

REPORT

REGARDING

STOCKMANN OYJ ABP'S

**FINANCIAL STATUS AS OF 8 APRIL 2020 AND
FACTORS AFFECTING ITS FINANCIAL STATUS AND
THE PROJECTED DEVELOPMENT THEREOF**

17 AUGUST 2020

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NON-DISCLOSURE AND LIABILITY FOR DAMAGES

This reports contains confidential information. All creditors and other parties to this matter are kindly reminded of the following provisions regarding non-disclosure:

Confidentiality / Sections 14 § and 95 § of the Finnish Restructuring of Enterprises Act

The parties to this restructuring, i.e. the creditors, are subject to the provisions established in Sections 14 § and 95 § of the Finnish Restructuring of Enterprises Act (47/1993, as amended) ("**Restructuring Act**").

Pursuant to Section 14 § of the Finnish Restructuring of Enterprises Act, the administrator, members of the committee of creditors and creditors, a person employed by the same, or assistants or expert advisors retained thereby shall not disclose or use for personal benefit any information relating to the financial position, business relationships or business secrets of the debtor that he or she has become aware of in connection with the proceedings.

Under Section 95 § of the Finnish Restructuring of Enterprises Act, a person who, deliberately or through negligence, violates the confidentiality obligation provided in Section 14 § shall be liable to compensate to the debtor for any loss thus caused.

Violation of a business secret / Chapter 30 Section 5 § of the Criminal Code of Finland

A breach of the confidentiality obligation may also be punishable pursuant to provisions regarding the violation of a business secret. The following provisions are set out in Chapter 30 Section 5 § (1)(4) of the Criminal Code of Finland (605/2018) with regard to violations of a business secret.

A person who, in order to obtain financial benefit for himself or herself or another, or to injure another, unlawfully discloses the business secret of another or unlawfully utilises such a business secret, having gained knowledge of the secret in connection with company restructuring proceedings, shall, unless a more severe penalty has been provided elsewhere in law for the act, be sentenced for violation of a business secret to a fine or to imprisonment for at most two years. An attempt is also punishable.

CONFIDENTIALITY OF INSIDE INFORMATION

Article 14 of the Market Abuse Regulation ((EU) 596/2014)

Prohibition of insider dealing and of unlawful disclosure of inside information

A person shall not:

- (a) engage or attempt to engage in insider dealing;
- (b) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; or
- (c) unlawfully disclose inside information.

Chapter 51 of the Criminal Code of Finland sets out provisions on securities markets offences.

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1 BASIC INFORMATION ABOUT THE COMPANY AND THE RESTRUCTURING PROCEEDINGS

1.1 Company information

The Company itself as the applicant filed an application regarding the commencement of restructuring proceedings with the Helsinki District Court on 6 April 2020. In addition, Varma Mutual Pension Insurance Company, as an applicant creditor, filed an application regarding the commencement of the Company's restructuring proceedings with the Helsinki District Court on 8 April 2020.

Company name:	Stockmann Oyj Abp (" Company ")
Parallel company name:	Stockmann plc
Domicile:	Helsinki, Finland
Postal address:	P.O. Box 233, 00131 Helsinki, Finland
Street address:	Aleksanterinkatu 52 B, 00100 Helsinki, Finland
Business ID:	0114162-2
Representative of the Company:	CEO Jari Latvanen
Telephone:	+358 50 414 6109
Email:	jari.latvanen@stockmann.com
Share trading codes for the Company's series A and series B shares on the Helsinki Stock Exchange:	STCAS and STCBV

1.2 Court overseeing the restructuring proceedings and information about the restructuring

Court:	Helsinki District Court, 2nd department District Judge Pirjo Peura-Vasama
Docket number:	HS 20/16712
Decision regarding the interim administrator:	6 April 2020, decision no. 20/18569
Decision regarding the commencement of restructuring proceedings:	8 April 2020, decision no. 20/19056
Street address:	Porkkalankatu 13, 00180 Helsinki, Finland
Telephone:	+358 29 5644 273
Fax:	+358 29 5644 271
Email:	helsinki.ko@oikeus.fi , helsinki_muutoksenhaku.ko@oikeus.fi

1.3 Interim administrator ordered by the Court and the administrator

Administrator:	Attorney-at-Law Jyrki Tähtinen (" Administrator ") Borenus Attorneys Ltd
Address:	Eteläesplanadi 2, 00130 Helsinki, Finland
Tel:	+358 20 713 33, +358 400 406 509
Fax:	+358 20 713 3499
Email:	stockmann@borenus.com jyrki.tahtinen@borenus.com

Pursuant to Section 9 of the Restructuring Act, in order to perform his or her duties, the administrator is entitled to enter business premises in possession of the debtor and to peruse the debtor's books, business correspondence and other business documents and datafiles. Notwithstanding any provisions on secrecy, the administrator is in his or her duties entitled in the same way as the debtor to obtain information on the debtor's bank accounts, financial transactions, financial agreements and undertakings, assets, taxation, and other factors relating to the financial status or the activities of the debtor.

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The administrator is entitled to participate in meetings of organs of a debtor business and to be heard there. Notices of such meetings shall be sent to the administrator.

The administrator is entitled to retain expert advisors in the performance of his or her duties.

1.4 Restructuring proceedings

1.4.1 Restructuring applications

The Company filed an application on Monday, 6 April 2020 regarding the commencement of restructuring proceedings with the Helsinki District Court where the Court was requested to commence restructuring proceedings with regard to the Company under Section 6 § (1)(1) and (2) of the Restructuring Act. The application was filed in a form that allowed for further supplementation. The Company submitted additional statements collected from its creditors that were in favour of the restructuring proceedings to the District Court on 6 April 2020. The Company requested that the District Court appoint Attorney-at-Law Jyrki Tähtinen first as the Company's interim administrator and then, later on, as the administrator. In addition, the Company requested, under Section 22 § of the Restructuring Act, that the District Court impose an interdiction of debt collection within the meaning of Section 19 § of the Restructuring Act and an interdiction of distraint and other enforcement measures referred to in Section 21 § of the same Act with immediate effect on an interim basis without hearing the creditors of the Company.

In its decision no. 20/18569, the District Court appointed Attorney-at-Law Jyrki Tähtinen as the Company's interim administrator on 6 April 2020. The District Court also imposed, under Section 22 § of the Restructuring Act, an interdiction of debt collection within the meaning of Section 19 § of the Restructuring Act and an interdiction of distraint and other enforcement measures referred to in Section 21 § of the same Act with immediate effect on an interim basis without hearing the creditors of the Company. The Company did not apply for an interim interdiction of repayment and provision of security referred to in Section 17 § of the Restructuring Act, and the District Court did not impose one. The District Court ordered the Company to submit, by 10 June 2020, a report referred to in Section 1 § (1)(8) of the Finnish Decree on the Restructuring of Enterprises that is issued by an auditor certified by the Finland Chamber of Commerce or a report disclosing that at least two creditors, whose combined receivables represent at least one fifth of the debtor's known debts and who are not closely related to the debtor within the meaning of Section 3 § of the Finnish Act on the Recovery of Assets to a Bankruptcy Estate, support the application for the commencement of restructuring proceedings as well as a copy of the decision made by the Company's general meeting to apply for the commencement of restructuring proceedings.

Varma Mutual Pension Insurance Company, as an applicant creditor, filed an application with the Helsinki District Court on Wednesday, 8 April 2020 concerning the commencement of the Company's restructuring proceedings pursuant to Section 6 § (1)(2) of the Restructuring Act. Varma Mutual Pension Insurance Company requested that the District Court appoint Attorney-at-Law Jyrki Tähtinen as the administrator.

The Company's general meeting resolved on 4 June 2020 to support the continuation of the restructuring proceedings in accordance with the proposal of the Company's Board of Directors.

1.4.2 Commencement of restructuring proceedings and restrictions of control

Helsinki District Court issued decision no. 20/19056 at **10:30 am on 8 April 2020** where it commenced the proceedings and appointed Attorney-at-Law Jyrki Tähtinen, who resides in Helsinki and who had also served as the Company's interim administrator since 6 April 2020, as the administrator.

The decision to commence the restructuring proceedings was made without further hearing the other creditors or the Company. Appendix 1 to the application submitted by Varma Mutual

Pension Insurance Company for the commencement of restructuring proceedings was declared confidential.

The Company's competence is limited during the restructuring proceedings in accordance with Section 29 § of the Restructuring Act. The District Court has not imposed the restrictions set out in Section 30 § of the Restructuring Act.

1.4.3 Freezing of payments, interdiction and prohibition of implementation

In its decision no. 20/18569, which was handed down on 6 April 2020, the Helsinki District Court imposed an interdiction of debt collection referred to in Section 19 § of the Restructuring Act and an interdiction of distraint and other enforcement measures referred to in Section 21 § of the same Act to remain in force on an interim basis until the restructuring proceedings are commenced, until the application regarding the commencement of the proceedings is dismissed or until otherwise ordered. These interdictions were imposed pursuant to the provisions of Section 22 § of the Restructuring Act without hearing the creditors or the debtor. The Company did not apply for an interim interdiction of repayment and provision of security referred to in Section 17 § of the Finnish Restructuring of Enterprises Act, and the District Court did not impose one.

The interdiction of repayment and provision of security referred to in Section 17 § of the Restructuring Act as well as the interdiction of debt collection set out in Section 19 § and the interdiction of distraint and other enforcement measures set out in Section 21 § of the same Act entered into force when the restructuring proceedings commenced at 10:30 am on Wednesday, 8 April 2020, and they remain in force for the time being.

1.4.4 Committee of creditors

The District Court will decide on assembling a committee of creditors if the Company, the Administrator or one of the creditors so requests. The District Court's decision in this matter prompted creditors to submit their suggestions regarding potential members for the committee of creditors to the Administrator.

The Administrator has been in contact with the representatives of the largest creditors in order to ensure that the creditors' committee would begin its operations immediately from the date on which the restructuring proceedings commenced. Representatives from all groups of creditors as well as a representative from the TE Office have been selected to serve on the committee of creditors. The Helsinki District Court issued decision no. 20/20827 on 17 April 2020, where it appointed the committee of creditors. In accordance with Section 84 § of the Restructuring Act, additional members can be appointed to the committee of creditors at a later stage during the restructuring proceedings if necessary.

The District Court appointed on 17 April 2020 the following 10 members to serve on the committee of creditors at the request of the Administrator in accordance with Section 10 § of the Restructuring Act:

- Kim Forsström, secured creditors' representative (Syndicate banks, Danske Bank A/S)
- Mikko Haataja, secured creditors' representative (Syndicate banks, OP Corporate Bank plc)
- Robert Sonck, secured creditors' representative (Syndicate banks, Swedbank AB (publ))
- Ville Talasmäki, secured creditors' representative (secured bonds, Sampo Oyj)
- Hanna Huhanantti, public sector creditors' representative (Varma Mutual Pension Insurance Company)
- Attorney-at-Law Risto Ojantakanen, suppliers' representative (Itäinen & Ojantakanen Attorneys Ltd)
- Juhana Heikkilä, unsecured commercial paper creditors' representative (Evli Varainhoito Oy)

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- Reetta Räsänen, landlords' representative (LähiTapiola Kiinteistövarainhoito Oy) until 22 May 2020 and Attorney-at-Law Niklas Lindström, landlords' representative (Attorneys at law MK-Law Ltd) from 22 May 2020 onwards (cf. below for more information)
- Allan Eriksén, hybrid bond creditors' representative (UB Omaisuudenhoito Oy)
- Johanna Vuorela, labour administration's representative appointed by the Uusimaa Centre for Economic Development, Transport and the Environment

Contact information for all members of the committee of creditors is available by contacting the restructuring administration at stockmann@borenius.com.

LähiTapiola Keskustakiinteistöt Ky, Tapiola Toimitalo Oy and KOy Biens have later requested that the District Court appoint Attorney-at-Law Niklas Lindström to serve as the landlords' representative on Stockmann Oyj Abp's committee of creditors instead of Head of Asset Management Reetta Räsänen. The District Court issued decision no. 20/29514 on 22 May 2020, by which the District Court released Head of Asset Management Reetta Räsänen from her position on the committee of creditors and appointed Attorney-at-Law Niklas Lindström as a member.

The committee of creditors has convened on 23 April 2020, 5 May 2020, 12 May 2020, 19 May 2020, 26 May 2020, 9 June 2020, 23 June 2020, 7 July 2020, 28 July 2020 and 14 August 2020. In addition to the members listed above, Bankruptcy Officer Simo Viljamaa from the Bankruptcy Ombudsman's office has participated in the aforementioned meetings. The Company's CEO and CFO have regularly attended the committee's meetings where they have provided the members of the committee with up-to-date information on the finances of and cash flow predictions for the entire Stockmann Group. The CEO and the CFO have only participated in these meetings for the duration of their presentations.

Pursuant to Chapter 3 Section 11 § of the Restructuring of Act, the Administrator shall, at regular intervals and whenever necessary, inform the committee of creditors or, if no committee has been appointed, the creditors, of the measures taken and the observations made in the performance of his or her monitoring, supervision and inspection duties, and consult with the committee of creditors or the creditors on any significant decisions before such decisions are made. If the Administrator becomes aware that the debtor has failed in a material way to repay debts other than restructuring debts, the Administrator shall provide information also to this effect.

During its meetings, the committee of creditors has usually discussed the measures carried by the Administrator and any special concerns that have arisen, the financial status of the Company and financing requirements, pending disputes and other proceedings, observations made during the special audit, need for expert services, legal opinions and their acquisition, planned and implemented restructuring measures, any negotiations the Company has held with its contracting parties, other matters introduced by the members of the committee and the invoices submitted by the Administrator. The committee of creditors has decided, together with the Administrator, on whether to retain specific expert services based on offers submitted by service providers, on whether the Administrator's invoices should be approved and on whether freight carriers' secured receivables should be paid prematurely. During the committee meetings, the CEO of AB Lindex has also held a presentation on the Lindex Group, the Company's CEO has discussed department store operations in Finland and the Baltics, CBRE Finland Oy has held a presentation on the valuation of real estate property, Sisu Partners Oy has discussed the valuation of AB Lindex and the subsidiaries located in the Baltics, and RSM Finland Oy has presented the observations made during the special audit.

1.4.5 Retained experts and special audit

The Company's financial department has provided the Administrator with all necessary information regarding the Company's financial status. RSM Finland Oy has advised the Company's financial department on the restructuring proceedings' impact on the Company's accounting.

The Administrator has retained the expert services of external service provider PricewaterhouseCoopers Oy in conducting financial calculations since 15 May 2020.

RSM Finland Oy, led by Authorised Public Accountant (KHT) Seppo Suontausta, began a special audit of the Company on 24 April 2020.

The Administrator has contributed to determining the key focus areas of the special audit. The special audit only pertains to the other Stockmann Group companies, which are not subject to the restructuring proceedings, to a limited degree. The Administrator and the committee of creditors have received regular reports on the progress made on the special audit. The special audit has been carried out in accordance with good auditing practice that applies to special audits and, where applicable, in accordance with the recommendation issued by the Bankruptcy Advisory Board with regard to the special audit of a bankruptcy debtor's operations. The Company has provided the auditors with required materials and assisted in the implementation of the special audit. The special auditor has interviewed altogether ten (10) representatives from the Company's management and financial department for the purposes of the audit.

The parties have agreed that the special audit covers the period of time after 30 November 2017 with a specific emphasis on transactions that have occurred since 1 January 2019. The parties have agreed on a materiality threshold of EUR 500,000 as the general limit for transactions subject to the audit and EUR 1 million for any group-level transactions, but in practice, smaller transactions have been reviewed during the special audit as well. The Administrator, the Company and the committee of creditors have been briefed on the special audit with regard to, among others, the following topics:

- Key security and financing arrangements;
- Material related and close party transactions;
- Potential recovery/clawback and other claims;
- Standard / level of the Company's accounts and bookkeeping; and
- Compliance with the interdictions imposed as part of the restructuring proceedings.

A preliminary report regarding the special audit was completed on 30 June 2020. The Administrator has reviewed the special audit and the observations made during the audit together with the Company and the committee of creditors.

The special audit gives no cause to refrain from continuing the restructuring proceedings or from preparing the draft restructuring programme.

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1.4.6 Duty to provide information and cooperate

The Company has appropriately fulfilled the requirements of the duty to provide information and cooperate established in Section 13 § of the Restructuring Act. The Administrator has no complaints with regard to the conduct of the Company's management or other employees.

1.4.7 Applications for bankruptcy

The Company is not subject to any pending applications for bankruptcy.

1.5 Due dates

1.5.1 Declaration of the creditor's claims

Pursuant to decision no. 20/19056 issued by the District Court on 8 April 2020, the creditors were obliged to submit their claims regarding the Company in writing to the Administrator by **15 May 2020** at the latest if their claims deviated from those submitted by the Company under

threat that their claims will otherwise not be taken into account and any undisclosed debts will expire as provided in Section 47 § of the Restructuring Act.

The Administrator published an announcement regarding the commencement of the restructuring proceedings in the Official Journal and Kauppalehti on 21 April 2020. The restructuring administration, together with the Company's financial department, has sought to notify creditors of the commencement of the restructuring proceedings and request them to confirm their receivables also in cases where the creditor's restructuring receivable has been discovered long after the commencement of the restructuring proceedings.

In addition, the restructuring administration has contacted or made significant efforts, by virtue of sending numerous messages and reminders, to contact all creditors disclosed in the Company's accounts ledger if the balance of these creditors' receivables could have changed since 6 April 2020. When taking into consideration the broad scope of the Company's business operations, its accounts ledger cannot reflect the up-to-date total amount of its restructuring debt due to e.g. the fact that all invoices addressed to the Company and credit notes issued by the Company as of 6 April 2020 could not have been fully taken into consideration when the restructuring proceedings began on 8 April 2020.

All known creditors were prompted to confirm their receivables by email at stockmann@borenius.com by **15 May 2020**. The majority of creditors submitted information concerning their receivables either themselves or via a representative to the restructuring administration by 15 May 2020. The communication has continued with the creditors in order to specify and confirm these receivables up until the completion of this financial report, and these efforts will continue for the autumn of 2020. The Company's financial department estimates that creditors may continue to submit specified invoices regarding the Company's restructuring debt also during the autumn of 2020.

1.5.2 Financial report and its distribution

The financial report referred to in Section 8 § (1)(1) of the Restructuring Act regarding the debtor's assets, liabilities and other undertakings as well as the debtor's financial status and any factors affecting its projected development was originally ordered to be submitted by 1 July 2020. The District Court decided in its decision no. 20/34236 on 11 June 2020, as petitioned by the Administrator, that the deadline for the financial report would be extended until **17 August 2020**. The Administrator applied for an extension on the grounds that the Company publishes its result for the first half of 2020 on 24 July 2020 and that the financial report cannot disclose unpublished information regarding the Company's result or other issues before that date.

The Administrator must submit the report referred to in Section 8 § (1)(1) of the Restructuring Act or a summary thereof without delay to the committee of creditors, the largest creditors and other creditors (where requested) as well as to the debtor and the Bankruptcy Ombudsman. Pursuant to the Restructuring Act, the financial report must be drawn up for the related parties. According to recommendation no. 16 issued by the Bankruptcy Ombudsman on 5 June 2018, the financial report must discuss specific matters to an appropriate extent. Furthermore, pursuant to the recommendation, the Administrator decides on how and to what extent the financial report is delivered.

The Administrator submitted a proposal on 26 June 2020 to the Bankruptcy Ombudsman's office together with a request for its opinion on whether specific sections of the financial report should be kept confidential from the majority group of creditors. The Administrator's view is that providing the full details of the lists of restructuring debts and names of the creditors attached to the financial report to all of the Company's approximately 2000 creditors without redaction or anonymisation is not necessary for securing any individual creditor's interests and may, in fact, violate the privacy of the creditors or their trade secrets. The lists disclosing the Company's secured senior bonds and hybrid bonds and their relevant creditors have been compiled by Euroclear Finland Ltd, and as such, they are not public or available to any other entity than the Company. Each unsecured commercial paper creditor has separately requested to have their information kept confidential. The representative of the suppliers that serves on the committee

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of creditors has stated that some of the suppliers have requested that their status as a creditor be kept confidential. Furthermore, the financial report and/or its appendices as a whole may contain information that constitutes the Company's trade secrets and which must thus be protected.

The financial report, together with its appendices, is provided to the committee of creditors, the Bankruptcy Ombudsman's office and the Company. The financial report, without some of the appendices disclosing the Company's or its contracting parties' confidential information, is uploaded to the Kosti system and provided to all creditors that have submitted their email addresses to the restructuring administration. Creditors are provided with a creditor-specific number via email as well as a link to a folder that contains a digital copy of the financial report and a list of restructuring debts based on which group of creditors the creditor belongs to. Each creditor can use their creditor-specific number to review to which extent the creditor's receivable has been accounted for among the receivables of the relevant group of creditors based on the assessment conducted so far.

1.5.3 Draft restructuring programme

The Helsinki District Court set **11 December 2020** as the deadline for the submission of the draft restructuring programme in its decision concerning the commencement of the restructuring proceedings.

There is currently no need for an extension to this deadline. However, the deadline may have to be extended due to the broad scope of the Company's business operations, the number of creditors, the magnitude of the required debt adjustment, pending lease agreement negotiations regarding the department stores and their impact on the Company's future commercial footprint and cash flows as well as potential decisions to sell assets.

1.5.4 Due date for recovery

The due date that applies to recovery is the date on which the restructuring application was filed to the Court, i.e. **6 April 2020**, in accordance with Section 35 § (2) of the Restructuring Act.

Under Section 36 § of the same Act, the Administrator must file any actions for recovery within six (6) months of the commencement of the proceedings, i.e. on **8 October 2020** at the latest. The Administrator will review any observations concerning recovery that were made during the special audit together with the committee of creditors, the representative of the Bankruptcy Ombudsman's office and the Company and make any decisions required with regard to filing actions for recovery by 8 October 2020.

2 COMPANY

2.1 Ownership and group structure of the Company

The Company is a public limited company that was established in 1862 and registered in the Trade Register on 20 January 1919. The Company was listed on the Helsinki Stock Exchange in 1942. The Company is listed on Nasdaq Helsinki. The Company has not issued any financial instruments on other stock markets.

The Company has 72,048,683 shares as registered in the Trade Register on 8 April 2020. According to the Trade Register, the nominal value of each share is EUR 2.00. The shares are divided into series A and series B shares. The share series differ with regard to voting power, i.e. series A shares confer 10 votes while series B shares confer 1 vote. Both share series entitle their holders to the same amount of dividend. The shares are registered in a book-entry system, and they are subject to public trading on Nasdaq Helsinki. Series A shares are traded under the trading code STCAS and series B shares under the trading code STCBV.

Series A shares can be converted into series B shares at the request of the shareholder if the conversion can be implemented without or falling short of the minimum or exceeding the maximum number of shares in either series. As per 8 April 2020, there are altogether

30,530,868 series A shares and altogether 41,517,815 series B shares. Pursuant to information registered on 23 August 2012, the Company has a share capital of EUR 144,097,366.00. A Trade Register extract concerning the Company and its Articles of Association as per 8 April 2020 are attached hereto as Appendix 1.

The Company's largest shareholders as per 31 March 2020 are listed in Appendix 2. Based on the number of shares, the ten largest shareholders own approximately 57.6% of the Company's shares and approximately 74.8% of its votes (as per 31 March 2020). Information concerning the Company's largest shareholders and how holdings and shares are distributed by sector are updated to the Company's website at <http://www.stockmanngroup.com/fi/suurimmat-osakkeenomistajat> on the last day of each calendar month. Among the different groups of shareholders, the greatest number of shares is owned by foundations and associations.

The Company's group structure is described in Appendix 3. This group structure chart is an updated version of the group structure chart submitted with the restructuring application. Stockmann Security Oy (Business ID 0756955-8) has merged with Stockmann Security Services Oy Ab (Business ID 0723064-2) during the restructuring proceedings. The merger has been implemented and registered in the Trade Register on 31 May 2020, at which date the first mentioned company was dissolved. The Administrator is not aware of any other pending changes to the Company's group structure.

The Company is the parent company of a group of companies. The group is comprised of two (2) business units, which are the Stockmann department store operations and the online store (Stockmann Retail and Real Estate) in Finland, Estonia and Latvia, as well as the fashion chain Lindex, which is comprised of its own Lindex subgroup. The Lindex Group engages in the manufacture and retail sales of fashion items via its network of subsidiaries.

The segments of the Stockmann Group that are reported to the securities markets comprise of Lindex and Stockmann. These segments are reported in accordance with the IFRS 16 standard. Unallocated items include corporate management, group finance management, group treasury and internal audit.

The group operates in three (3) geographical segments: 1) Finland; 2) Sweden and Norway; and 3) the Baltics and other countries. All in all, the group operates in 23 different countries.

The group is comprised of eight (8) department stores, 464 fashion stores and three (3) department store buildings as well as online stores. The department stores are located in Helsinki (city centre and Itäkeskus), Espoo, Vantaa, Turku, Tampere, Tallinn and Riga. Lindex sells a wide variety of fashion for women, children's clothes, lingerie and cosmetics at its stores and online.

The department store buildings owned by the Company have, in total, 83,370 m² of floor space, of which at the end of June 2020 74% was occupied by Stockmann and the rest by external partners. Utilization rate of the buildings was 97.3% at that time.

The group's business locations are comprised of the Lindex stores and the Stockmann department stores. At the end of 2019, there were altogether 464 Lindex stores, of which 40 operated as franchise stores. There are altogether eight (8) Stockmann department stores. In Finland, the Company operates its business online and at altogether six (6) department stores. The Company's Baltic subsidiaries operate the department stores located in Tallinn and Latvia. The Company has concluded a licensing agreement with a company called Debruss with regard to the use of the Stockmann trademark in Russia. Pursuant to this agreement, the Company receives royalty payments that are determined based on turnover.

2.2 Business operations and field of business

The Company engages in the business operations registered in the Trade Register, i.e. trade at department stores, online¹ and other trading as well as related business operations and services. The Company may engage in financing and investment activities and operate restaurants. The Company may engage in business operations either directly or through its subsidiaries or affiliated companies. In addition, the Company may carry out its group companies' shared duties, such as administrative services and financing, either as the parent company or through its subsidiaries.

The Company is a Finnish listed company that engages in retail sale and offers a wide and CSR-conscious selection of high-quality fashion, beauty and home goods at department stores, fashion stores and online stores.

The total volume of the Company's retail sales operations and online store sales amounted to EUR 304.99 million in 2019.

2.3 Company's premises and personnel

The Company is domiciled at Aleksanterinkatu 52 B, Helsinki, which is where the Company's management is also located.

The average number of employees in the Stockmann Group was approximately 7000 in 2019. The average number of employees was 4891 when converted into full-time positions. At the end of 2019, the group had altogether 6914 employees, of whom 1894 worked for the Company in Finland. The Company had 5020 employees outside of Finland. As per 28 February 2020, the Company had 1337 employees, including employees on various kinds of leave. Cf. section 7.2 below for data on the number of employees at each location on 30 June 2020 and 31 July 2020.

During the restructuring proceedings, the Company has terminated the lease agreement regarding the administrative premises located in Pitäjänmäki, Helsinki, and later leased back a clearly smaller share of the same premises. In addition to the six (6) department stores located in Finland, the Company also has employees at a distribution centre located in Tuusula.

2.4 Organisation and key persons

Pursuant to section 4 § of the Company's Articles of Association, the Company's Board of Directors consists of at least five and at maximum nine members. The term of each Board member begins at the general meeting during which the Board member is elected and ends at the close of the first annual general meeting following the election. The Board of Directors elects a chairman and a deputy chairman from among its members for a term of one year at a time.

Pursuant to section 5 § of the Company's Articles of Association, the CEO of the Company is appointed by the Board of Directors. The Company is represented by the Chairman of the Board and the CEO, each alone, and by two Board members together.

As the Company's annual general meeting was cancelled due to the coronavirus pandemic, Board members Peter Therman and Eva Hamilton left their posts by resigning from the Board on 18 March 2020. Both Therman and Hamilton had previously stated that they were not available for another term as a Board member. Since 19 March 2020 and until the completion of the financial report, the Company's Board has consisted of six (6) members until the next general meeting: Stefan Björkman, Esa Lager, Leena Niemistö, Lauri Ratia, Tracy Stone and Dag Wallgren. The aforementioned persons were appointed as ordinary Board members also at the Company's general meeting on 4 June 2020. The Company's Board, which convened after the general meeting, elected Lauri Ratia as its chairman and Leena Niemistö as its deputy chairman. The Board has assessed the independence of its members in accordance with

¹ In accordance with the Company's registered field of business, the Company provides "mail order services".

recommendation no. 10 established in the Finnish Corporate Governance Code, and according to this assessment, all six (6) Board members are independent of the Company. Three (3) Board members are independent of significant shareholders (Esa Lager, Leena Niemistö and Tracy Stone).

Jari Latvanen serves as the CEO of the Company. Latvanen's position as the CEO was registered in the Trade Register on 26 September 2019.

The Board has appointed a remuneration committee and an audit committee from among its members. The remuneration committee prepares matters concerning the appointment and remuneration of the CEO and the other management of the Company in accordance with the Corporate Governance Code. The audit committee prepares the Company's financial reports and matters related to monitoring in accordance with the Corporate Governance Code. The audit committee has convened approximately six (6) times a year. The committees assist the Board by preparing tasks and assignments concerning the Board's duties. The committees report to the Board on matters that they have processed and submit proposals to the Board for decision-making when appropriate. The shareholders' nomination board prepares proposals concerning the election and remuneration of Board members for the upcoming annual general meetings.

The Stockmann Group's management team, led by the CEO, is responsible for directing line operations and for preparing strategic and financial plans. In addition to the group management team, both Lindex and Stockmann divisions have their own operative management teams. According to the Company's management, the boards of legal companies do not make all that many operative decisions as the decisions required by law and e.g. operative decisions concerning the companies located in the Baltics are, in practice, made by the Company's management team. Lindex has operated fairly independently from an operative perspective.

The table presented below lists the CEOs of the Company and the members of the Company's management team in 2019–2020 based on the lists of related parties disclosed in the notes to the financial statements for 2017–2019:

Stockmann Oyj:n toimitusjohtaja ja johtoryhmä vuosina 2017–2019		
Nimi	Asema	Ajalla/alkaen/saakka
Veijalainen Lauri	toimitusjohtaja	31.3.2019 asti
Ratia Lauri	toimeenpaneva toimitusjohtaja	1.4.2019 alkaen 18.8.2019 asti
Latvanen Jari	toimitusjohtaja	19.8.2019 alkaen
Larsson Ingvar	Lindexin toimitusjohtaja	21.8.2017 asti
Peregi Elisabeth	Lindexin vt. toimitusjohtaja	21.8.2017 alkaen 10.8.2018 asti
Ehnbåge Susanne	Lindexin toimitusjohtaja	10.8.2018 alkaen
Salmi Anna	asiakkuusjohtaja/ digitaalisen liiketoiminnan johtaja	30.6.2019 asti
Nylund Outi	asiakkuusjohtaja	1.5.2019 alkaen 30.6.2019 asti
Huttunen Mikko	henkilöstöjohtaja	30.6.2019 asti
Teir Björn	johtaja Real Estate	17.8.2018 asti
Stenholm Elena	johtaja Real Estate	1.11.2018 alkaen 30.6.2019 asti
Ottila Susanna	johtaja Herkku	2017
Niskanen Maiju	johtaja tavaratalotoiminnot	30.6.2019 asti
Westermarck Tove	johtaja toimitusketju	2017-21.3.2019
Westermarck Tove	operatiivinen johtaja	22.3.2019 alkaen
Malin Nora	viestintäjohtaja	2017
Malin Nora	kehitysjohtaja	1.1.2018 alkaen 30.6.2019 asti
Naulapää Jukka	lakiasiainjohtaja	
Laitinen Kai	talousjohtaja	1.8.2017 alkaen 18.8.2019 asti
Vähähyyppä Pekka	talousjohtaja	19.8.2019 alkaen
Naulapää Petteri	tietohallintojohtaja	22.6.2018 asti

Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

The Company maintains a management liability insurance policy at Pohjola Insurance Ltd.

The Trade Register extract concerning the Company lists altogether 41 registered holders of procuration as per 8 April 2020. In addition, the Company has registered the right to represent the Company for one (1) additional person in the Trade Register.

2.5 Business connections of the persons in charge of the Company and report on associated companies

Listed companies are obliged to publish material related-party transactions pursuant to the Finnish Securities Markets Act. Under the Finnish Limited Liability Companies Act, the related parties of listed companies and the related parties established in the Finnish Act on the Recovery of Assets to a Bankruptcy Estate overlap to a significant extent. As such, the Company's related parties comprise significant shareholders, persons in charge of the Company and the top management during their term as well as their related parties and associated companies. The Company's group companies are also considered to comprise the Company's related parties.

The companies associated with the Company's management and any transactions concluded with these companies have been reviewed in the special audit. The special audit did not uncover any significant related-party transactions. No related-party transactions were discovered during the interviews or from the Company's financial statements either. Group-level transactions are discussed below in section 2.6.

The table presented below, which was sourced from the special audit report, discloses information concerning the Company's Board in 2017–2020. This information is based on the lists of related parties disclosed in the notes to the financial statements for 2017–2019 and on data recorded in the Trade Register. The names of current Board members are bolded.

Stockmann Oyj:n hallitus vuosina 2017–2019		
Nimi	Asema	Ajalla/alkaen/saakka
Hienonen Jukka	hallituksen puheenjohtaja	21.3.2019 asti
Ratia Lauri	hallituksen puheenjohtaja	21.3.2019 alkaen
Niemistö Leena	hallituksen varapuheenjohtaja ja jäsen	
Bergh Kaj-Gustaf	hallituksen jäsen	21.3.2019 asti
Björkman Stefan	hallituksen jäsen	21.3.2019 alkaen
Chetkovich Torborg	hallituksen jäsen	23.3.2017 asti
Hamilton Eva	hallituksen jäsen	22.3.2018 alkaen 18.3.2020 asti
Lager Esa	hallituksen jäsen	23.3.2017 alkaen
Najafi Susanne	hallituksen jäsen	22.3.2018 asti
Rosenlew Michael	hallituksen jäsen	21.3.2019 asti
Sjödell Per	hallituksen jäsen	22.3.2018 asti
Stone Tracy	hallituksen jäsen	22.3.2018 alkaen
Therman Peter	hallituksen jäsen	21.3.2019 alkaen 18.3.2020 asti
Wallgren Dag	hallituksen jäsen	

Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

Pursuant to the Bankruptcy Ombudsman's recommendation no. 16/2018, the financial report must disclose the business connections of the persons in charge of the Company. Information regarding the business connections of the Company's Board members and CEO, which was obtained from Suomen Asiakastieto Oy's system, is listed in Appendix 4.

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2.6 Group receivables and liabilities and their set-offs

When the restructuring proceedings commenced, the Company and several of its group companies had mutual liabilities and receivables.

The table below discloses the Company's net receivables and liabilities vis-à-vis its group companies as well as any changes that have occurred since 30 November 2017:

	30.11. 2017	31.12. 2017	31.12. 2018	31.12. 2019	8.4. 2020
Nettosaamiset ja -velat konserniyhtiöt 1.000 euroa					
Saamiset /. velat Stockmann Sverige AB ja Branch Fin	779 333	712 672	672 891	652 462	610 040
Saamiset /. velat Stockmann Security Services Oy	9 718	10 059	-576	-126 882	-3 529
Saamiset /. velat Suomen Pääomarahoitus Oy	-23 386	-28 161	-35 842	-17 239	-17 466
Saamiset /. velat AS Stockmann	1 207	-687	-1 493	-34 524	-32 972
Saamiset /. velat Lindex AB	-17 695	-29 082	-42 777	-44 894	-640
Saamiset /. velat Lindex Oy	5 881	5 873	7 799	-53	-289
Saamiset /. velat Stockmann Security Oy	-5 107	-5 118	-5 332	-5 576	-5 644
Saamiset /. velat UAB Lindex, Vilna	4 056	4 067	4 276	4 512	4 579
Saamiset /. velat Lindex Oü, Tallinna	-114	-159	-221	-341	-25
Saamiset /. velat SIA Stockmann	1 019	414	138	274	439
Saamiset /. velat Oy Hullut Päivät - Galna Dagar Ab	-340	-340	-340	-340	-340
Saamiset /. velat Lindex H.K. Ltd, Hong Kong	-28	-110	-66	-70	-13
Saamiset /. velat ZAO Stockmann	0	0	0	0	0
Nettosaaminen / -velka	754 544	669 428	598 456	427 330	554 140
Muutos		-85 116	-70 972	-171 126	126 810

Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

Before the restructuring proceedings began, the Company had a cash pool arrangement with its group companies and access to four (4) different group bank accounts where the Company served as the main debtor to the relevant banks. The group had bank accounts at Nordea, OP, Danske and Swedbank. Any positive balance present on the group's subsidiary accounts constitute the Company's debt to its subsidiaries.

In accordance with established practice, the Company has set off receivables and liabilities between group companies, including those established between several group companies, primarily in its financial statements in order to avoid any unnecessary transfers of assets. According to the special audit report, the receivables and liabilities primarily list cash loans between group companies and, to a lesser extent, accounts receivable and accounts payable. Furthermore, the amounts of these receivables and liabilities are also affected by granted and received group contributions, the addition of interest to the principal of a specific receivable or liability, exchange rate differences, and dividend distribution.

The Company's cash pool liability to its group companies has been resolved after the restructuring application became pending.

In accordance with the special audit report, the group's cash pool subsidiary accounts held altogether EUR 2.6 million on 6 April 2020, which sum is included in the Company's short-term liabilities to its subsidiaries as of 8 April 2020. The banks closed the group bank accounts after the restructuring proceedings became pending, and the assets that were previously held in the said bank accounts were partially transferred to the Company's account and partially left available to the subsidiaries. The transfers of the aforementioned assets occurred on 6 April and 7 April 2020 based on information provided by the Company. The interdiction of restructuring debt repayment imposed pursuant to Section 17 § of the Restructuring Act only entered into force on 8 April 2020 when the decision to commence restructuring proceedings was made.

After the restructuring proceedings were commenced on 8 April 2020, the Company has also transferred altogether approximately EUR 896 thousand in assets back to its subsidiaries (granting of a loan).

The assets that were present in the cash pool subsidiary accounts of AS Stockmann and Lindex OÜ at Swedbank, i.e. altogether approximately EUR 1.723 thousand, were left available to the subsidiaries. The group bank account at Swedbank did not involve a debt balance. According to the observations made in the special audit report, it is likely that the assets held in the cash pool subsidiary account at Swedbank, i.e. EUR 1.723 thousand, belonged to the Company and that the Company owes the same amount to its subsidiaries.

Furthermore, according to the observations made in the special audit report, to the extent that the assets were transferred to the group's other cash pool subsidiary accounts (granting of an additional loan by the Company) on 8 April 2020 or afterwards without the Administrator's consent, the Administrator should assess whether the assets transferred to the subsidiaries should be requested to be returned to the Company. According to the observations made in the special audit report, the Administrator should similarly assess, with regard to the group bank accounts, whether the assets transferred to the subsidiaries should be returned to the Company.

2.7 The Company's finances

2.7.1 Status of the accounts and conducted audits

The Company's financial year is the calendar year as registered in the Trade Register.

The Company manages its own books.

Authorised Public Accountants (KHT) Henrik Holmbom and Marcus Carl-Erik Tötterman serve as the Company's auditors and KPMG Oy Ab as the deputy auditor as registered in the Trade Register. According to information recorded in the Trade Register, the aforementioned were registered in their positions on 11 May 2015.

The Company's audited and signed financial statements and the related auditor's report for the 2019 financial year are attached hereto as [Appendix 5](#). The Company's financial statements for the 2018 and 2017 financial years are attached hereto as [Appendices 6 and 7](#).

RSM Finland Oy has stated that the Company's books have been managed appropriately and reliably. The Company's books provide sufficiently accurate information of the Company's financial status. The Company has provided the Administrator with all requested materials.

2.7.2 Principal findings regarding the finances made during the special audit

In accordance with the findings made during the special audit, the Company has not distributed assets during the assessed time period of the audit apart from certain group contributions. Furthermore, any share issues or equity investments affecting the equity capital have not taken place during the assessed time period.

Based on book values, the Company's equity capital was approximately EUR 388 million on 31 March 2020. However, the valuation of the investment in Lindex AB involves some uncertainty. Also, the values of the real estate property in Helsinki and of the other properties are likely to involve considerable value that exceeds the book value.

The findings made during the special audit indicate that based on the book values, the Company has not been over-indebted within the meaning of the Act on the Recovery of Assets to a Bankruptcy Estate during any assessed period. The date when the Company clearly started to be at risk of becoming insolvent was 31 March 2020 at the latest.

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2.7.3 Profitability and balance sheet position

After the commencement of the restructuring proceedings and until the date of this report, the Company has made efforts to continue the Company's business operations as normally as possible for over four (4) months, taking into consideration the unusual circumstances caused by the coronavirus pandemic as well as the restructuring proceedings. The Company's cash position was at a reasonable level (more than EUR 20 million) when commencing the restructuring proceedings. The freezing of payments that came into effect at the start of the restructuring proceedings, the decrease of the equity tied up in the stocks and the cutting of costs have improved the Company's cash position despite the business operations being unprofitable. The group's cash position that also includes the cash assets of its subsidiaries has improved considerably, in particular as a result of the positive development of Lindex.

The outbreak of the coronavirus pandemic has caused a significant change in Stockmann group's business environment and has impacted the Company's customer numbers and cash flow materially.

The uncertainty factors affecting the global economy are expected to remain during the year 2020, and the coronavirus pandemic has a significant impact on the global economy. The retail market is expected to continue facing difficulties due to the change in consumer behaviour and consumer trust that are also affected by the coronavirus pandemic.

The Company updated its profit forecast on 18 March 2020 by stating that the earlier profit forecast it published on 13 February 2020 is no longer valid due to the rapid changes that have taken place in the business environment. The Company also stated that it will publish a new profit forecast when the market prospects become clearer.

The Company's business was profitable during Q4/2019. When taking the seasonal variation into consideration, the Company's business was loss-making (but mainly in line with the business plan) in January and February 2020.

The Company's key financial figures (in accordance with FAS-GAAP) for the earlier financial periods 2017–H1/2020 are as follows (note: not group figures):

Financial Period	Turnover (EUR 1,000)	Operating income (EUR 1,000)	Profit for the period (EUR 1,000)	Equity capital (EUR 1,000)	Balance sheet total (EUR 1,000)
1 Jan to 30 Jun 2020 (H1 / 6 months)	102,743	-30,059	2,920	403,047	1,370,359
1 Apr to 30 Jun 2020 (Q2 / 3 months)	48,783	-17,636	15,538	403,047	1,370,359
1 Jan to 31 Mar 2020 (Q1 / 3 months)	53,960	-12,423	-12,618	387,510	1,347,955
1 Jan to 31 Dec 2019	304,986	-23,132	-288	400,128	1,446,237
1 Jan to 31 Dec 2018	320,790	74,297	70,889	400,416	1,439,886
1 Jan to 31 Dec 2017	457,825	-35,555	-63,895	331,208	1,504,007

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The decrease in turnover in 2018 is mainly explained by the sale of the Herkku business operations in Finland. The operational business (operating result) and the result for the financial period have been showing a loss during the entire period itemized above without the capital gains from the realisations. The result for the financial year has been considerably reduced by the depreciations in the value of the shares in the subsidiary Stockmann Sverige AB ("SSAB") during the years 2017 and 2018. The result for the financial year has been increased by the group contributions received during 2017-2019. Most of the group contributions have been received from SSAB that owns Lindex.

January – March 2020 (Q1/2020)

The Company's equity capital amounted to EUR 388 million on 31 March 2020, when the balance sheet also included a depreciation difference of EUR 76 million and compulsory provisions of EUR 16 million. The total amount of current liabilities has decreased by a little more than EUR 200 million between the end of the year 2017 and the start of the restructuring proceedings. The Company's liabilities have decreased by approximately EUR 430.3 million during the time period from 30 November 2017 to 8 April 2020. In 2018, the Company paid off about EUR 108 million of its loans by using the assets it has received from selling Kirjatalo (Book house) and the Herkku business operations. In 2019, the Company paid off about EUR 147 million of its loans by mainly using the assets it has received from selling Nevsky.

Stockmann Group's turnover was EUR 168.4 million on 31 March 2020, showing a decrease of 17.6% when compared to the earlier comparison period using comparable exchange rates. The group's relative gross margin on sales was 54.2% and its operating result showed a loss of EUR 30.5 million. The adjusted operating result showed a loss of EUR 29.4 million and the adjusted profit per share showed a loss of EUR 0.53.

The turnover of the Stockmann business unit (including both the Company and the department stores in the Baltic countries) for the first quarter was EUR 68.9 million (92,7). The turnover decreased by 25.7%. From January to February 2020, the sales were approximately at the same level as in the previous year, but the sales decreased heavily in March 2020 due to the coronavirus situation, resulting in the turnover declining for the entire quarter. The online sales increased by 73.5%, and the proportion of the online sales out of the total sales was 12.4% (5.3) during the first quarter.

Due to the outbreak of the coronavirus pandemic, the Hullut Päivät campaign was carried as an online campaign in Finland and in the Baltic countries with an extended schedule from 25 March to 5 April 2020. The online campaign developed well and its sales increased by 82% when compared to the previous year, but the total turnover of the campaign was clearly lower than in the previous year.

The Stockmann business unit's relative gross margin on sales was 43.9% (46.0 or 43.0 excluding the real estate business). The relative gross margin on sales mainly decreased due to the coronavirus situation that influenced the rental income received from tenants. The operating expenses decreased by EUR 8.2 million, amounting to EUR 28.2 million (36.4) due to lower personnel costs and support services costs. The operating result for the Q1/2020 showed a loss of EUR 13.3 million (-8.1). The adjusted operating result showed a loss of EUR 13.3 million (-7.3).

April–January (Q2/2020)

The Company's equity capital was EUR 403 million on 30 June 2020. The current liabilities amounted to EUR 880 million on 30 June 2020. The current liabilities include EUR 591 million of Stockmann Group's financial liabilities from external sources.

The Company's financial items include about EUR 27 million of positive non-recurring items resulting from currency hedging that expired in connection with the restructuring proceedings and from the refund of Stockmann Security Services Oy's invested unrestricted equity fund (SVOP).

Stockmann Group's turnover in the second quarter was EUR 187.7 million (242.3). The turnover decreased by 24.6%. During the second quarter EUR 5.3 million of other business operations income were accrued from public subsidies related to the coronavirus pandemic which were mainly granted to Lindex.

The turnover of the Stockmann business unit (including both the Company and the department stores in the Baltic countries) for the second quarter was EUR 60.6 million (88,3). The turnover decreased by 28.0%. The operations in Finland constituted EUR 47.7 million (66.8) of the said turnover and the operations in the Baltic countries constituted EUR 12.9 million (21.5) of the turnover. The coronavirus pandemic heavily influenced the negative development of the sales. The online sales increased by 128.5% and the proportion of the online sales of the total sales amounted to 27.7% (8.3).

The Stockmann business unit's gross margin on sales was 35.6% (48.8). The relative gross margin on sales mainly decreased due to the coronavirus situation that influenced the rental income received from tenants as well as the gross margin on the product sales. The operating expenses decreased by EUR 10.2 million, amounting to EUR 25.0 million (35.2) due to lower personnel costs and support services costs.

Development from 1 July 2020 onwards

The Company will publish its interim report for the time period from 1 July to 30 September 2020 (Q3/2020) on 30 October 2020. It is not possible to provide any information regarding the said time period in advance because of the security market regulations applying to the Company.

2.7.4 Finance agreements

The Company has in 2017 entered into a secured term and revolving facilities agreement "**Facilities Agreement**"). Pursuant to the terms and conditions of the Facilities Agreement, the Company was granted a revolving facility and a facility B - term loan, both of which become due and payable on 2 October 2021. As part of the revolving facility, the Company and its subsidiaries have had the possibility to enter into separate ancillary facilities. The Company has guaranteed the obligations and liabilities of its subsidiaries under the ancillary facilities. The creditors under the Facilities Agreement have informed that the outstanding principal amount is approximately EUR 29 million under the facility B, approximately EUR 136 million under the revolving facility and approximately EUR 20.4 million under the ancillary facilities (as per 6 April 2020).

The Company has in 2017 issued secured fixed rate notes under the terms and conditions related thereto ("**Notes**"). The issued notes have a fixed annual interest of 4.75% and become due and payable on 11 January 2022. The principal amount of the debt under the Notes amounts to a total of EUR 250 million, and there are altogether 580 (as per 6 April 2020) and 584 (as per 3 August 2020) bondholders.

The Company has also entered into hedging agreements with certain banks ("**Hedging Agreements**"). On 6 April 2020, some of the banks terminated and closed-out the hedging agreements and the receivables thereunder under their hedging master agreement and one bank terminated its hedging master agreement.

The Company has provided the following security for the obligations and liabilities under the Facilities Agreement, the Notes and the Hedging Agreements: (i) a real estate mortgage in the amount of EUR 1.5 billion to the department store property located in Helsinki; (ii) a blocked bank account relating to certain disposal proceeds; (iii) a real estate mortgage in the amount of EUR 170 million to the department store property located in Tallinn; and (iv) a share pledge regarding the shares owned by the Company in the company SIA "Stockmann Centrs".

The parties to the Facilities Agreement, the Notes and the Hedging Agreements have in 2017 entered into a separate intercreditor agreement regarding the order of priority of the receivables

under the Facilities Agreement, the Notes and the Hedging Agreements and the enforcement proceeds of the security granted by the Company.

The Company has also in 2011 entered into a commercial paper programme pursuant to which the Company can issue commercial papers up to a maximum amount of EUR 600 million. Some of the banks representing the holders of the issued commercial papers terminated the commercial papers with effect between 6–7 April 2020. The Company has also in 2015 and 2019 issued a EUR 106 million unsecured and high-interest hybrid bond loan that has no due date.

In 2010, the Company provided a general guarantee in the amount of EUR 20 million to Skandinaviska Enskilda Banken for the obligations and liabilities of its subsidiary Aktiebolaget Lindex.

In addition to the aforementioned, the Company has also entered into intra-group loan agreements with its subsidiaries. The due date for the majority of the intra-group loan agreements is 31 December 2020.

2.7.5 Sufficiency of funds

The Company has been able to use the cash flow generated by the Company's business operations and its existing cash assets to cover all costs that have become due and payable during the restructuring proceedings as well as all new debt that has accumulated after the restructuring proceedings commenced.

The Administrator is not aware of any delays in payment occurring during the restructuring proceedings. When the proceedings began, the Company had over EUR 20 million in cash assets. At the end of H1/2020, the Company had EUR 35 million in cash assets whereas the group (the Company and its subsidiaries together) had EUR 125.5 million in cash assets (compared to H1/2019 when the cash assets amounted to EUR 15.7 million).

Neither the Company nor its operative subsidiaries have required new working capital financing so far. Cf. also section 7.4 below.

2.7.6 Reasons behind the Company's financial difficulties

Long-term reasons

Since 1862, the Company has been famous for selling the most recent and high end quality products from international markets and providing excellent customer service experiences.

After a long financially profitable period, the Company has been faced with increasing financial difficulties since the early years of 2010's. The main reasons for such difficulties include the considerable investments made in its own and leased department stores (brick & mortar), aggressive growth plans and the related significant investments, e.g. Nevsky commercial centre and department store in Russia, the large-scale extensions and renovations carried out in the real estate in central Helsinki as well as the new parking hall built therein, and the shares in AB Lindex that were acquired at the top of the economic cycle in 2007 for a purchase price of EUR 867 million. The investments and transactions have been mainly financed with debt financing. Thus, the Company's indebtedness has grown significantly.

The profitability of the Company's department store trade on an annual basis became unprofitable in 2014 and continued unprofitable until the end of Q3/2019.² The Company has been unable to renew its business along with the renewal of the retail trade. The investments in electronic commerce started too late and the improvements carried out in the Company's web page have been insufficient in terms of functionality. Meanwhile, speciality stores have been losing market shares to online stores increasingly. The leases of the department stores

² The Company's financial reporting as a whole has changed several times since 2014. Therefore, the term "department store trade carried out by the Company" is not entirely unambiguous.

have been fixed and mainly indexed, and therefore they have burdened the profitability of the operations more than intended as the turnover has decreased. The Company has lost its original market position and become a retailer of goods that are available at most commercial centres, having continuous discount campaigns, and at the same time the customer service experiences provided by the Company have deteriorated. After the food departments of the Finnish department stores, which were making considerable losses, were sold to S Group in 2018, the customer numbers have diminished significantly in the rest of the department store operations. The difference is considerable when compared to the food departments in the Baltic countries that are owned and operated by the Group itself. Furthermore, several sublease agreements concluded in connection with the said transaction have been underpriced in terms of the leases (the corresponding lease for the same premises paid to the principal landlord have been clearly higher).

The Company has tried to reorganise its business operations, focus on its core business and sell its assets since 2013 in order to reduce its debts. The Company has sold its department store operations in Russia as well as Akateeminen kirjakauppa and Herkku business operations in Finland in addition to Seppälä Oy and Hobby Hall Oy. Furthermore, the Company has sold the Nevsky Centre commercial centre and the Kirjatalo (Book house) property.

The Company has modernised its distribution centre, organised its business operations regarding Retail and Real Estate and has finally made investments in its online shop. Part of the savings have concerned system investments, the number of salespersons at the department stores and the reduction of training in a detrimental manner, decreasing the competitive advantage of the Company. In addition, marketing investments have had to be reduced. The Company's earning power has relied on Lindex and the sales revenues obtained in the divestment of aforementioned assets.

The large-scale rejuvenation project initiated in the Company in 2019 was intended to make the Company's result profit-making and its turnover grow again. The core of this strategy regarding the department store business operations have included improving the customer service to its exclusive customers, more specific profiling of customer base, improving the quality level of the product range and increasing digital services. The project has consisted of several subprojects, hundreds of initiatives and thousands of intermediate goals. During the latter part of 2019, the Company achieved cost savings and focused its business operations and strategy in connection with the project. During Q4/2019, the department store business has become profitable and complied with its business plan in January and February 2020 before the coronavirus pandemic began. As part of the rejuvenation project, the Retail and Real Estate divisions were merged into one Stockmann department store division on 1 July 2019.

The Company and the group that it constitutes together with its subsidiaries have had long-term profitability problems that have resulted mainly from Stockmann's department store business. The Lindex subgroup's operations are profitable. The Company has nevertheless maintained a strong degree of financial solidity. Before the commencement of the restructuring proceedings, the Company has been able to carry out all its payments and repay its financing loans as agreed on their due date. The Company sold its ownership in Akateeminen Kirjakauppa and Seppälä group in 2015 and its department store business in Russia and Hobby Hall chain in 2016. The Company and the group have sold its real estate assets (the transaction price of Kirjatalo (Book house) was EUR 108.6 million and Nevsky Center EUR 171 million) and its Herkku food trade business in Finland (transaction price EUR 27.6 million).

Until 2017, the Company's financing has mainly based on bilateral loans from different banks. The bank loans have been combined into one syndicate loan in November 2017. The Company also issued a secured multi-issuer bond amounting to EUR 250 million (the same security pool with the bank syndicate together with some of the Company's hedging agreement parties) in December 2017. In addition, the Company has conducted a commercial paper programme in 2011 under which the Company has been able to issue commercial papers in the maximum amount of EUR 600 million. As the Company's financial situation weakened in December 2015, it issued a hybrid bond loan amounting to EUR 85 million. The amount of hybrid bond loan equity was increased by a new issue worth EUR 21 million in November 2019.

The control over the shares is mainly on the holders of Share Series A. Regardless of the above-mentioned strategic defects, high debt-equity ratio and loss-making business of the iconic department store, the largest owners have made the necessary changes in the key personnel too late. The largest owners have also been in disagreement over the combination of the share series.

Effects of the coronavirus pandemic

The coronavirus pandemic that broke out in Europe in the first week of March 2020 has caused a significant change in the Stockmann group's business environment and thereby rapidly reduced the number of clients by 70-80%. Even though the online store business for Stockmann department store and Lindex has continued to grow intensively, the increased online sales have not sufficiently compensated the severe decrease in the number of customers in this exceptional situation. The Company's cash flow, its ability to comply with the covenants set out in its financing agreements, utilize its credit facilities and to ensure that it will be able to perform its payment obligations have been endangered to the extent that the Company has considered necessary to file an application for restructuring proceedings before its cash reserves run dry.

The Company believes that the insolvency situation is only temporary and can be eliminated by the arrangements carried out during the restructuring proceedings. The Company will start to generate positive cash flow and profit with the help of restructuring measures, the restructuring programme as well as the sale of certain assets, and by focusing the Company's business in accordance with its strategy, which eventually will restore and reorganize the Company.

2.8 Measures carried out during the restructuring proceedings to improve operations and finances

The Company has implemented new savings measures, in March 2020 as planned, before the commencement of restructuring proceedings and it has commenced employee cooperation negotiations so that the Company is able to reduce its costs and adapt its personnel resources by means of temporary layoffs.

The Company has carried out employee cooperation negotiations in terms of possible changes in the arrangement of work premises. The first stage negotiations concerned the arrangements in office premises, for example, in the office premises at Takomotie and the office premises at the Helsinki department store. These negotiations ended on 18 May 2020. In addition, the Company has undergone negotiations with the employees' representative for any upcoming changes in operating models in department stores.

The Company has terminated the lease agreement concerning the Company's premises at the address Takomotie 1-3, 00380 Helsinki by submitting a notification to the landlord on 20 May 2020. Under the Restructuring Act, the lease agreement is subject to a notice period of two (2) months, as a result of which the lease agreement has terminated on 21 July 2020. The Company retained a minority of these office premises at Takomotie by signing a new lease agreement.

The Company has also examined the need for terminating some of the department store lease agreements and consulted all department store landlords on the possibility of transferring the current rents into market-based rents. These negotiations have also covered the terms for the grocery department sublease agreements. In terms of several leases, these negotiations are still ongoing. The negotiations aim for extensive savings in costs.

The Company has reduced the opening hours of the department stores and adjusted the costs to the declined number of customers due to the coronavirus pandemic and restrictions. The Company has also cancelled and reduced the purchase orders in terms of goods, and by doing this it has secured its cash position and aimed to minimise the risk of an oversized stock.

It is estimated that these restructuring measures and those described later in this report will help the Company to achieve profitable results and enable it to generate positive cash flow and profit. The development of the cash flow of Lindex will depend on how long it takes to remove

the effects of the coronavirus pandemic. The Company forecasts that the business operations will turn profitable during the restructuring proceedings to the extent that the Company is able to, by implementing the restructuring measures (including any sales of assets), manage its new debts caused by the business and at the same time to pay the debts and payments confirmed in the restructuring programme.

2.9 Pending legal and administrative procedures

In addition to the restructuring proceedings, the Company is aware of a pending tax-related process in Sweden described below against a subsidiary that is fully owned by the Company.

Stockmann Sverige AB (“**SSAB**”) has applied for an adjustment to a residual tax decision by petitioning the local court of appeal in Sweden (Kammarrätten i Göteborg). The tax matter that is currently pending at the appeal stage pertains to SSAB's right to deduct, in its taxation in Sweden, interest expenses incurred in 2013–2017 in connection with the intra-group loan it had acquired from the Company for the purposes of a share transaction involving shares in AB Lindex. The interest involved in this tax dispute amounts to approximately EUR 25.6 million (including both the principal and penalty interest). Furthermore, it is likely that in SSAB's taxation for 2018–2019 the right to deduct the aforementioned interest expenses will be similarly denied, which will then result in additional EUR 10.6 million in tax costs. As such, the interest involved in the tax dispute for 2013–2019 altogether amounts to approximately EUR 36.5 million. The processing of the tax dispute at the court of appeal has been postponed until the Court of Justice of the European Union (CJEU) has issued a decision in another matter that was referred to it for a preliminary ruling with regard to the interest deduction system in Sweden. The decision handed down by the CJEU could have a material impact on the end result of the tax dispute at hand. In the event that the CJEU rules in favour of the taxpayer in the matter referred thereto for a preliminary ruling, SSAB will likely have good chances of winning its own tax dispute. However, if the CJEU rules in favour of the tax administration, SSAB will likely have its own appeal dismissed.

Under Swedish law, SSAB's potential tax liability can be immediately taken in execution despite of the pending appeals process. Pursuant to the latest decision issued in the matter, the Swedish tax administration requires for the Company to post a security to secure the potential tax liability by 28 December 2020 at the latest.

3 MEASURES UNDERTAKEN AND OBSERVATIONS MADE BY THE ADMINISTRATOR

3.1 Basic measures undertaken by the Administrator

As part of his duties, the Administrator has issued all required notices to authorities, public registers, Euroclear Finland Ltd, and creditors by sending information regarding the commencement and deadlines of the restructuring proceedings by mail or by email to all known and potential creditors in the manner required by the District Court's decision. The Administrator published an announcement regarding the commencement of the restructuring proceedings in the Official Journal and Kauppalehti on 21 April 2020. The Administrator has also looked into the possibility of issuing a public announcement concerning the commencement of the restructuring proceedings in Estonia, but Estonia does not have a similar public channel for such announcements as Finland does.

The Administrator has ensured and monitored compliance with the interdictions imposed in accordance with the Restructuring Act. As far as the Administrator is aware, these interdictions have been observed. The Company has consulted with the Administrator before making payments that are significant vis-à-vis its regular business operations. The numerous representatives of the Administrator and the Company's financial department have communicated on a daily basis since the commencement of the restructuring proceedings in order to ensure that all debts are listed appropriately and any situations that have arisen during the restructuring proceedings have been appropriately dealt with.

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The Administrator has followed and supervised the Company's operations e.g. by conducting online meetings with the Company's CEO, Chief Legal Officer and CFO three times a week at the beginning of the restructuring proceedings and ensured that the Company's creditors are well informed. The Administrator has reviewed the Company's business operations to a sufficient degree. Furthermore, the Administrator has, together with the Company's representatives, ascertained the reasons for the Company's financial difficulties, the weaknesses inherent in the Company's current business operations, the potential measures available for reviving the Company when taking into consideration the Company's operations and its resources, and other measures required to achieve the Company's goals in the long run.

3.2 Advisors to the Administrator

At the meeting of the committee of creditors that was held on 5 May 2020, the Administrator presented the offers he had received for the position of the Administrator's advisor and, based on the discussion had at the committee of creditors, the Administrator commenced contract negotiations with PricewaterhouseCoopers Oy. The Administrator signed an assignment agreement with PricewaterhouseCoopers Oy on 15 May 2020.

At the meeting of the committee of creditors that was held on 12 May 2020, the Administrator presented the offers he had received for conducting the valuation of the real estates owned by the Company and, based on the discussion had at the committee of creditors, commenced contract negotiations with CBRE Finland Oy. The Administrator signed an assignment agreement with CBRE Finland Oy on 26 May 2020

At the meeting of the committee of creditors that was held on 19 May 2020, the Administrator presented the offers he had received for conducting the valuation of AB Lindex and the Company's subsidiaries located in the Baltics and, based on the discussion had at the committee of creditors, commenced contract negotiations with Sisu Partners Oy. The Administrator signed an assignment agreement with Sisu Partners Oy on 23 May 2020.

3.3 Realisations

By the completion of the financial report, the Company has not realised any assets of the Company other than in connection with the Company's ordinary department store business and retail trade.

In accordance with the Company's interim report issued on 30 April 2020, the Company assessed the sale and lease-back options regarding its real estate properties as part of the preparations related to the restructuring programme. At the same time the process concerning the strategic options related to the ownership of Lindex subgroup was suspended.

3.4 Set-offs

A few set-offs with minor importance in euros have been made between trade creditors and the Company in accordance with the provisions of the Restructuring Act during the restructuring proceedings when the relationships in terms of the debts/claims have been based on the time before the commencement of the restructuring proceedings, and the claims have been reciprocal and similar in type. Any returns of goods, i.e. setting off with goods have not been allowed on the grounds of creditors' equal treatment. It has been agreed that the Company's financial department provides a list of creditors' set-off claims that the Company has considered to be acceptable for the Administrator's approval when the set-off amount has exceeded EUR 1,000. At the time of the completion of the financial report, an assessment with one (1) of the creditors was still pending regarding a set-off claim of EUR 115,000. Any intra-group liabilities or receivables have not been set off (see section 5.1.2.5 below).

3.5 Suppliers' claims for the reservation of title

The restructuring administration has clarified the grounds for and the legal validity of the reservation of title clauses presented by several creditors in the restructuring proceedings. Particularly many of the foreign creditors have invoked the fact that the laws of another country

and the reservation of title provisions therein apply to their invoices and agreements. Pursuant to Article 7 of Regulation (EU) 2015/848 on insolvency proceedings issued by the European Parliament and the Council, the law applicable to insolvency proceedings and their effects shall be that of the Member State within the territory of which such proceedings are opened. Furthermore, pursuant to Article 10(1) of the said Regulation, the opening of insolvency proceedings against the purchaser of an asset shall not affect sellers' rights that are based on a reservation of title where at the time of the opening of proceedings the asset is situated within the territory of a Member State other than the State of the opening of proceedings.

The applicability of the reservation of title clause to the goods that the suppliers have provided to the Company has also been discussed with Finnish suppliers. All situations related to the reservation of title clause have been examined separately. Regardless of a reservation of title clause that has been duly agreed, a security in rem will lapse if the Company sells the goods to a third party that gains possession of them. Suppliers have provided goods to the Company in such a manner that the Company has been able to transfer assets freely in its business operations and to have control over the goods similarly to an owner. In most cases where a supplier has invoked its right of the reservation of title, the restructuring administration has considered that the reservation of title clause has not been binding on third parties because the goods have been assigned to the Company in the above-described manner. Therefore, the reservation of title clauses have mainly been ineffective, and the creditors that have invoked ineffective clauses will be treated as unsecured creditors in the restructuring proceedings.

The restructuring administration has approved the claims lodged by two (2) of the creditors that have invoked the reservation of title clause in terms of the validity of the reservation of title clause. The reservation of title clauses have been considered to be valid because they have been agreed upon before assigning the goods, the goods are in the possession of the Company and can be identified as the creditors' property. The goods that are subject to the reservation of title clause are not sold in connection with the Company's business either. The goods that are subject to the reservation of title clause are in the Company's own use. In addition, see section 5.3 below.

3.6 Observations on the grounds for interruption or findings made during the special audit

When preparing this financial report, the Administrator has not discovered any such matters on the basis of which it could be considered that the restructuring proceedings should be interrupted. During the restructuring proceedings, the Administrator continually observes the prerequisites for continuing the said proceedings and will react if any grounds for interruption appear. The Administrator is not aware of any claims or applications by any creditor to interrupt the restructuring proceedings.

A preliminary report regarding the special audit was completed on 30 June 2020. The Administrator, the Company and the committee of creditors have gone through the observations of the report together. The Administrator will make the requests for additional information that are considered necessary on the basis of the observations to third parties and will consider the need for making any claims for recovery and bringing actions by the due date.

The Administrator or RSM Finland Oy, which carried out the special audit, have not made any observations of criminal actions in the Company's operations.

The restructuring auditors have considered that there are no grounds for recovery related to the management salaries or remuneration, intra-group charges, distribution of assets or group contributions, the sale of Herkku business operations or the use of the purchase price received therefrom or the sale of the Kirjatalo (Book house) real estate property or the purchase price received therefrom that would require the further assessment of the Administrator or the creditors. In addition, it has been stated in the special audit report that based on the restructuring auditors' view the payments of the accounts payable and principal and interests of certain debt instruments as well as the payments to the Tax Administration that have been made later than three months before the due date are considered standard payments.

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In accordance with the special audit, the Company has reported and duly paid its statutory obligations to the Tax Administration and the insurance companies. The Company has applied for an extension for its pension insurance contributions based on the reliefs to payment terms related to the coronavirus pandemic. No such observations were made during the special audit based on which the Administrator or creditors should assess the actions of the Company's management pursuant to the provisions on liability for damages in Chapter 22 of the Finnish Limited Liability Companies Act.

4 ASSETS OF THE COMPANY

4.1 The Company's assets at the time of the commencement of restructuring proceedings on 8 April 2020

The interim financial statements concerning the Company's financial situation on 8 April 2020 were not prepared, and instead the financial information presented in this report is based on the Company's figures as per 31 March 2020. The Company publishes information regarding its financial situation after each quarter. The Company has issued an interim report as per the situation of 31 March 2020, including e.g. the information of its financial position on that date. Since the time between the issuing of the interim report and the commencement of the restructuring proceedings is short, the Administrator has not, after consulting with the special auditors, considered it to be particularly necessary to have separate interim financial statements as per 8 April 2020 prepared.

The Company's key assets comprise buildings and land areas, shares in the companies belonging to the same group, current assets and outstanding group loans.

During the time period from 2017 to 2019 and on 31 March 2020, the key assets of the Company have consisted of the following items. The table below shows the Company's assets (FAS) on the balance sheet:

VASTAAVAA 1.000 EUROA (Stockmann Oy)	30.11. 2017	31.12. 2017	31.12. 2018	31.12. 2019	31.3. 2020
PYSYVÄT VASTAAVAT					
Aineettomat hyödykkeet					
Aineettomat oikeudet	34 606	26 043	23 154	19 999	19 035
Muut pitkävaikutteiset menot	430	424	353	283	265
Keskeneräiset hankinnat ja ennakkomaksut	473	502	813	2 553	2 624
Aineettomat hyödykkeet yhteensä	35 510	26 969	24 320	22 834	21 924
Aineelliset hyödykkeet					
Maa- ja vesialueet	13 435	13 435	12 233	12 233	12 233
Rakennukset ja rakennelmat	279 384	278 969	253 687	247 313	245 355
Koneet ja kalusto	40 791	37 086	30 396	25 963	25 099
Vuokratilojen muutos- ja perusparannusmenot	5 906	3 482	4 296	3 664	3 506
Muut aineelliset hyödykkeet	55	55	55	55	55
Ennakkomaksut ja keskeneräiset hankinnat	1 292	964	742	989	1 785
Aineelliset hyödykkeet yhteensä	340 862	333 990	301 408	290 216	288 033
Sijoitukset					
Osuudet saman konsernin yrityksissä					
Stockmann Security Services Oy Ab	107 559	107 559	107 559	107 559	673
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	340	340	340	340	340
Oy Suomen Pääomarahhoitus Ab	13 682	13 682	13 682	13 682	13 682
SIA Stockmann, Riika	4 831	4 831	4 831	4 831	4 831
SIA Stockmann Centrs, Riika	116	116	116	116	116
Stockmann AS, Tallinna	1 022	1 022	1 022	1 022	1 022
Stockmann Sverige AB	48 843	88 137	126 656	164 984	164 984
Osuudet konserniyrityksissä yhteensä	176 393	215 686	254 206	292 533	185 647
Muut osakkeet ja osuudet	4 260	760	760	760	759
Sijoitukset yhteensä	180 653	216 447	254 966	293 294	186 406
PYSYVÄT VASTAAVAT YHT.	557 025	577 406	580 694	606 344	496 363
VAIHTUVAT VASTAAVAT					
Vaihto-omaisuus					
Aineet ja tarvikkeet	66 718	54 595	48 644	42 837	57 250
Vaihto-omaisuus yhteensä	66 718	54 595	48 644	42 837	57 250
Pitkäaikaiset saamiset					
Saamiset saman konsernin yrityksiltä					
Saamiset konserniyrityksiltä yhteensä	842 807	776 772	743 759	755 775	726 972
Lainasaamiset muilta	3 170	1 670			
Pitkäaikaiset saamiset yhteensä	845 977	778 442	743 759	755 775	726 972
Lyhytaikaiset saamiset					
Myyntisaamiset					
Myyntisaamiset	5 321	9 039	4 357	2 285	910
Myyntisaamiset yhteensä	5 321	9 039	4 357	2 285	910
Saamiset konserniyrityksiltä					
Saamiset konserniyrityksiltä yhteensä	28 460	28 447	32 198	24 467	14 999
Muut saamiset / saamiset liiketoimintakaupasta		24 706			
Muut saamiset	47	19	2	10	0
Siirtosaamiset	24 337	23 141	14 454	8 058	20 915
Lyhytaikaiset saamiset yhteensä	58 165	85 353	51 011	34 820	36 825
Rahat ja pankkisaamiset	4 710	8 213	15 777	6 461	30 545
VAIHTUVAT VASTAAVAT YHT.	975 570	926 602	859 192	839 893	851 592
VASTAAVAA YHTEENSÄ	1 532 595	1 504 008	1 439 886	1 446 237	1 347 955

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Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

Approximately 20% of the Company's assets recorded in the financial statements dated 31 December 2019 have consisted of real estate property, about 20% of investments (the largest being Stockmann Security Services Oy Ab for EUR 107.6 million and SSAB for EUR 165.0 million), and about 50% of group receivables, a considerable part of which is the investments

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in SSAB. The relative amount of current assets has been low, about 3% of the balance sheet total. The amount of investments diminished by EUR 107 million in 2020 after Security Services Oy Ab returned assets to the Company, after the Company had sold its subsidiary that owned the Nevsky Centre in Saint Petersburg.

The Company's investment in the group company SSAB, which owns Lindex subgroup, has comprised almost 60% of the assets on the Company's balance sheet on 31 December 2019. The table below shows the Company's shares in other group companies:

VASTAAVAA 1.000 EUROA (Stockmann Oyj)	30.11. 2017	31.12. 2017	31.12. 2018	31.12. 2019	31.3. 2020
Osuudet saman konsernin yrityksissä					
Stockmann Sverige AB	48 843	88 137	126 656	164 984	164 984
Stockmann Security Services Oy Ab (SSS Oy)	107 559	107 559	107 559	107 559	673
Oy Hullut Päivät-Galna Dagar Ab	340	340	340	340	340
Oy Suomen Pääomarahoitus Ab	13 682	13 682	13 682	13 682	13 682
SIA Stockmann, Riika	4 831	4 831	4 831	4 831	4 831
SIA Stockmann Centrs, Riika (osuus 63 %)	116	116	116	116	116
Stockmann AS, Tallinna	1 022	1 022	1 022	1 022	1 022
Osuudet konserniyrityksissä yhteensä	176 393	215 686	254 206	292 533	185 647
Muutos	0	39 294	38 519	38 328	-106 886
Arvonlennus (SSAB)		61 000	81 000	81 000	81 000
Osakkeiden arvo ilman arvonlennusta	176 393	276 686	335 206	373 533	266 647
Muutos ilman arvonlennusta		100 294	58 519	38 328	-106 886
Muutos kumulatiivinen ilman arvonlennusta		100 294	158 813	197 141	90 254

Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

Intangible assets consist of computer software. Tangible assets consist mainly of land areas, buildings, machinery and equipment, and the costs of modification work and improvement work carried out at leased premises.

Long-term receivables consist mainly of receivables from the group companies. Short-term receivables consist of sales receivables, group receivables, other receivables and accrued income items.

The Company has receivables from the group companies but also debts (see section 2.6 above). The Company may have financial liabilities, cash pool liabilities, accounts payable (until the commencement of the restructuring proceedings), interest payable, accrued liabilities or gift card liabilities to other group companies. Any loan agreements between the group companies are made in writing. The loans are unsecured. The parties have agreed on market-determined interest rates in the loan agreements. The Company's most significant receivable is from SSAB, amounting approximately to EUR 610 million on 8 April 2020. The possibility of netting intra-group items was examined during the restructuring proceedings. The Administrator and the Company will examine the intra-group items and the netting thereof before preparing the draft restructuring programme.

The table below presents Stockmann Group's balance sheet information from 2017 to 2019 and on 31 March 2020:

STOCKMANN -KONSERNI (IFRS) VARAT MILJ. EUROA	31.12. 2017	31.12. 2018	31.12. 2019	31.03. 2020
PITKÄAIKAISET VARAT				
Aineettomat hyödykkeet yhteensä	698,0	647,5	637,0	600,4
Aineelliset hyödykkeet				
Käyttöoikeusomaisuuserät			485,7	463,6
Aineelliset hyödykkeet yhteensä	773,2	751,1	1 219,3	1 190,5
Pitkäaikaiset saamiset yhteensä	33,5	15,0	16,6	21,9
PITKÄAIKAISET VARAT YHTEENSÄ	1 608,2	1 414,7	1 889,4	1 829,0
LYHYTAIKAISET VARAT				
Vaihto-omaisuus yhteensä	162,2	141,9	145,8	171,4
Lyhytaikaiset saamiset yhteensä	85,4	52,2	43,0	39,1
Rahavarat	21,0	43,4	24,9	42,9
LYHYTAIKAISET VARAT YHTEENSÄ	268,6	237,6	213,8	253,4
Myytävinä olevat varat	184,6	175,7		
VARAT YHTEENSÄ	2 061,4	1 827,9	2 103,2	2 082,4

Source: RSM Finland Oy's special audit report, final draft dated 13 July 2020.

The consolidated balance sheet total is approximately EUR 2.1 billion. Intangible rights mainly consist of the business value and trademark. Tangible assets mainly consist of real estate properties. In accordance with the IFRS standards, the tangible assets include values of lease agreements of EUR 485.7 million as per 31 December 2019 and EUR 463.6 million as per 31 March 2020 as "fixed assets right items" (lease agreement debts are included in the long and short-term debts). The consolidated balance sheet equity amounted approximately to EUR 743 million on 31 March 2020.

The Administrator has concluded an assignment agreement with CBRE Finland Oy under which CBRE Finland Oy will provide an estimation under Section 3 § (1)(7) of the Restructuring Act of the value the department store properties owned by the Company. This valuation concerns the Company's department store properties in Helsinki, Tallinn's department store property and Riga's department store property, of which the Company owns 63% and where the Company's subsidiary SIA Stockmann carries out retail business. The evaluation was conducted on the value date of 8 April 2020 in order to determine the amount of secured debt as set forth in the Restructuring Act. The market value of the Helsinki department store property set out in the valuation report on the value date was EUR [confidential] million. According to the notification given by the valuer, the precision of the estimation is plus or minus 20% and it is further diminished due to the special characteristics of the property, insecurity resulting from the current pandemic situation and the small number of comparable transactions. The market value of the Tallinn department store property set out in the valuation report on the value date was EUR [confidential] million and the market value of the Riga department property EUR [confidential] million. Based on the reports presented above, the total value of the Company's pledged assets in department store properties is thus approximately EUR [confidential] million. No conclusions on the going concern value of the said assets can be made on the basis of these valuations and these valuations cannot be used as such for the basis of their book values.

In addition, the Administrator has concluded an assignment agreement with Sisu Partners Oy under which the company will provide an estimation of the value of AB Lindex and the Company's Baltic subsidiaries SIA Stockmann and Stockmann AS. The shares in the companies subject to valuation are not given as security for the Company's debts. The aim of this valuation is to provide an estimation of these companies' value in bankruptcy or any similar enforced sale situation for the purposes of providing the bankruptcy comparison calculation set out in Section 41 § (7) of the Finnish Restructuring Enterprises Act. As a result of the valuation provided by the assignment, the liquidation value of Lindex is EUR [confidential] million (equity value, enterprise value EUR [confidential] million). Where as the liquidation value of SIA Stockmann is EUR [confidential] million and AS Stockmann EUR [confidential]. The values are

marked as enterprise values for Baltic companies since the said receivables from the Companies and the cash reserves on the group cash pool account have mainly no value in a bankruptcy situation and these companies have no external interest-bearing debt. No conclusions on the going concern value of the said assets can be made on the basis of these valuations and these valuations cannot be used as such for the basis of their book values.

The Administrator will provide his final statement on the different asset values in the draft restructuring programme and in the bankruptcy comparison calculation presented in connection with it.

4.2 Material changes in the Company's assets after the restructuring proceedings commenced and the reasons for these changes

The freezing of payments regarding the restructuring debts and the cost cuts have improved the Company's cash position. However, the unprofitableness of the department store business has diluted this development. The Company's cash assets amounted to EUR 35 million as per 30 June 2020 (in the beginning of the proceedings the cash assets amounted to EUR 20 million).

In April, the Company's stock of fashion products was bigger than normally as the coronavirus pandemic forced the Company to arrange its traditional sales event called "Hullut Päivät" (*Crazy Days*) mainly as an online event. The Company has cleared the stock, for example, by arranging early seasonal sales. The group's total stock value was EUR 134.8 million on 30 June 2020, of which Stockmann's share amounted to EUR 37 million (EUR 57 million on 31 March 2020).

The group's total investments in the second quarter amounted to EUR 4 million (9.3). These investments concerned digitalisation projects of Lindex and the Company, the renewal of the Helsinki city centre department store and Lindex store renewals.

According to the Company's management, there have been no significant changes in the Company's assets since the commencement of the restructuring proceedings. However, the Company needs to make investments in different business operations and processes, as stated above in section 2.7.6. In order to increase the effectiveness of the Company's business, it is required that the Company will invest in business operations, systems and processes.

5 RESTRUCTURING DEBTS, SECURITIES AND OTHER UNDERTAKINGS

5.1 Restructuring debts

Pursuant to Section 3 § (1)(5) of the Restructuring Act, restructuring debt means all of the debtor's debts that have arisen before the filing of the application on 6 April 2020, including secured debts and debts whose basis or amount is conditional or contested or which are otherwise unclear; however, a shortfall in the liabilities of a pension fund established by the debtor shall not be deemed a restructuring debt.

The total amount of the restructuring debt is specified in the summary in [Appendix 8](#). The Company's debts classified by the groups of creditors is specified in [Appendices 9–19](#). The securities and guarantees provided by the Company are specified in [Appendix 20](#).

The Company's external interest-bearing financing consists of secured bank loans, credit facilities and bonds (Notes) as well as the unsecured commercial paper programme. In addition, the Company has a lowest priority hybrid bond loan that has been treated as the Company's equity in the consolidated financial statements. See section 2.7.4 regarding finance agreements above.

The Company has unsecured debts that have been classified under seven (7) categories in this financial report: public law debts, commercial paper liabilities, lease agreement liabilities, branch liabilities, group liabilities, management's remuneration liabilities and freelancer liabilities as well as accounts payable and other liabilities.

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The Administrator is not aware that any creditors' restructuring receivables would have been paid after the commencement of the restructuring proceedings except for the premature payments mentioned in section 5.3 below. In addition, the Company has paid some of the necessary restructuring debts of the Estonian branch related to gas, electricity and water bills at the beginning of the restructuring proceedings because there was an imminent risk of the aforementioned services being interrupted at the department store. The Company has the possibility to request a refund of the said payments pursuant to the Restructuring Act.

The Company has begun to pay the interests for the secured debts as of 6 July 2020 based on the Company's estimate of the fixed monthly payment (EUR 300,000).

5.1.1 Secured debts

Pursuant to Section 3 § (1)(7) of the Restructuring Act, secured debt means restructuring debt where the creditor holds, as against third parties, an effective real security right to property that belongs to or is in the possession of the debtor, in so far as the value of the security at the commencement of the proceedings would have been enough to cover the amount of the creditor's claim after the deduction of liquidation costs and claims with a higher priority. Pursuant to Section 3 § (1)(6) of the Restructuring Act, real security rights mean reservation of title and other security rights based on ownership, a right of lien to movable property or real estate, a right of recovery, and a right of retention that produces a priority right to the object in question.

Syndicate debts

The Company made agreements on the refinancing of its long-term loans in November 2017. The Company concluded a secured term and revolving facilities agreement worth EUR 650 million (the same as the "**Facilities Agreement**" mentioned in section 2.7.4 above) with OP Corporate Bank plc, Danske Bank A/S, Nordea Bank AB (publ), Finnish Branch, DNB Bank ASA, Svenska Handelsbanken AB (publ) and Swedbank AB (publ) ("**Syndicate Banks**").

In accordance with the provisions of the Facilities Agreement, the Syndicate Banks granted the Company a secured long-term loan called Facility A, which has been paid off entirely, a long-term loan called Facility B, which becomes due for payment on 2 October 2021, and a credit facility called Revolving Credit Facility. The RCF credit facility can also be utilized as ancillary facilities, such as overdraft facilities, guarantee facilities, short-term loan facilities or other ancillary facilities agreed upon between the debtor and the creditor of the ancillary facility. Danske Bank A/S, Nordea Bank Oyj and OP Corporate Bank plc have granted the Company group overdraft facilities as part of the RCF revolving facility where the principal debtor is the Company. The Facilities Agreement also includes a NOK-denominated overdraft facility which has been used by Lindex; and as the guarantor, the Company is liable for the facility and for all other ancillary facilities set out in the Facilities Agreement that are in the use of its subsidiaries.

The restructuring debt to the Syndicate Banks is EUR 189,650,742.30 in total, as specified in Appendix 9. In addition, the Syndicate Banks and the facility agent, i.e. Danske Bank A/S, have filed a EUR 3.7 million conditional and maximum claim. In accordance with Danske Bank A/S's statement, costs to be compensated to the Syndicate Banks and Danske Bank A/S in the role of facility agent have incurred and will continue to incur on the basis of the Facilities Agreement and the agreement concluded between the creditors due to the Company's Event of Default situation and in relation to the protection of the creditor's position as a secured creditor. There is disagreement about the compensability of the said costs for the time being, and the Company has not agreed to compensate the costs as costs incurred during the proceedings. Therefore, the facility agent has notified the receivables as conditional and maximum restructuring debt. The said costs include the direct own costs of the Syndicate Banks and the facility agent as well as the costs incurred for the use of financial and legal advisors and advisors related to the valuation of the security.

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Secured Bond Liabilities (Notes)

The Company issued a secured bond in 2017 (the same as the “Notes” mentioned in section 2.7.4 above). The issued Notes become due and payable on 11 January 2022, and they are paid a fixed annual interest of 4.75%. There are altogether 580 (as of 6 April 2020) and 584 (as of 3 August 2020) noteholders. The Notes are listed on Nasdaq Helsinki Stock Exchange (Prospectus of 21 December 2017).

The restructuring debt based on the secured bond (Notes) that is disclosed in Appendix 10 amounts to a total of EUR 250 million. The interest payable based on the Notes on 8 April 2020 amounts to a total of EUR 2,869,791.67.

Finnish Customs

Finnish Customs is also among the secured creditors. The receivable notified by the Finnish Customs amounts to EUR 36,892.62. The Company has provided Finnish Customs with a real estate mortgage note no. 1 that was given for the real estate mortgage confirmed on 5 August 2005 on the Company’s department store property located in the centre of Helsinki (property identifier 91-2-7-1), with the mortgage note value of approximately EUR 1.7 million, as security for the liabilities (Appendix 20).

Joint securities and agents’ receivables

Real estate mortgages on the real estate properties located in Helsinki and Tallinn, a bank account pledge and a right of pledge over the shares in the Latvian company called SIA “Stockmann Centrs” serve as security for the Facilities Agreement and the Notes. The Company owns 63% of the shares in SIA “Stockmann Centrs”. SIA “Stockmann Centrs” owns the commercial centre property in which SIA Stockmann carries out retail business. The Company’s securities are listed in Appendix 20.

In addition to the Syndicate Banks and noteholders, OP Corporate Bank plc (as the payment transactions agent), Danske Bank A/S (as the facility agent), Nordic Trustee Oy (as the agent of the holders of the Notes that will become due for payment in 2022) and Intertrust (Finland) Oy (as the security agent) are among the secured creditors in accordance with the Facilities Agreement and the agreement concluded between the creditors in terms of the liabilities that arise out of acting as an agent.

The agents Nordic Trustee Oy and Intertrust (Finland) Oy have notified their receivables mainly as conditional and maximum claims.

Nordic Trustee Oy has notified a claim concerning conditional damages that is based on the agent’s expenses and is worth a total of EUR 3.7 million at maximum. Based on Nordic Trustee’s view, the agent has incurred and will incur costs e.g. due to the Company’s Event of Default situation that are compensable on the basis of the Notes, the agent agreement and the intercreditor agreement. The agent and the Company disagree about the compensability of the said costs for the moment, and therefore the agent notifies the said receivables as conditional and maximum restructuring debt if the Company does not agree to compensate the costs as costs incurred during the proceedings in accordance with its obligations set out in the agreements. The said costs include the agent’s direct own costs as well as the costs that the agent has incurred for using financial and legal advisors.

Intertrust (Finland) Oy has notified a conditional and maximum claim worth EUR 3.7 million that is secured by the joint securities. Intertrust (Finland) Oy’s conditional and maximum receivable is based on the fact that when acting as an agent, it has incurred and will incur costs that are compensable based on the agreements e.g. due to the Company’s Event of Default situation and in relation to the protection of the position as a secured creditor. There is disagreement about the compensability of the said costs for the time being. The said receivables have been filed as conditional and maximum restructuring debt because the Company has not agreed to compensate the costs as costs incurred during the proceedings in accordance with its

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obligations set out in the agreements. The costs include the agent's direct own costs as well as the costs of the financial and legal advisors retained by the agent.

At this point, the Administrator will not comment on as to what extent the secured creditors' aforementioned receivables filed as conditional and maximum constitute acceptable restructuring debt.

The creditors of joint securities are listed in [Appendix 11](#). The receivables of the creditors of the joint securities amount to EUR 442,563,291.79 in total. The total amount of the conditional and maximum receivable notified by the secured creditors is EUR 11,100,000.00

Other secured debts

At the beginning of the restructuring proceedings, the Company had two (2) minor secured debts that related to e.g. leasing agreements where the leased asset served as the security for the payment of the debt. One (1) secured debt of less than EUR 100 and one of approximately EUR 1,000 were paid back to a financing company with the Administrator's consent in order to avoid the accumulation of additional costs. Cf. also section 5.3 below.

[Name redacted] is considered one of the secured creditors with a receivable of altogether EUR 4,940.76 where [specific equipment and software] serve as the security. [A redacted IT supplier] is considered as another secured creditor whose receivable of EUR 31,259.81 is secured by a retention of title clause to the IT equipment supplied by the said creditor to the Company. The retention of title clause has been determined to be valid. The receivables of the secured creditors listed in this section are included in [Appendix 18](#) among the accounts payable and other liabilities.

5.1.2 Unsecured debts

5.1.2.1 *Debts to public law creditors*

The Company has accumulated altogether EUR 5,388,898.99 in debt to public sector entities as disclosed in [Appendix 12](#). The largest public law creditors are the Finnish Tax Administration and Varma Mutual Pension Insurance Company.

In addition, the Finnish Employment Fund has stated that it has a conditional receivable of EUR 1.79 million that is based on potential unemployment insurance premiums and deductibles as well as any receivables accumulated due to disputes related to the termination of the Company's employees. The Company strives to provide more specific value calculations in order to potentially decrease the amount of the aforementioned conditional receivable.

Furthermore, the Finnish Tax Administration has stated that, in addition to the disclosed receivables, the amount of restructuring debt may increase if the Company is ordered to pay residual taxes for the 2019 financial year. The Company's taxation will be completed on 31 October 2020 after which date the Finnish Tax Administration is able to disclose the specific amount.

It remains to be ascertained to what extent the receivables of one (1) specific insurance company belong under the category of public law debts.

5.1.2.2 *Commercial paper liabilities*

The Company as the issuer and Danske Bank A/S, Finland branch (previously known as Sampo Bank plc), Nordea Bank Oyj (previously known as Nordea Pankki Suomi Oyj), OP Corporate Bank plc (previously known as Pohjola Bank plc), Svenska Handelsbanken AB (publ), Finland branch and Swedbank AB (publ), Finland branch as the banks have agreed on the issuance of commercial papers. The aforementioned banks represent the holders of the commercial papers issued through the said banks in accordance with the terms and conditions that apply to the commercial papers. The Company has maintained a commercial paper programme in

cooperation with the Syndicate Banks that is valued at EUR 600 million. Neither the issuer nor the papers have a credit rating.

There are altogether 11 commercial paper creditors. The amount of restructuring debt to commercial paper creditors that is itemized in Appendix 13 amounts to a total of EUR 53,439,349.31.

5.1.2.3 Lease agreement liabilities

The Company owes altogether EUR 3,394,077.21 in restructuring debt to its landlords and subtenants as of the completion date of this financial report. The total amount of conditional and maximum lease agreement liabilities is EUR 17,284,797.00. There are also other lease agreement liabilities subject to dispute or undergoing review that amount to altogether EUR 43,168,406.61. The Company's debts to its landlords and subtenants are itemized in Appendix 14.

As of the date on which this report is completed, any potential restructuring receivables that the tenants of the department store in Helsinki may have as a result of discounts granted to lease payments during the coronavirus pandemic remain to be ascertained and specified. Some of these restructuring debts are included in the accounts receivable and other liabilities. Any debts the Company may owe to the tenants will be ascertained during the autumn of 2020.

[A redacted landlord] has requested that the Company pay over EUR 43 million in damages to compensate [the redacted landlord] for the termination of the lease agreement concerning [leased premises]. The Administrator has disputed both the amount and grounds of this restructuring debt e.g. to the extent that the creditor requests compensation based on the principle of full compensation for the entirety of the lost lease term.

On 7 August 2020, [a redacted landlord] supplemented the notification regarding its receivables by estimating that the Company will be liable for a maximum of altogether EUR 16,759,114.00 in conditional damages and receivable if the Company immediately terminates the lease agreement it has concluded with the said landlord.

The amount of restructuring debt related to rent liabilities may rise due to agreement negotiations between the Company and its landlords that are still ongoing.

5.1.2.4 Estonian branch liabilities

The restructuring debt arising from the operations of the Company's Estonian branch, which is separately specified in the Company's books, amounts to altogether EUR 21,710.81. The branch's liabilities are disclosed in Appendix 15. The paid restructuring debt referred to above in section 5.1 are not included in Appendix 15.

5.1.2.5 Group liabilities

The Company's debts to its group companies and to a foundation called Otium stiftelsen sr are disclosed in Appendix 16. Group liabilities amount, in total, to EUR 194,574,681.56. The debt to Otium Stiftelsen sr amounts to altogether EUR 166,359.27. The group liabilities disclosed in Appendix 16 have not been set off against the group companies' receivables.

The preconditions that apply to setting off group liabilities and receivables have been reviewed in connection with RSM Finland Oy's special audit (cf. section 2.6 above). RSM Finland Oy has determined that the preconditions for set-off are primarily met with one (1) exception. The group-internal receivables and liabilities will be set-off in the Company's books during the autumn of 2020.

5.1.2.6 Board remuneration and freelancer liabilities

With regard to unpaid fees, the Company owes current and previous board members altogether EUR 38,600 in restructuring debt. The Company has accumulated altogether EUR 4,500.00 in

restructuring debt arising from assignment agreements concluded with freelancers. The aforementioned debts, which amount to a total of EUR 43,100, are disclosed in [Appendix 17](#).

5.1.2.7 Accounts payable and other liabilities

All the other ordinary unsecured debts of the Company that have not been taken into account above in the groups of creditors 5.1.2.1–5.1.2.6 are included in the accounts payable and other liabilities disclosed in [Appendix 18](#). This group of creditors comprises altogether 1046 creditors in accordance with the information obtained thus far.

The amount of accounts payable and other liabilities in the Company's books has been specified to be altogether EUR 42,807,808.81 by the financial report's completion date. This information concerning owed amounts and creditors takes into account the data disclosed in the Company's purchase ledger and any changes that have occurred by 5 August 2020. It is very possible that the amount of an individual creditor's receivable differs from that entered in the Company's purchase ledger as of the date on which the restructuring proceedings were commenced due to the fact that not all invoices predating 6 April 2020 had been provided to the Company by the date on which the restructuring proceedings began. Contracting parties that have been determined not to have been left with any restructuring debt have been removed from the list of accounts payable that was available to the Administrator on 8 April 2020. Similarly, numerous new creditors have been added to the said list.

The amount of accounts payable and other liabilities will be specified at a later date because there are still creditors that have not contacted the Administrator or the Company since the restructuring proceedings began to confirm that their receivable corresponds to that recorded in the Company's books. Contacts and enquiries in this respect continue. The processing of invoices and credit notes issued by suppliers and other creditors that predate 6 April 2020 remains incomplete. This is due to the fact that, once the restructuring proceedings began, the Company received an exceptionally high number of invoices pertaining to restructuring debt for processing, which was then delayed due to layoffs that occurred both at the Company and its contracting parties. The Company may continue to receive invoices that predate 6 April 2020.

[Appendix 18](#) will indicate if the Administrator is aware that the final specific amount of restructuring debt remains unresolved between the Company and its relevant creditor.

5.1.3 Lowest priority hybrid bond loans

The capital involved in the hybrid bond liabilities itemized in [Appendix 19](#) amounts to a total of EUR 106 million. The interest payable based on the hybrid bond loans amounts to a total of EUR 2,117,103.82 as per 8 April 2020. There are altogether 266 (as per 6 April 2020) and 268 (as per 3 August 2020) hybrid bond creditors.

The Company originally held a hybrid bond loan of EUR 85 million. The loan was issued on 17 December 2015. The loan's annual coupon rate was, at first, 7.75%. In November 2019, the hybrid bond creditors approved some amendments to the terms and conditions of the loan. For example, the annual coupon rate was adjusted to 10.75% from 31 January 2020 onwards.

Stockmann issued a new hybrid bond worth EUR 21 million in relation to the existing hybrid bond in November 2019. The new hybrid bond loan was subject to the same amended terms and conditions, and offered for subscription to some of the largest Stockmann shareholders in a directed bidding process where three shareholders contributed to additional funding.

Based on the terms and conditions of the loan, the hybrid bond loan is subordinate to the Company's other debt undertakings and it will be treated as an equity item in accordance with the IFRS, i.e. it can be repaid only after all other creditors have been repaid during any insolvency or liquidation proceedings affecting the issuer.

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5.1.4 Conditional and maximum debts

The Syndicate Banks, facility agent Danske Bank A/S, noteholders' agent Nordic Trustee Oy, and security agent Intertrust (Finland) Oy, all of which constitute the Company's secured creditors, have notified the Company of conditional and maximum receivables as specified in Appendix 11 and above in section 5.1.1.

The conditional and maximum debts related to public law debts (the Finnish Employment Fund and the Finnish Tax Administration) are mentioned above in section 5.1.2.1.

The group of creditors for the Company's accounts payable and other liabilities includes one (1) restructuring receivable that has been notified as a conditional and maximum receivable. [Redacted creditor] has itemized certain goods ordered by the Company, which are held in a warehouse maintained by [the redacted creditor] on behalf of the Company, as conditional restructuring debt. The goods stored in the warehouse are labelled with the Company's sign and name, so these items cannot be used for any other purposes than to fulfil orders made by the Company. The value of the stored goods, i.e. EUR 16,464.84, constitutes conditional restructuring debt.

The conditional and maximum debts related to lease agreement liabilities are discussed above in section 5.1.2.3.

5.1.5 Disputed and/or unresolved debts

The Company disagrees with a consulting company on the amount of consultation invoice that is part of the restructuring debt. The parties' deviating interpretations on the correct amount of invoice amount to EUR 559,240.

The restructuring administration has been involved in discussions over dispute with a subtenant on whether the Company's credit notes (in total EUR 453,000) submitted to the subtenant and based on time before 6 April 2020 can be treated as the subtenant's receivable from the Company of which the subtenant may set-off against rents accrued during the proceedings.

In addition, the Administrator has disputed the receivables from the Company of two (2) different creditors that are based on guarantee liabilities. The receivables reported by the [guarantee liability creditors] cannot be found in the Company's accounts as per 6 April 2020 and these have not been taken into account in the lists of debts and creditors attached to this financial report. According to the understanding of the Administrator and the Company, the alleged guarantee liabilities have been fully paid in October 2017. The total amount of the restructuring debt reported by the guarantee liability creditors and disputed by the Administrator is EUR 149,143.23.

There are still numerous other unsolved debt balances included in the Company's accounts receivable and other liabilities that require measures or investigation from the Company or the supplier/creditor of accounts receivable.

The restructuring administration has scrutinised the Company's accounts receivable together with the Company's finance department from the beginning of the restructuring proceedings so that these debts can be presented in their final form in the draft restructuring programme. The restructuring administration and the Company's finance department aim that none of the Company's accounts receivable will remain unsolved and that there will be no unknown debts.

For the avoidance of doubt, the restructuring debts have been taken into account in this financial report on the basis of notifications given to the creditors, if the amount of debt has not been specified by the creditor or it has not been otherwise amended after 6 April 2020 due to invoices, credit notes, inaccurate handling of invoices, return of erroneous goods by the Company or other information received by the Company affecting the amount of restructuring debt.

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5.1.6 Repayment of small debts

Under Section 18 § (2)(4) of the Restructuring Act, minor receivables of creditors can be paid upon the decision of the administrator if it is appropriate in terms of the proceedings.

The detailed investigation on all of the accounts payable is still in progress and the process will continue until the autumn of 2020. This is partly due to the long process of obtaining creditors' restructuring debt invoices. In accordance with previous experience, the Company's financial administration expects suppliers' invoices dating back to the beginning of the year arriving to the Company as late as in autumn. Defining the limit for minor debts requires that all accounts receivable will be sufficiently determined. The decision to pay small debts further requires that the Company's liquidity level will be assessed so that the repayment of small debts will not risk the Company's operating conditions.

The Administrator will address the issue of the payment of small debts at the latest in the draft restructuring programme.

5.2 Securities, guaranteed liabilities, other liabilities and contingent liabilities

The report on the Company's securities and guarantees on the liabilities and obligations provided by the Company and on the guarantees provided by the Company on behalf of its group companies is attached as [Appendix 20](#).

In accordance with the special audit report, the Company has not provided any third-party securities since 31 December 2017. Aside from smaller rental deposits, the Company has not received any securities. The Administrator is not aware of any payments of restructuring debts resulting from guarantees given on behalf of the Company's liabilities.

The Company has not provided any rental deposits or securities to its landlords. The Company's lease agreement liabilities are listed in [Appendix 20](#).

The restructuring receivables from Helsingin Seudun Liikenne (HSL) of EUR 7,097.73 are secured by a bank guarantee of EUR 30,000 granted by Danske Bank AS' Finnish branch. According to the notification submitted by the creditor on 6 August 2020, the guarantor has not paid the restructuring receivable.

The Company has no registered business mortgages.

5.3 Premature repayment of secured debts

It is provided in the Restructuring Act that an undertaking or agreement concerning a secured debt can be terminated in order to repay the debt prematurely upon the decision of the administrator once the restructuring proceedings have commenced. After having presented the matters of three (3) creditors that had used their right of pledge and retention to the committee of creditors, the Administrator decided on 15 May 2020 to pay the receivables of the holders of the retention right in order to release the Company's assets that were in the possession of the holder of the retention right. The total amount of receivables paid to the holders of the retention right was approximately EUR 1,260,000. The committee of creditors also approved the Administrator's proposal that creditors in a similar position and their receivables that may arise at a later stage will be treated in the same way as the above-mentioned three (3) creditors.

As presented above in section 5.1.1, the Company has made a premature repayment of two (2) minor secured leasing liabilities to a financing company. The option to prematurely repay other smaller scale secured receivables of creditors in the same manner with these will be further discussed during autumn 2020.

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5.4 Salaries of the employees and remuneration to the board of directors

According to the management, the Company has no unpaid salaries or other work-related remunerations to employees. The Company has unpaid fees for board members in total of EUR 38.600.

A pay security application by one (1) private person has been presented to the Company for comments and further for the Administrator's attention. The application concerned an unpaid receivable from the Company incurred before 6 April 2020. According to the understanding of the Company and the Administrator, the application did not concern an employment related receivable but an ordinary unsecured restructuring debt.

Under the special audit report, there are no recovery related observations made concerning the management's salaries or remuneration which would require the further assessment of the Administrator or creditors.

6 CASH FLOW FORECAST

The Company has provided regular reports on its cash flow forecasts to the Administrator and the committee of creditors. Since the Company is a listed company, the Company's cash flow forecasts, among others, are treated as inside information. The Company publishes information about its financial situation only under the applicable securities market legislation. Due to this, the Company's cash flow forecasts will not be included in this report.

7 BUSINESS OPERATIONS DURING THE RESTRUCTURING PROCEEDINGS

7.1 Changes in the general economic situation, market situation and changes in the competitive position

The negative effects of the coronavirus pandemic to the group's and the Company's operating environment continued in the second quarter during the restructuring proceedings. National orders restricted the operations carried out by Stockmann's Baltic department stores and the coronavirus pandemic also had a great impact on the operations performed by Lindex's chain stores in all of its market areas. National restrictions were partly removed in May which could be seen in the form of positive development in the number of customers visiting Stockmann's department stores and Lindex. Both Stockmann's and Lindex's online sales continued to increase in the second quarter.

Customer trust increased in the second quarter, but the fashion sale development trend was in a clear decline in all of the group's operating countries.

Department stores' turnover in Finland and the Baltics did not fully reach the market development in the second quarter. Lindex has survived the corona situation a lot better compared to its main competitors in terms of its turnover and profitability.

The Company has continued to develop its business into more customer-oriented and online-focused direction, continued to renew Stockmann department stores and introduced new brands for its customers. The savings and changes in business and possible sales of assets that have been planned by taking into account the Company's current business activities, and that are now subject to negotiations, are likely sufficient in order to carry out the restructuring proceedings and the restructuring programme. The Administrator is able to take a more detailed stance on the Company's profitability forecast later in autumn 2020 as part of the preparations related to the restructuring programme.

7.2 Changes in the organisation and staff, and operative costs

The Company had 1214 employees on 30 June 2020 that were divided into different offices as follows: Helsinki department store 368, Tapiola department store 96, Jumbo department store 88, Itis department store 74, Turku department store 88, Tampere department store 85, Services 405 and Corporate Management 10. The average number of employees in the

Stockmann group was 6168 in the first half of 2020. The average number of employees was 3730 when converted into full-time positions. The total number of employees in the group on 30 June 2020 was 5809, of which 1770 worked in Finland.

The Company had 1197 employees on 31/07/2020 that were divided into different offices as follows: Helsinki department store 362, Tapiola department store 92, Jumbo department store 88, Itis department store 74, Turku department store 82, Tampere department store 85, Services 405 and Corporate Management 10. The average number of employees in the Stockmann group was 6159 during the period of 1 January - 31 July 2020. The average number of employees was 3959 when converted into full-time positions. The total number of employees in the group on 31 July 2020 was 6100, of which 1752 worked in Finland.

As part of the rejuvenation programme launched in 2019 the Company has executed significant savings primarily on the administration and reduced the number of employees.

Due to the changes in demand caused by the coronavirus pandemic the Company adjusted its operative costs in a tight schedule in spring 2020 to measure up the predicted demand by introducing lay-offs for the entire organisation and temporarily reducing department stores' opening hours.

7.3 Measures related to the increased effectiveness and savings

Due to the outbreak of coronavirus pandemic both the Company and Lindex initiated several purposeful measures for controlling the costs. The Company and Lindex commenced employee cooperation negotiations in March 2020 regarding temporary lay-offs of personnel and measures to adjust its personnel resources to reflect the effects caused by the coronavirus. Negotiations for temporary lay-offs covered the Company's entire department store personnel in Finland, approximately 1400 people. The measures and changes initiated by Lindex concerned employees in all market areas, but in different forms depending on local legislation. As a result of these employee cooperation negotiations, the Company and Lindex implement different kinds of adjustment measures that will lead to gradual lay-offs of personnel during 2020. The lay-off periods, length and timing vary according to the duty and position.

The Company has also examined the need for terminating some of the department stores' lease agreements and consulted all department store landlords' on the possibility of transferring the current rents into market-based rents. These negotiations have also covered the terms for grocery departments' subleases. The negotiations aim for extensive savings in costs. In terms of several lease agreements, these negotiations are still pending.

In the manner referred above in section 2.8, the Company has terminated the lease agreement concerning the Company's premises at the address Takomotie 1-3, 0038 Helsinki by giving notice to the landlord on 20 May 2020. Under the Restructuring Act, a lease agreement is subject to a notice period of two (2) months, as a result of which the lease agreement terminated on 21 July 2020. After this, the Company has leased a small part of these premises by entering into a new lease agreement. The annual savings in lease costs amount to EUR 1.8 million.

7.4 Financing of operations and related securities

New financing options were sought for the purposes of the Company's and Lindex's business operations with a request for financing submitted by the Company to banks on 20 May 2020. In the request, banks were asked to inform the Company if they are interested in providing the financing listed below: 1) financing for AB Lindex and its subsidiaries, 2) financing for SSAB and 3) financing for the Company's working capital. The need for financing in terms of SSAB's tax liabilities was later on solved in the manner described in section 2.9 above. The cash position of the group formed by the Company has significantly increased during the restructuring proceedings. The group's cash reserves in the end of H1/2020 on 30 June 2020 amounted to EUR 125.5 million (H1/2019 EUR 15.7 million) The development of the Company's and AB Lindex's business and cash flow has exceeded the estimations made in the beginning of the

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restructuring proceedings to the extent that the above-mentioned request for financing has been cancelled as unnecessary.

As part of the Stockmann group, the Company owns all shares in a Swedish SSAB that owns all shares in a Swedish company called AB Lindex. In addition, the Company owns all shares in Stockmann AS and SIA Stockmann.

In order to evaluate the different options for financing arrangements, the Administrator has drafted a memorandum for the Company in the beginning of the restructuring proceedings where the Administrator provided its comments on whether and on what grounds the Company may provide loan, securities or otherwise finance its group companies during the restructuring proceedings or the restructuring programme in order to secure the group company's financial situation, the group company's/group's business and the value of the Company's holdings.

Since SSAB's receivable of EUR 128 million from the Company is a restructuring debt, this receivable cannot be used as SSAB's source of income, as previously. It is essentially important to secure SSAB's liquidity in terms of the Company's and the group's business going forward, and if SSAB cannot pay its invoices which would result in debt collection, and if disclosed to public, will cause detrimental harm to the Company and AB Lindex. The Company's estimation of SSAB's annual needed working capital is approximately SEK 1.100.000, and the Company has presented that it will issue a market-based loan for SSAB, if necessary, to secure its liquidity. The interest rate is 1 month stibor + margin. SSAB's financing will be reassessed once the Company's restructuring programme has been confirmed and the restructuring debts have a certified repayment schedule. The Administrator has provided its consent on the financing required by SSAB, provided that a market-based interest will be collected, it will refrain from any set-offs and the Company's management will propose a justified decision for granting the loan and the board has approved this. The Company has concluded a loan agreement by and between the Company and SSAB based on the Administrator's consent.

In addition, the Company has noticed during the restructuring proceedings that SSAB's equity has turned into negative and it has taken necessary measures to rectify this situation upon the Administrator's consent. One of the key reasons for SSAB's negative equity is that SSAB's receivable from the Company is treated as restructuring debt, upon which the Company cannot pay interest, due to the Company's restructuring proceedings that were commenced on 8 April 2020. Therefore, SSAB does not receive any interest income on its receivable, which has been the key source of SSAB's financing during the previous years.

According to the calculation prepared by the Company, converting the Company's receivable from SSAB of SEK 230.000.000 into SSAB's equity would ensure that SSAB's equity will remain positive until the end of 2020. The Administrator has provided its consent to increase SSAB's share capital of SEK 230.000.00 as proposed by the Company to secure the ownership and value in Lindex. This arrangement was implemented on 15 July 2020.

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7.5 Development of debts other than restructuring debts

According to the information the Administrator has received from the Company and the financial administration, the Company has been able to pay all debts incurred 6 April 2020 after the restructuring application has been filed on their due date.

The Administrator will monitor that new debts will be paid on time and, if necessary, will apply for the suspension of the restructuring proceedings if new debts would not be paid on their due date, against the current information.

7.6 Development of financial status during the restructuring proceedings and prospects the business operations

The negative effects of the coronavirus pandemic to the group's and the Company's operating environment continued in the second quarter during the restructuring proceedings. National restrictions were partly removed in May which could be seen in the form of positive development

in the number of customers visiting Stockmann's department stores and Lindex. Stockmann Group's turnover in the second quarter was EUR 187.7 million (242.3). The turnover decreased by 24.6%. During the second quarter EUR 5.3 million of other business operations income were accrued from public subsidies related to the coronavirus pandemic which were mainly granted to Lindex.

The turnover of the Stockmann business unit (note - not the Company or the group) for the second quarter was EUR 60.6 million (88.3). The turnover decreased by 28.0%. The operations in Finland constituted EUR 47.7 million (66.8) of the said turnover and the operations in the Baltic countries constituted EUR 12.9 million (21.5) of the turnover. The coronavirus pandemic heavily influenced the negative development of the sales. The online sales increased by 128.5 % and its proportion of the total sales amounted to 27.7 % (8.3).

The Stockmann business unit's gross margin on sales was 35.6% (48.8). The relative gross margin on sales mainly decreased due to the coronavirus situation that influenced the rental income received from tenants as well as the gross margin on the product sales. The operating expenses decreased by EUR 10.2 million, amounting to EUR 25.0 million (35.2) due to lower personnel costs and support services costs.

The Company has launched significant business development projects for the Company itself and for the business of AB Lindex before the financial crisis that was caused by the coronavirus pandemic. The Company has carried out these measures during the restructuring proceedings and also started to renegotiate the lease agreements concerning the department store premises and further evaluated the need for terminating some of these lease agreements on the grounds of Section 27 § (1) of the Restructuring Act. Utilization of Section 27 § (1) of the Restructuring Act concerning the lease agreements will most likely increase the amount of restructuring debt significantly.

The Company's business environment remains heavily affected by the current financial situation. The development of the financial situation after the coronavirus pandemic cannot be predicted at this point and these circumstances affect the whole industry. However, the Company's department store business development and Lindex's business development have exceeded the estimations made by the Company's management at the time of filing the application for restructuring proceedings. From June onwards, the Company's activities have almost reached the turnover level of 2019. The second wave of the coronavirus pandemic is still a major risk for the group's business.

Due to the changes taken place in its business environment, the Company has noted on 18 March 2020 that its previous profit forecast for 2020 is no longer valid and it will publish a new profit forecast once the market prospects become more visible. The Company will publish its interim report for the time period from 1 July to 30 September 2020 (Q3/2020) on 30 October 2020. Due to the security market regulations binding the Company it is not possible to provide any forecast information concerning Q3/2020 or the year of 2020 in this report.

According to the Company's notification and the understanding of the Administrator, the cash assets will be sufficient to cover the costs arising out of the restructuring proceedings (see section 7.4 above).

8 CONCLUSIONS

The Company's need for restructuring is based on the Company's over-indebtedness, previous failed financial decisions in the department store business and finally on the sudden and unexpectedly intense decrease in the sales both in the businesses of department stores and of AB Lindex and due to immediate threat of insolvency caused by these actions. The preconditions for a successful execution of restructuring proceedings, for the preparation of a realistic draft restructuring programme and finally for the implementation of successful restructuring proceedings and restructuring programme are existing.

The Company has launched significant business development projects for the Company itself and for the business of AB Lindex even before the financial crisis caused by the coronavirus pandemic. The Company has carried out these measures during the restructuring proceedings and also started to renegotiate the lease agreements covering the department store premises as well as further evaluated the need for terminating some of these lease agreements on the grounds of Section 27 § (1) of the Restructuring Act. Utilizing Section 27 § (1) of the Restructuring of Act concerning the lease agreements will probably increase the amount of restructuring debt significantly (although this means that the amount of rent liabilities under IFRS 16 of EUR 207.1 million and the lease agreement values of EUR 192.3 million as per 20 June 2020 will be reduced).

The Company's business environment remains heavily affected by the current financial situation. The continuance of the coronavirus pandemic and further development of the financial situation after that cannot be predicted at this point and these circumstances affect the whole industry. The Company's department store business development and Lindex's business development have exceeded the estimations made by the Company's management at the time of filing the application for restructuring proceedings. From June onwards, the Company's activities have almost reached the turnover level of 2019. The possible second wave of the coronavirus pandemic is still a major risk for the group's business.

According to the current estimations, successful restructuring proceedings require that the unsecured restructuring debt principal be reduced and the debt payment terms be reorganised. A new commercial footprint will be established for the Company and the need for the sale of certain assets will be evaluated during autumn 2020. After this it is possible to evaluate future cash flows and build the restructuring programme and any payment programmes related thereto.

According to the Administrator's current estimation, the restructuring proceedings will create a better result for the debtors if compared to the Company's bankruptcy proceedings. According to the Administrator's view, renegotiated lease agreements are a better option for landlords than premises that will eventually be empty as a result of a bankruptcy. A more detailed calculation concerning the bankruptcy option will be presented in the draft restructuring programme.

Helsinki, on 17 August 2020

Jyrki Tähtinen
Attorney-at-law, Helsinki
The Administrator of Stockmann Oyj Abp

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APPENDICES

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