group's total OPEX that is a part of 'Other operating expenses', see Note 2.6. According to the EU Taxonomy definition of the OPEX KPI, the total OPEX includes building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. For the Stockmann Group OPEX does not include ICT expenses as it is not possible to separate ICT expenses related to maintenance from other ICT expenses.

The EU Taxonomy Key Performance Indicators are disclosed as part of the non-financial information in Stockmann's Financial Review.

5.9 Events after the reporting period

Stockmann's Board of Directors decided on 25 January 2024, in accordance with the restructuring programme and pursuant to the authorization granted by the Annual General Meeting, to issue 307,489 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to a creditor of the Company whose previously conditional or disputed restructuring debt under the restructuring programme had been confirmed to its final amount by 9 November 2023 and approved the subscription made in the share issue. The subscription price in the share issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the share issue, the total number of shares in the Company increased by 307,489 shares to a total of 159,023,044 shares.

On 25 January 2024, Stockmann announced that it had received and verified one subscription form from an entitled person whose previously conditional or disputed receivable subject to the payment programme of the restructuring programme had been clarified and the final amount of such receivable had been confirmed. The subsequent bonds duly subscribed for by such entitled person amounted to the aggregate principal amount of EUR 1,120,000. The receivable of the entitled person has been converted, by way of set-off, into subsequent bonds.

After the reporting period in February, Stockmann and disputed creditor Tampereen Seudun Osuuspankki reached a settlement agreement, which ends the disputed claims between the parties concerning the restructuring programme. Execution of the settlement agreement is subject to the court confirming the amendment of the payment programme of the restructuring programme. Amendment application will be submitted to the Helsinki District Court. After this agreement, there are still two disputed claims left with the total amount of EUR 29.1 million.

Stockmann plc

Income Statement, FAS

EUR	Note	1.1.-31.12.2023	% of Rev.	1.1.-31.12.2022	% of Rev.
REVENUE		242,282,545.39	100.0	245,095,279.40	100.0
Other operating income	2	6,954,344.40	2.9	192,697,041.91	78.6
Materials and services					
Materials and consumables:					
Purchases during the financial year		-132,003,315.53		-139,508,885.07	
Change in inventories, increase (+), decrease (-)		737,389.38		9,593,840.51	
Materials and services, total		-131,265,926.15	54.2	-129,915,044.56	53.0
Wages, salaries and employee benefits	3	-45,349,176.68	18.7	-45,178,701.91	18.4
Depreciation, amortisation and impairment losses	4	-9,420,195.21	3.9	-12,100,924.31	4.9
Other operating expenses	5	-90,580,357.65	37.4	-107,449,439.60	43.8
		-276,615,655.69	114.2	-294,644,110.38	120.2
OPERATING PROFIT (LOSS)		-27,378,765.90	-11.3	143,148,210.93	58.4
Financial income and expenses	6	49,897,331.61	20.6	42,275,552.43	17.2
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		22,518,565.71	9.3	185,423,763.36	75.7
Appropriations	7	3,827,929.29	1.6	35,255,625.83	14.4
Income taxes	8	-8,350,053.11	-3.4	-46,842,369.66	-19.1
PROFIT (LOSS) FOR THE PERIOD		17,996,441.89	7.4	173,837,019.53	70.9

Stockmann plc

Balance sheet, FAS

EUR	Note	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		7,344,061.20	5,827,390.87
Other intangible assets			70,884.14
Advance payments and construction in progress		700,346.73	3,945,813.28
Intangible assets, total		8,044,407.93	9,844,088.29
Property, plant, equipment	10		
Machinery and equipment		18,686,683.43	18,717,395.94
Modification and renovation expenses for leased premises		2,960,902.71	3,027,478.91
Other tangible assets		54,601.65	54,601.65
Advance payments and construction in progress		300,227.73	1,192,370.67
Property, plant, equipment, total		22,002,415.52	22,991,847.17
Investments	11		
Shares in Group companies		311,436,627.98	309,936,627.98
Other shares and participations		748,761.86	748,761.86
Investments, total		312,185,389.84	310,685,389.84
NON-CURRENT ASSETS, TOTAL		342,232,213.29	343,521,325.30
CURRENT ASSETS			
Inventories			
Materials and consumables		53,400,438.96	52,663,049.58
Inventories, total		53,400,438.96	52,663,049.58
Non-current receivables			
Loan receivables from Group companies		210,707,596.22	208,567,698.92
Other receivables		4,099,608.31	6,718,529.28
Non-current receivables, total		214,807,204.53	215,286,228.20
Current receivables	12		
Trade receivables		4,044,287.40	2,495,382.50
Receivables from Group companies		9,360,003.70	8,805,716.71
Other receivables		317,478.13	507,318.28
Prepayments and accrued income		12,732,884.33	9,577,997.87
Current receivables, total		26,454,653.56	21,386,415.36
Cash in hand and at banks	13	23,393,007.01	35,084,492.56
CURRENT ASSETS, TOTAL		318,055,304.06	324,420,185.70
ASSETS, TOTAL		660,287,517.35	667,941,511.00

Stockmann plc

Balance sheet, FAS

EUR	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14-15	77,556,538.26	77,556,538.26
Invested unrestricted equity fund		76,138,713.65	73,556,844.86
Retained earnings		219,326,940.89	45,489,921.36
Net profit (loss) for the financial year		17,996,441.89	173,837,019.53
EQUITY, TOTAL		391,018,634.69	370,440,324.01
ACCUMULATED APPROPRIATIONS			
	16	19,131,454.66	21,019,383.95
PROVISIONS			
	17	18,033,041.57	31,225,567.27
LIABILITIES			
Non-current liabilities			
Bonds	18	72,022,624.00	67,629,243.00
Other payables		9,097,953.00	
Liabilities to Group companies		96,316,419.01	66,674,746.33
Non-current liabilities, total		177,436,996.01	134,303,989.33
Current liabilities			
Advances received	19	818,584.06	807,740.31
Trade payables		16,998,516.29	16,717,966.13
Liabilities to Group companies		1,995,278.90	27,959,627.24
Other payables		14,533,430.28	12,025,930.75
Accrued expenses and prepaid income	20	20,321,580.89	53,440,982.01
Current liabilities, total		54,667,390.42	110,952,246.44
LIABILITIES, TOTAL		232,104,386.43	245,256,235.77
EQUITY AND LIABILITIES, TOTAL		660,287,517.35	667,941,511.00

Stockmann plc

Cash flow statement

EUR	1.1.-31.12.2023	1.1.-31.12.2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	17,996,441.89	173,837,019.53
Adjustments for:		
Depreciation and amortisation according to plan	9,420,195.21	12,100,924.31
Gains of disposals of fixed assets	-11,653.21	-185,437,307.11
Other non-cash income and expenses	-8,455,895.22	14,392,734.19
Financial income and expenses	-49,897,332.11	-42,252,335.98
Appropriations	-3,827,929.29	-35,255,625.83
Taxes	-166,820.86	37,174,545.93
Deferred taxes	8,516,873.97	9,667,823.73
Changes in working capital:		
Increase (-) / decrease (+) of current receivables	3,143,057.15	-1,790,504.94
Increase (-) / decrease (+) of inventories	-737,389.38	-9,593,840.51
Increase (+) / decrease (-) of non-interest-bearing liabilities	11,454,484.89	-16,165,579.23
Interest and other financial expenses paid from operating activities	-2,071,754.13	-4,339,424.28
Interest received from operating activities	505,977.16	2,939,031.70
Taxes	-39,789,191.33	-1,165,363.47
CASH FLOW FROM OPERATING ACTIVITIES	-53,920,935.26	-45,887,901.96
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-6,917,323.51	-6,923,098.07
Proceeds from disposal of tangible and intangible assets	11,653.21	390,632,479.61
Proceeds from disposal of subsidiary shares		38,419,875.94
Increase (-)/decrease (+) of loan receivables		-92,855.98
Additions to holdings in Group companies	-1,500,000.00	
Dividends received/return of equity	3,514,999.06	90.00
NET CASH FROM INVESTING ACTIVITIES	-4,890,671.24	422,036,491.50
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (+)/ repayments of (-) current liabilities		-381,490,180.00
Proceeds from non-current liabilities	48,120,120.95	
Repayments of non-current liabilities	-1,000,000.00	
NET CASH FROM FINANCING ACTIVITIES	47,120,120.95	-381,490,180.00
Change in cash in hand and at banks, increase (+) / decrease (-)	-11,691,485.55	-5,341,590.46
Cash in hand and at banks in the beginning of the financial year	35,084,492.56	40,426,083.02
Cash in hand and at banks at the end of the financial year	23,393,007.01	35,084,492.56

In 2022 the proceeds from sales of real estate properties and subsidiary shares were paid directly to the secured creditors of the restructuring programme. The transactions are presented as proceeds from disposal of tangible assets and subsidiary shares, and repayment of current liabilities.

Notes to the parent company financial statements

1. Accounting principles

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

Corporate restructuring proceedings

District Court of Helsinki has approved Stockmann plc's restructuring programme on 9 February 2021. The key content of the restructuring programme and its effects on financial statements are described as notes to consolidated financial statements, note 1.4., 1.5. and 4.6.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates prevailing on the transaction date.

Gains and losses on foreign exchange in financial operations are entered as net amounts under other financial income or other financial expenses.

Revenue

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

Other operating income

The items stated as other operating income are capital gains on the sale of non-current assets connected with business operations, compensation obtained from the sale of businesses and charges for services rendered to subsidiaries.

Income taxes

The direct taxes entered into the profit and loss account are the taxes corresponding to net profit for the financial year as well as taxes payable for prior periods or tax refunds. Deferred tax assets have been recognised for the expenses deductible in taxation in the future periods.

The profits of Stockmann plc's Branch in Estonia have been included in the taxable income of the parent office in Finland. The profits of the Branch will be income taxable in Estonia, at the time when the profits are distributed to the parent office in Finland. According to the tax treaty between Estonia and Finland, the income tax which will be paid in Estonia is deductible from the income tax in Finland under certain conditions. The untaxed retained earnings of the Branch in Estonia including the profit of the reporting period are EUR 26.8 million. The calculated income tax in Estonia would be EUR 5.9 million, which is recognised as deferred tax liability. This amount of tax will be most likely not deductible from the income tax in Finland.

During 2022 reporting period, it was resolved to distribute profits of EUR 52.4 million from the Branch in Estonia to the parent office in Finland, which resulted in tax payment of EUR 13.1 million in Estonia. According to the Finnish Tax Administration, EUR 2.8 million of the taxes payable in Estonia were not deductible from the taxes payable in Finland, because Stockmann plc did not have sufficient taxable income in Finland during the fiscal years 2010-2016. Thus, the aforesaid amount was double tax payment.

Intangible and tangible assets

Tangible and intangible assets are valued according to the original cost less accumulated depreciation according to plan.

Depreciation according to plan is based on the original cost and the estimated useful life of intangible and tangible assets as follows:

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

Investments in non-current assets

Securities included in non-current assets are valued at acquisition cost or, if their fair value is lower, at this lower value.

Based on impairment testing on the valuation of Lindex there has not been recognised a reason for impairments. Principles of impairment testing are described as notes to consolidated financial statements.

Inventories

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

Non-current liabilities

Loans payable are recognised at nominal value. Transaction costs are initially recognised as accruals and amortized over the life of the instrument. Transaction cost and loan interest are recognised in the income statement as financial expenses over the life of the instrument.

In accordance with the restructuring programme, the unsecured creditors have been entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 72.022.624.

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.

2. Other operating income

EUR	2023	2022
Capital gain of the real estates and shares		185,584,784.11
Compensation for services to Group companies	6,903,384.00	7,222,583.43
Other operating income	50,960.40	37,151.37
Total	6,954,344.40	192,844,518.91

3. Wages, salaries and employee benefits expenses

EUR	2023	2022
Salaries and remuneration paid to the CEO *)	1,403,828.00	604,315.00
Salaries and remuneration paid to the Board of Directors	433,400.00	410,300.00
Other wages and salaries	35,145,502.13	36,046,866.24
Wages during sick leave	1,539,297.69	1,754,352.28
Pension expenses	5,351,129.72	4,422,366.02
Other employee benefits expenses	1,476,019.14	1,940,502.37
Total	45,349,176.68	45,178,701.91
Personnel, average	1,001	1,048

*) CEO Jari Latvanen until 12 May 2023 and CEO Susanne Ehnbåge as from 12 May 2023.

Management pension liabilities

The retirement age of the Management Team members is 65 years or individual based on the statutory retirement age. CEO Susanne Ehnbåge is eligible to take retirement upon reaching the age of 65 years. The CEO's pension will accrue based on an individual pension scheme according to the local practice. The costs of the insurance are recorded as expenses in AB Lindex.

4. Depreciation, amortisation and impairment losses

EUR	2023	2022
Intangible rights	4,740,194.32	5,497,574.18
Buildings and constructions		2,029,393.14
Machinery and equipment	3,629,410.83	3,490,110.12
Modification and renovation expenses for leased premises	1,050,590.06	1,083,846.87
Total	9,420,195.21	12,100,924.31

5. Other operating expenses

EUR	2023	2022
Site expenses	44,451,512.80	41,559,290.89
ICT expenses	12,957,121.36	14,417,157.88
Marketing expenses	8,267,447.70	8,170,983.53
Professional services expenses	4,947,784.85	4,353,232.17
Staff leasing expenses	4,758,976.25	5,109,060.33
Goods handling expenses	3,796,669.45	4,583,260.51
Voluntary indirect employee expenses	1,102,798.23	1,616,227.06
Rental expenses	624,311.49	683,674.94
Credit losses	137,222.70	654,721.48
Other expenses *)	9,536,512.82	26,301,830.81
Total	90,580,357.65	107,449,439.60

*) 2023 corporate restructuring related expenses EUR 1.4 million (2022 EUR 18.1 million).

Auditors' fees

EUR	2023	2022
Auditing	319,813.00	272,613.10
Certificates and statements *)		4,580.00
Tax advisory	21,987.00	17,576.00
Other services	27,165.76	19,726.00
Total	368,965.76	314,495.10

*) Auditing Act chapter 1, section 1:2

6. Financial income and expenses

EUR	2023	2022
Capital gain of Group company shares		38,304,298.16
Interest income from Group companies	31,226,758.96	24,947,961.16
Dividend from Group companies	21,967,400.38	
Other dividend income	215.00	90.00
Interest income from parties outside the Group	215,365.05	29,417.09
Interest expenses to Group companies	-1,023,780.14	-2,950,418.96
Interest and other financial expenses to parties outside the Group	-1,182,513.54	-1,429,657.65
Foreign exchange gains and losses (net)	-1,306,114.10	-16,626,137.37
Total	49,897,331.61	42,275,552.43

7. Appropriations

EUR	2023	2022
Difference between depreciation according to plan and depreciation in taxation	1,887,929.29	61,455,625.83
Received Group contributions	1,940,000.00	
Granted Group contributions		-26,200,000.00
Total	3,827,929.29	35,255,625.83

8. Income taxes

EUR	2023	2022
Income tax for period		-37,174,545.93
Taxes for previous financial years	166,820.86	
Change in deferred taxes *)	-8,516,873.97	-9,667,823.73
Total	-8,350,053.11	-46,842,369.66

*) 2023 includes def.tax liability change for Estonian Branch EUR 5,897,953.00

Non-current assets

9. Intangible assets

Intangible rights

EUR	2023	2022
Acquisition cost 1.1.	30,024,007.60	38,127,692.35
Increases	1,338,698.50	40,800.00
Transfers between items	4,918,166.15	1,725,786.00
Decreases	-6,380,649.24	-9,870,270.75
Acquisition cost 31.12.	29,900,223.01	30,024,007.60
Accumulated amortisation 1.1.	24,196,616.73	28,569,313.30
Accumulated amortisation on decreases	-6,380,649.24	-9,870,270.75
Amortisation for the financial year	4,740,194.32	5,497,574.18
Accumulated amortisation 31.12.	22,556,161.81	24,196,616.73
Carrying amount 31.12.	7,344,061.20	5,827,390.87

Other intangible assets

EUR	2023	2022
Acquisition cost 1.1.	705,768.85	705,768.85
Acquisition cost 31.12.	12,287.00	705,768.85
Accumulated amortisation 1.1.	634,884.71	564,307.94
Amortisation for the financial year	70,884.14	70,576.77
Accumulated amortisation 31.12.	12,287.00	634,884.71
Carrying amount 31.12.	0.00	70,884.14

Advance payments and construction in progress

EUR	2023	2022
Acquisition cost 1.1.	3,945,813.28	1,896,103.53
Increases	1,672,699.60	3,775,495.75
Transfers between items	-4,918,166.15	-1,725,786.00
Acquisition cost 31.12.	700,346.73	3,945,813.28
Carrying amount 31.12.	700,346.73	3,945,813.28

Intangible assets, total	8,044,407.93	9,844,088.29
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10. Tangible assets

Land and water

EUR	2023	2022
Acquisition cost 1.1.		3,316,108.01
Decreases		-3,316,108.01
Acquisition cost 31.12.		
Revaluations 1.1.		5,898,350.58
Decrease in revaluations on sales of non-current assets		-5,898,350.58
Revaluations 31.12.		
Carrying amount 31.12.		0.00

Buildings and constructions

EUR	2023	2022
Acquisition cost 1.1.		322,568,904.82
Transfers between items		53,946.00
Decreases		-322,622,850.82
Acquisition cost 31.12.		
Accumulated depreciation 1.1.		120,621,113.98
Accumulated depreciation on decreases		-122,650,507.12
Depreciation for the financial year		2,029,393.14
Revaluations 1.1.		24,848,830.34
Decrease in revaluations on sales of non-current assets		-24,848,830.34
Revaluations 31.12.		
Carrying amount 31.12.		0.00

Machinery and equipment

EUR	2023	2022
Acquisition cost 1.1.	35,142,841.09	36,539,814.61
Increases	276,983.14	63,463.00
Transfers between items	3,321,715.18	593,010.16
Decreases	-1,520,365.81	-2,053,446.68
Acquisition cost 31.12.	37,221,173.60	35,142,841.09
Accumulated depreciation 1.1.	16,425,445.15	14,546,030.21
Accumulated depreciation on decreases	-1,520,365.81	-1,610,695.18
Depreciation for the financial year	3,629,410.83	3,490,110.12
Accumulated depreciation 31.12.	18,534,490.17	16,425,445.15
Carrying amount 31.12.	18,686,683.43	18,717,395.94

Modification and renovation expenses for leased premises

EUR	2023	2022
Acquisition cost 1.1.	7,010,580.01	7,239,266.30
Transfers between items	913,129.72	438,076.75
Decreases	-1,527,047.68	-666,763.04
Acquisition cost 31.12.	6,396,662.05	7,010,580.01
Accumulated depreciation 1.1.	3,983,101.10	3,636,594.04
Accumulated depreciation on decreases	-1,527,047.68	-666,763.04
Depreciation for the financial year	979,705.92	1,013,270.10
Accumulated depreciation 31.12.	3,435,759.34	3,983,101.10
Carrying amount 31.12.	2,960,902.71	3,027,478.91

Other tangible assets

EUR	2023	2022
Acquisition cost 1.1.	54,601.65	54,601.65
Acquisition cost 31.12.	54,601.65	54,601.65
Carrying amount 31.12.	54,601.65	54,601.65

Advance payments and construction in progress

EUR	2023	2022
Acquisition cost 1.1.	1,192,370.67	138,155.89
Increases	3,342,701.96	2,139,247.69
Transfers between items	-4,234,844.90	-1,085,032.91
Acquisition cost 31.12.	300,227.73	1,192,370.67
Carrying amount 31.12.	300,227.73	1,192,370.67

Tangible assets, total	22,002,415.52	22,991,847.17
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11. Investments

Investments in Group companies

EUR	2023	2022
Acquisition cost 1.1.	309,936,627.98	286,641,335.62
Increases *)	1,500,000.00	23,410,870.14
Impairments **)		-115,577.78
Carrying amount 31.12.	311,436,627.98	309,936,627.98

*) 2023: Increase in SIA Stockmann's equity, 2022: Increase in Stockmann Sverige AB's equity as a debt conversion related to the loan taken for the acquisition of AB Lindex

***) 2022: SIA Centrs shares sold

Other shares and participations

EUR	2023	2022
Acquisition cost 1.1.	748,761.86	748,761.86
Carrying amount 31.12.	748,761.86	748,761.86

Investments, total	312,185,389.84	310,685,389.84
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12. Current receivables

Trade receivables

EUR	2023	2022
Interest-bearing trade receivables		40,845.69
Non-interest-bearing trade receivables	4,044,287.40	2,454,536.81
Total	4,044,287.40	2,495,382.50

Receivables from Group companies

EUR	2023	2022
Group contribution receivables	3,650,000.00	1,710,000.00
Trade receivables	5,708,423.71	5,888,919.71
Prepayments and accrued income	1,579.99	206,797.00
Other current receivables		1,000,000.00
Total	9,360,003.70	8,805,716.71

Other receivables

EUR	2023	2022
Other receivables	317,478.13	507,318.28
Total	317,478.13	507,318.28

Prepayments and accrued income

EUR	2023	2022
Taxes and customs duties receivable	4,127,179.73	180,350.00
Periodised ICT expenses	2,903,066.88	2,463,208.25
Receivable from credit card co-operation	1,849,128.00	1,900,627.84
Periodised indirect employee expenses	1,227,285.00	1,339,098.00
Receivables from suppliers	1,096,698.49	2,003,984.56
Other prepayments and accrued income	1,529,526.23	1,690,729.22
Total	12,732,884.33	9,577,997.87

13. Cash in hand and at banks

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

14. Changes in equity

In January 2022, the Company's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 28,139 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 1 December 2021 and approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In March 2022, the Company's Board of Directors, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 284,337 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to a creditor whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 21 January 2022 and approved the subscription made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In July 2022, The Company's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 1,130,786 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to creditors whose previously conditional or disputed restructuring debts under the Restructuring Programme have been confirmed to their final amounts by 14 July 2022 and has approved the subscriptions made in the Share Issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme.

In June 2023, The Company's Board of Directors decided, in accordance with the Restructuring Programme and pursuant to the authorisation granted by the Annual General Meeting, to issue 2 835 349 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to such creditors of the Company whose previously conditional or disputed restructuring debts under the Restructuring Programme had been confirmed to their final amounts by 24 May 2023 and approved the subscriptions made in the share issue. The subscription price in the Share Issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the Restructuring Programme. As a result of the share issue, the total number of shares in the Company increased to a total of 158 715 555 shares.

On 31 December 2023 Stockmann Plc's share capital was EUR 77.6 million. All the shares issued have been fully paid in.

Share capital

EUR	2023	2022
Shares 1.1. and 31.12.	77,556,538.26	77,556,538.26
Share capital, total	77,556,538.26	77,556,538.26
Reserve for invested unrestricted equity 1.1.	73,556,844.86	72,242,609.96
Share conversion from restructuring debt	2,581,868.79	1,314,234.90
Reserve for invested unrestricted equity 31.12.	76,138,713.65	73,556,844.86
Retained earnings 1.1.	219,326,940.89	76,237,102.28
Decrease in revaluation on sales of Non-current assets		-30,747,180.92
Retained earnings 31.12.	219,326,940.89	45,489,921.36
Net profit (loss) for the financial year	17,996,441.89	173,837,019.53
Equity, total	391,018,634.69	370,440,324.01

Breakdown of distributable funds 31.12.

EUR	2023	2022
Funds	76,138,713.65	73,556,844.86
Retained earnings	219,326,940.89	45,489,921.36
Net profit (loss) for the financial year	17,996,441.89	173,837,019.53
Total	313,462,096.43	292,883,785.75

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

15. Parent company's shares

pcs.	2023	2022
Shares (1 vote each)	158,715,555	155,880,206
Total	158,715,555	155,880,206

16. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

17. Provisions

Other provisions

EUR	2023	2022
Business restructuring cost		69,000.00
Provision on the claims on rental agreements	18,033,041.57	31,156,567.27
as part of company restructuring debt	18,033,041.57	31,156,567.27
Total	18,033,041.57	31,225,567.27

Under the restructuring programme, Stockmann also has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later. The administrator of the restructuring programme has disputed the claims and considered it justified to pay 18 months' rent for the leases instead of all the years left in the terminated lease contracts. If the claims would materialise to their maximum amount, the amount of the Company's unsecured restructuring rent related debts on claims would increase up to total EUR 43,7 mill.

18. Non-current liabilities

EUR	2023	2022
Bonds	72,022,624.00	67,629,243.00
Deferred tax liabilities	5,897,953.00	
Other payables	3,200,000.00	
Liabilities to Group companies	96,316,419.01	66,674,746.33
part of company restructuring debt	63,900,534.46	63,900,534.46
Non-current liabilities, total	177,436,996.01	134,303,989.33

19. Current liabilities

EUR	2023	2022
Non-interest-bearing liabilities	52,973,310.75	110,952,246.44
part of company restructuring debt	1,415,338.30	154,535.27
Current liabilities, total	54,667,390.42	110,952,246.44

Restructuring debt

EUR	2023	2022
Current non-interest-bearing restructuring debt		
Unsecured	1,415,338.30	154,535.27
Current non-interest-bearing restructuring debt total	1,415,338.30	154,535.27
Restructuring debt related to provisions	18,033,041.57	31,156,567.27
Restructuring debt to group companies		
Trade payable to group companies	17,398.07	17,398.07
Liabilities to group companies	63,883,136.39	63,883,136.39
Restructuring debt to group companies total	63,900,534.46	63,900,534.46
Restructuring debt total	83,348,914.33	95,211,637.00

Liabilities to Group companies

EUR	2023	2022
Trade payables	1,736,801.00	1,688,539.54
Accrued liabilities	258,477.90	71,087.70
Total	1,995,278.90	27,959,627.24

20. Accruals and prepaid income, current

EUR	2023	2022
Accrued income taxes		36,009,182.46
Accrued personnel expenses	10,000,613.41	10,660,935.38
Periodised purchases of stock items	7,796,107.02	4,022,813.28
Reserve for returns and accrued income	1,279,578.00	1,294,447.00
Other accrued expenses and prepaid income	1,245,282.46	1,453,603.92
Total	20,321,580.89	53,440,982.04

21. Contingent liabilities**Security pledged on behalf of Group companies**

EUR	2023	2022
Rent guarantees	1,248,447.46	1,604,617.91
Other guarantees	69,040.91	67,690.29
Total	1,317,488.37	1,672,308.20

Security pledged, total

EUR	2023	2022
Guarantees	1,317,488.37	1,672,308.20
Total	1,317,488.37	1,672,308.20

22. Liability engagements and other commitments

EUR	2023	2022
Rental commitments	448,696,183.00	402,134,487.00
Electricity commitments	1,129,609.80	944,904.00
Leasing commitments	406,198.05	316,122.55
Total	450,231,990.85	403,395,513.55

Pension liabilities

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

23. Shares and participations**Group companies**

Parent company holdings	Shareholding %	Voting rights %
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
Stockmann Security Services Oy Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100

Other companies

Parent company holdings	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37.8

24. Events after the reporting period

Stockmann's Board of Directors decided on 25 January 2024, in accordance with the restructuring programme and pursuant to the authorization granted by the Annual General Meeting, to issue 307,489 new shares of the Company in deviation from the shareholders' pre-emptive subscription rights to a creditor of the Company whose previously conditional or disputed restructuring debt under the restructuring programme had been confirmed to its final amount by 9 November 2023 and approved the subscription made in the share issue. The subscription price in the share issue was EUR 0.9106 per share, which has been paid by setting off restructuring debt in accordance with the restructuring programme. As a result of the share issue, the total number of shares in the Company increased by 307,489 shares to a total of 159,023,044 shares.

On 25 January 2024, Stockmann announced that it had received and verified one subscription form from an entitled person whose previously conditional or disputed receivable subject to the payment programme of the restructuring programme had been clarified and the final amount of such receivable had been confirmed. The subsequent bonds duly subscribed for by such entitled person amounted to the aggregate principal amount of EUR 1,120,000. The receivable of the entitled person has been converted, by way of set-off, into subsequent bonds.

After the reporting period in February, Stockmann and disputed creditor Tampereen Seudun Osuuspankki reached a settlement agreement, which ends the disputed claims between the parties concerning the restructuring programme. Execution of the settlement agreement is subject to the court confirming the amendment of the payment programme of the restructuring programme. Amendment application will be submitted to the Helsinki District Court. After this agreement, there are still two disputed claims left with the total amount of EUR 29.1 million.

Board proposal for disposal of net result of the financial year

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

The Board of Directors proposes that the net result of the financial year 2023 will be carried further in the retained earnings.

Helsinki, 22 February 2024

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

BOARD OF DIRECTORS

Sari Pohjonen

Stefan Björkman Timo Karppinen Roland Neuwald

Tracy Stone Harriet Williams

CEO

Susanne Ehnåge

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 22 February 2024

Ernst & Young Oy
Authorised Public Accountant Firm

Terhi Mäkinen
Authorised Public Accountant

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Stockmann plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stockmann plc (business identity code 0114162-2) for the year ended 31 December, 2023. 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 material accounting policy information, 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 IFRS Accounting Standards as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Goodwill and trademark <i>We refer to the Group's accounting policies and the note 3.2</i></p> <p>At the balance sheet date 31 December 2023, the value of goodwill amounted to EUR 250,6 million and the trademark to EUR 81,9 million representing 25 % of total assets and 85 % of total equity (2022: goodwill EUR 250,9 million and trademark EUR 81,8 million representing 26 % of total assets and 99 % of total equity). The goodwill and trademark are related to the Lindex acquisition.</p> <p>The valuation of goodwill and trademark was a key audit matter as:</p> <ul style="list-style-type: none"> the management's annual impairment test is complex and involves judgments; the annual impairment test is based on market and economical assumptions; the goodwill and the trademark balances are significant. <p>The cash flows of the cash generating units are based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the revenue growth and discount rate used. Changes in these assumptions can lead to an impairment in goodwill or trademark.</p>	<p>Our audit procedures included, among others,</p> <ul style="list-style-type: none"> involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue and the weighted average cost of capital used in discounting the cash flows; assessing the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount; comparing the historical forecasting of the group with actual outcome and comparing forecasts to the latest budgets approved by the board; checking the mathematical accuracy of the underlying calculations and benchmarking the value in use of Lindex with peer company information; comparing the groups' disclosures related to impairment tests in note 3.2 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.
<p>Revenue Recognition <i>We refer to the Group's accounting policies and the note 2.2</i></p> <p>Revenue is generated from sales of products and services in retail stores and in online platforms as well as from sales to franchise stores.</p> <p>Revenue is recognized upon delivery of the goods or when the service has been performed.</p> <p>The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of goods or services has transferred to the customer. Revenue recognition was a key audit matter due to the high volume of transactions, different kind of delivery methods and the management judgement involved in accounting for right of return and loyalty bonus.</p> <p>Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>To address the risk of material misstatement regarding revenue recognition our audit procedures included among others:</p> <ul style="list-style-type: none"> assessing the Group's accounting policies over revenue recognition, including principles relating to right of return accounting and loyalty bonuses in relation to applicable accounting standards; testing sales transactions by comparing them to payments received; testing revenue, product returns and margins with data analytics; reviewing the sales processes in retail stores; analyzing the timing of revenue recognition of online sales based on delivery lead times; and assessing the Group's disclosures in respect of revenues.

<p>Valuation of inventories <i>We refer to the Group's accounting policies and the note 2.4</i></p> <p>At the balance sheet date 31 December 2023, the value of inventory amounted to EUR 162,9 million representing 12 % of total assets and 42 % of total equity (2022: EUR 174,2 million representing 14 % of total assets and 52 % of total equity).</p> <p>In accordance with the accounting policies the inventories are valued at the lower of cost or net realizable value. Inventories are presented net of impairment loss recognized for obsolete and slow-moving inventories.</p> <p>Valuation of inventories was a key audit matter because the carrying value of inventories is material to the financial statements and because valuation of inventories and the level of allowance for obsolete and slow-moving inventories requires management judgment.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • assessing the Group's accounting policies regarding inventories with applicable accounting standards; • comparing unit prices of selected inventory items to latest purchase invoices and to sales prices; • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock and to the expected sales and net realizable value; • analyzing exceptional values in inventory accounting with data analytics and • assessing the Group's disclosures in respect of inventory.
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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 IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 7.4.2021, and our appointment represents a total period of uninterrupted engagement of 3 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 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 22.2.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

Independent Auditor's Report on Stockmann Oyj Abp's ESEF-Consolidated Financial Statements (Translation of the Finnish original)

To the Board of Directors of Stockmann Oyj Abp

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 743700IFQI6W89M11Y95-2023-12-31-fi.zip of Stockmann Oyj Abp (business identity code: 0114162-2) for the financial year 1.1.-31.12.2023 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESEF RTS. This responsibility includes:

- Preparation of ESEF-financial statements in accordance with Article 3 of ESEF RTS
- Tagging the primary financial statements, notes to the financial statements and the entity identifier information in the consolidated financial statements included within the ESEF-financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- Ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

Auditor's Independence and Quality Management

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

The firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF-financial statements are consistent with the audited financial statements.

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion the tagging of the primary financial statements, notes to the financial statements and the entity identifier information in the consolidated financial statements included in the ESEF financial statements 743700IFQI6W89M11Y95-2023-12-31-fi.zip of Stockmann Oyj Abp for the year ended 1.1.-31.12.2023 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Stockmann Oyj Abp for the year ended 1.1.-31.12.2023 is included in our Independent Auditor's Report dated 22.2.2024. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki 26.2.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant