HELSINKI DISTRICT COURT **2nd department** District Judge Pirjo Peura-Vasama	**DECISION**	21/7375
	09/02/2021	HS 20/16712

Debtor Stockmann plc
0114162-2
PO Box 220
00101 HELSINKI, Finland

Matter Application for restructuring proceedings

Filing date 06/02/2020 Reference: STOCK

HEARING OF THE MATTER

Administrator's request to approve the restructuring programme

The administrator has requested the District Court to approve the draft restructuring programme submitted on 14 December 2020 and amended on 1 February 2021 as Stockmann Oyj Abp's restructuring programme primarily pursuant to Section 92 of the Finnish Restructuring Act and secondarily pursuant to Sections 76(5) and 52 of the same Act as well as to rule pursuant to Section 77(3) of the said Act that the restructuring programme must be complied with regardless of any appeals.

In addition, the administrator has requested that the restructuring debts that remained disputed during the restructuring proceedings be ordered to be settled pursuant to Section 75 of the Finnish Restructuring Act at separate legal proceedings that will be held primarily at Helsinki District Court.

Claims and statements by the parties to the matter

ECR Finland Investment I Oy

ECR Finland Investment I Oy has requested that the conditional receivable of EUR 223,800 must be primarily taken into consideration as a debt that has arisen after the filing of the application and not as restructuring debt, and it should not be included in the repayment schedule.

ECR Finland Investment I Oy and Stockmann had signed a Cost Division and Cooperation Agreement on 24 May 2018 pursuant to which they will carry out technical separation measures between the property owned by Stockmann and the property owned by ECR Finland Investment I Oy in a manner that will be agreed upon later.

Based on the agreement, ECR Finland Investment I Oy and Stockmann will be liable for the costs arising from the technical separation measures so that each party will be liable for 50 % of the costs resulting from the measures carried out under the agreement up to EUR 373,000 and Stockmann will be liable for the costs to the extent that they exceed EUR 373,000. Because the liability for payment or the indebted relationship had not arisen before the application regarding the commencement of the restructuring proceedings was filed, ECR Finland Investment I Oy has considered that Stockmann's liability does not constitute restructuring debt. If the payment liability was considered to constitute restructuring debt, ECR Finland Investment

I Oy is in any case entitled to receive payment for its performance regardless of the interdiction of payment under Section 17 of the Finnish Restructuring Act.

ECR Finland Investment I Oy has stated that the amount in itself is correct if it is considered to constitute restructuring debt.

Nordika II SHQ Oy

Nordika II SHQ Oy has requested that the amount of damages resulting from the premature termination of the lease agreement be confirmed in the restructuring programme to be EUR 14,500,000.

The lease agreement between Nordika II SHQ Oy and Stockmann was concluded for a fixed-term and the agreed expiry date was 31 December 2030. Stockmann gave notice of termination of the lease agreement on 20 May 2020 and the lease agreement terminated on 21 July 2021, i.e. over ten years before the expiry date provided in the agreement. Nordika II SHQ Oy incurs damage from lost rental income, from having to assume liability for the expenses for which the tenant was liable and from the estimated repair and renovation costs that are related to the acquisition of new tenants. Based on the expert opinion obtained by Nordika II SHQ Oy, the amount of damage is the amount that Nordika II SHQ Oy has requested, i.e. EUR 14,500,000.

Rodareal Oy and Vantaan Valo Ky

Rodareal Oy and Vantaan Valo Ky have requested that the amount of damages resulting from the termination of the lease agreement be confirmed in the restructuring programme to be EUR 7,234,027.50. During the restructuring proceedings, Stockmann has terminated the lease agreement that Stockmann, Rodareal Oy and Vantaan Valo Ky entered into on 29 March 2019 and which was intended to take effect on 1 September 2020. As the lease agreement was concluded for a fixed-term, the companies incur various damages from its termination and the landlord is entitled to receive full compensation for the incurred damage.

Fennia Mutual Insurance Company

Fennia Mutual Insurance Company has requested that the amount of damages resulting from the premature termination of the lease agreement be confirmed in the restructuring programme to be EUR 11,900,000.

The lease agreement was intended to be in force until 31 October 2029. The notice of termination was delivered on 10 December 2020 and the lease agreement terminated on 9 February 2021. Fennia and Stockmann have concluded a new lease agreement but it only covers part of the premises that were covered in the previous agreement and the lease term is shorter. Fennia’s claim for damages is based on an expert opinion that it has ordered with regard to the amount of damage it incurs from the premature termination of the lease agreement.

The lease agreement concluded by Fennia Mutual Insurance Company and Stockmann includes an arbitration clause. The said arbitration clause prevents the district court from settling the matter in connection with the restructuring proceedings. The district court assigns the matter to be resolved at separate proceedings, but it cannot decide in which proceedings the dispute must be heard. Despite the arbitration clause, Fennia Mutual Insurance Company is entitled to consider at which procedure it wishes to initiate proceedings.

Tampereen Seudun Osuuspankki

Tampereen Seudun Osuuspankki has requested that the amount of damages resulting from the premature termination of the lease agreement be confirmed in the restructuring programme to be EUR 17,740,480.40.

Tampereen Seudun Osuuspankki had made significant investments and constructional changes at the business premises upon Stockmann's request and to serve Stockmann's department store business operations in the beginning of the lease period. Stockmann terminated the previous lease agreements that were concluded for a fixed-term until 31 October 2029 prematurely by giving notice of termination on 10 December 2020. The termination concerned all of the four floors on which it carries out department store business operations. Tampereen Seudun Osuuspankki has immediately taken measures to limit the damage. It has had to conclude a damage-limiting agreement concerning smaller leased premises with Stockmann as well as to make considerable reductions in the amount of rent. It is currently engaged in negotiations with regard to the other new lease agreements and has initiated alteration works related to real estate techniques that are necessary as a result of the termination. In these circumstances, the claims for damages cannot be limited to a period of 18 months categorically and without further assessment of individual cases. In any event the amount corresponding to 18 months is incorrect and the correct total amount of losses and damages is EUR 5,115,862, which is the amount that should be confirmed in the draft restructuring programme in this connection at the very least.

LähiTapiola Keskustakiinteistöt Ky and Tapiolan Toimitalo Oy

LähiTapiola Keskustakiinteistöt Ky and Tapiolan Toimitalo Oy (LähiTapiola) have requested that the amount of damages resulting from the premature termination of the lease agreement be confirmed in the restructuring programme to be EUR 43,398,160.

On 9 September 2020, Stockmann gave notice of termination of its fixed-term lease agreement concluded with LähiTapiola to take effect on 9 November 2020. Because the fixed-term lease agreement was intended to be effective during many more years, its termination causes LähiTapiola a considerable amount of lost rental income for which it is entitled to receive full compensation.

The amount of compensation cannot be assessed mechanically on the basis of certain number of months, but it should be taken into account when determining the compensation for damages that LähiTapiola would not have invested in the said construction project if it had not concluded a long-term lease agreement with Stockmann. The development project was scheduled and Stockmann's premises were customised in accordance with Stockmann's wishes. In order to get another tenant to the premises, the premises should be split and undergo considerable alteration works.

The compensation based on 18 months that the administrator has suggested treats landlord creditors unequally. It may constitute a reasonable compensation to some of the landlord creditors but it is unfair to LähiTapiola. Furthermore, reducing the landlord creditors' receivables by this limitation is unequal in comparison with other unsecured creditors. On the other hand, the receivables of the other secured creditors will be paid in full in accordance with the restructuring programme as 80 per cent of the receivables will be paid and the remaining 20 percent will be settled by shares.

LähiTapiola has concluded damage-limiting agreements with Stockmann, HOK-Elanto and Kukkakaari, but the rent is smaller and the lease period is shorter under these lease agreements. In addition, the leased area is smaller. It is also possible that LähiTapiola will incur damage from the alteration works that are necessary to get new tenants as well as from consultation costs and marketing and agency costs regarding the premises.

LähiTapiola has opposed the administrator's request according to which the dispute concerning the damages should be heard at a general court of first instance. The lease agreement concluded between LähiTapiola and Stockmann includes an arbitration clause that is binding and also applies in restructuring proceedings. The arbitration clause also binds Stockmann's wholly owned subsidiary, Stockmann AS, and therefore Stockmann AS's requests about

assigning the dispute to a general court of first instance must be primarily ruled inadmissible and secondarily dismissed.

HOK-Elanto Liiketoiminta Oy

Hok-Elanto Liiketoiminta Oy has requested that Stockmann be obligated to pay the total of EUR 6,495,390 at the most primarily as a debt incurred during the restructuring proceedings and secondarily as the difference between the costs of different lease agreements and either as the loss of goodwill value gained through a business sale transaction or as a refund of the purchase price. If the receivable will not be considered as debt incurred during the proceedings, it must be included in the restructuring programme as restructuring debt.

HOK-Elanto Liiketoiminta Oy's request is based on the transaction regarding Food Market Herkku business operations that was executed between HOK-Elanto Liiketoiminta Oy and Stockmann on 29 June 2017 as well as on the sublease agreement that they concluded on 29 December 2017 for the period of ten years.

Stockmann has terminated its main lease agreements to terminate on 11 September 2020. After that, Stockmann has concluded a new main lease agreement which does not include the premises of Tapiola Food Market Herkku, and it has stated that the sublease agreement ends on 9 September 2020. As a result, HOK-Elanto Liiketoiminta Oy has had to conclude a new substitutive lease agreement regarding the business premises directly with the property owner, paying higher rent and other expense compensations. Not only the premature termination of the fixed-term sublease agreement but also the termination of the co-operation agreement will cause damage to HOK-Elanto Liiketoiminta Oy.

Pirkanmaan Osuuskauppa

Pirkanmaan Osuuskauppa requests the maximum total of EUR 5,354,000 to be paid as compensation for damages for the costs arising from the termination of operations and as the loss of goodwill value gained through a business sale transaction or as a refund for the purchase price together with interest for the late payment within the meaning of Section 4(1) of the Finnish Interest Act as of 10 January 2021. The amount must be primarily paid as a debt incurred during the restructuring proceedings or it must be at least included in the restructuring programme as restructuring debt.

The request is based on the costs arising from the premature termination of operations that are EUR 4,804,000 in total. These consist of investments made by Osuuskauppa that increased the rental value of the premises, renovation costs, the amount of inventory waste that resulted from the premature termination of the stockroom and the quick clearing of business premises, the estimated disassembly and restoration costs, the marketing and advertising costs that increased the rental value of the premises and the additional personnel costs related to the premature termination of the operations. In addition, the request is based on the loss of goodwill value gained through the business sale transaction or alternatively on a refund for the purchase price the amount of which is EUR 550,000 in total at the most and which corresponds to the share of Food Market Herkku in Tampere of the purchase price that Pirkanmaan Osuuskauppa paid for the business operations. EUR 5,300,000. Stockmann and Pirkanmaan Osuuskauppa concluded on 29 December 2017 the sublease agreement regarding Food Market Herkku in Tampere for a fixed-term until 31 August 2029, and it formed an integral part of the long-term agreement as a whole. The company has given notice of termination of the main lease agreement regarding the premises in Tampere on 10 December 2020 so that the termination takes effect on 9 February 2021 pursuant to Section 27 of the Finnish Restructuring Act. At the same time, Stockmann has stated that the sublease agreement will terminate simultaneously with the main lease agreement, i.e. on 9 February 2021. It has concluded a new main lease agreement with the property owner whereby the premises of Food Market Herkku in Tampere are included in the leased premises leased by the new main lease agreement.

By neglecting the continuation of leasing the premises of Food Market Herkku in Tampere to Pirkanmaan Osuuskauppa under the sublease agreement, Stockmann has consciously breached the entire agreement regarding Stockmann Herkku operations that was signed on 29 June 2017. As the parties have not come to an understanding about a new sublease agreement, Pirkanmaan Osuuskauppa had no other options than to shut down its business operations.

Turun Osuuskauppa

Turun Osuuskauppa has requested for Stockmann to be obligated to pay EUR 4,006,056 in damages to Turun Osuuskauppa primarily as debt that has accumulated during the restructuring proceedings. If the claim is not considered to constitute as debt that has accumulated during the restructuring proceedings, the claim must be included in the restructuring programme as restructuring debt.

Turun Osuuskauppa's damages claim is also based on the termination of a long-term sublease agreement concluded in connection with a transaction between Turun Osuuskauppa and Stockmann. As Stockmann has not included the premises of Turku's Food Market Herkku in the new main lease agreement, Turun Osuuskauppa has had to conclude a new replacement lease agreement directly with the property owner in order to limit the damage incurred at a clearly higher rent and with clearly higher other expense compensations. Turun Osuuskauppa's damages claim is based on the difference between the rent and marketing fee paid pursuant to the new lease agreement and the rent and marketing fee paid under the terminated lease agreement between 25 January 2021 and 31 December 2028.

The administrator's response to the claims presented by HOK-Elanto, Pirkanmaan Osuuskauppa and Turun Osuuskauppa

The transaction concerning the sale of Stockmann Herkku business operations, which was signed on 29 June 2017 between Stockmann and the aforementioned creditors, or the related agreements do not include any provision on which the S Group or any of its various co-operatives could base their claims regarding potentially lost goodwill value. The long-term co-operation agreement concluded between the parties, whose termination the S Group noted to have occurred in its representative's letter dated 1 December 2020, also does not contain any provisions that the Company could consider itself to have breached. The Company has exercised the special right it has based on the Finnish Restructuring Act to terminate its own lease agreements, which then resulted in the termination of the sublease agreements at the main tenant's notification without separate termination.

Even if a reasonable compensation under Section 27(1) of the Finnish Restructuring Act were to be conditionally approved based on calculations spanning 18 months as has been done for the landlord creditors, Stockmann has stated that it has significant counter-receivables from the creditors in question. The creditors' claims are part of a complex and contested set of agreements, and the administrator has argued that they should be assigned to separate civil proceedings for processing and resolution. As such, the administrator has suggested that the claims presented by HOK-Elanto, Pirkanmaan Osuuskauppa and Turun Osuuskauppa be assigned the value of EUR 0 in the draft restructuring programme.

Stockmann's response to the claims and statements submitted by HOK-Elanto, Pirkanmaan Osuuskauppa and Turun Osuuskauppa

The maximum claims presented by the S Group that amount to EUR 15 million in total are groundless with the exception of liability that the administrator has stated to have potentially been born as a result of the termination of the sublease agreement. That liability constitutes restructuring debt, and the S Group will have the opportunity to present its claims during separate legal proceedings, at which time Stockmann will also be able to present any counterclaims it may have.

Stockmann was entitled, based on law, to terminate its long-term lease agreements, and the sublease agreements ended simultaneously. The S Group has partially based its claims on the business sale transaction that was concluded on 29 June 2017. The business operations subject to the said transaction were transferred to the buyers at the end of the same year, and even the related non-competition agreement ended on 31 December 2020. The terms and conditions of the transaction were standard, and they do not include any provision that would create a repayment obligation for Stockmann.

Markku Hållfast

Markku Hållfast has opposed the programme on the grounds that the common man's sense of justice does not deem it acceptable for Stockmann's restructuring programme to cut Stockmann's debts to a significant degree and allow for them not to be paid back.

Stockmann AS

Stockmann AS has concurred with the administrator's view on how the reasonable compensation that will be included in the draft restructuring programme should be calculated and the amount thereof and disputed the landlords' damages claims as excessive in amount. Stockmann AS has also requested for the District Court to order the disputed matters to be handled by the Helsinki District Court as the arbitration clause included in some of the lease agreements does not apply to Stockmann AS.

DECISION OF THE DISTRICT COURT

Grounds

Prerequisites of approving the restructuring programme

In its decision regarding the processing of the programme that it handed down on 14 December 2020, the District Court prompted the administrator to reserve the creditors the opportunity to submit their written approval of the draft restructuring programme while the draft restructuring programme was being processed. At the same time, the District Court prompted those creditors who did not approve the draft restructuring programme to submit their stance on whether the programme could be approved without subjecting it to a vote if the majority of the creditors or the necessary group majorities approved the programme.

The administrator has reported that the draft restructuring programme has received the support of altogether 555 creditors, whose combined claims amount to approximately EUR 674,790,000. Eight creditors have opposed the approval of the restructuring programme, and their combined claims amount to approximately EUR 780,000. As the total amount of restructuring debt is EUR 742,347,071.59, the combined total of the claims held by the creditors that have approved the draft restructuring programme constitutes 90.9% of all restructuring debt. If only the creditors that issued their views on the restructuring programme are taken into account, the restructuring programme has received the support of 99.88% and its approval has been opposed by 0.12% of the combined total claims held by the creditors that commented on the restructuring programme. As such, the draft restructuring programme has been approved by the qualified majority referred to in Section 92(1) of the Finnish Restructuring Act. Stockmann itself has also approved the draft restructuring programme. No creditor has argued that there are any grounds to refrain from approving the restructuring programme within the meaning of subsection 3 of the aforementioned provision, and the District Court is not otherwise aware of the existence of any such grounds either. The draft restructuring programme can therefore be approved in the expedited proceedings referred to in Section 92 of the Finnish Restructuring Act.

The District Court hereby notes that, even in the event that the contested claims that are discussed in more detail below were to be taken into account in full, the draft restructuring

programme would nevertheless be approved with the consent of the group majorities as set out in Section 51 of the Finnish Restructuring Act. Furthermore, none of the creditors that have submitted claims or statements has requested for a vote to be carried out, and all creditors have accepted the fact that the District Court will, pursuant to Section 47 of the Finnish Restructuring Act, determine at what amount each claim should be taken into account when the restructuring programme is approved and that, to the extent that their claim cannot be processed in this context, the District Court will direct the party with burden of proof in the matter to have their matter processed in separate legal or other proceedings where their matter can be resolved.

ECR Finland Investment I Oy

With regard to ECR Finland Investment I Oy, the question is whether its claim constitutes a new debt that has accumulated after the commencement of Stockmann's restructuring proceedings or whether its claim constitutes restructuring debt that must be taken into consideration during the proceedings.

The administrator has justified its decision by stating that ECR Finland Investment I Oy's claim concerns the payment obligation of the company that is set out in section 9.2 of the cost division agreement concluded between the parties. As the company's payment obligation is based on an agreement that was concluded between the parties on 24 May 2018, i.e. before the restructuring application was filed, and it pertains to a cash payment, ECR Finland Investment I Oy's claim constitutes restructuring debt in its entirety and not debt that has accumulated during the proceedings.

The District Court hereby notes that, under Section 3(1)(5) of the Finnish Restructuring Act, restructuring debt means all of the debtor's debts that have arisen before the application is filed, including debts whose basis or amount is conditional or contested or which are otherwise unclear. The preparatory works of the Act state that the key factor is when the grounds for the relevant debt were established. On the other hand, it does not matter whether the debt has become due and payable or whether the obligation to pay the debt or the amount of debt owed is clear. Debts whose basis or amount is conditional, contested or otherwise unclear similarly constitute restructuring debt. (Government Bill to Parliament HE 1992 vp p. 63) The principle was not changed in this respect when Section 3 of the Act was revised. (Government Bill to Parliament HE 152/2006 vp.)

As ECR Finland Investment I Oy's claim is based on an agreement that was concluded before the restructuring application was filed, the basis for this creditor's claim was established before the restructuring application was filed and therefore constitutes restructuring debt that should not be removed from the restructuring programme.

In addition, the District Court notes that the question of whether a specific claim constitutes restructuring debt or debt that has accumulated during the restructuring proceedings must be resolved in connection with the decision by which the restructuring programme is approved. As such, this question is not assigned for resolution in separate legal proceedings as the claims disclosed below whose amounts are contested and unclear. Cf. for example Supreme Court decision KKO 2004:12 or KKO 2003:87, where the question subject to the appeal was whether a specific claim constituted restructuring debt or debt that had accumulated during the restructuring proceedings.

The amount of ECR Finland Investment I Oy's claim is uncontested. As such, there is no need to refer the matter for resolution in separate proceedings. If it so wishes, the company is entitled to have the aforementioned question processed by an appeals court.

Landlord creditors

Pursuant to Section 27(1) of the Finnish Restructuring Act, a lease agreement may be terminated by the debtor to come to an end two months after the service of notice of the

termination, notwithstanding any terms in the agreement on the duration of the agreement or on the service of notice. Furthermore, pursuant to the same Section, the landlord is entitled to compensation for the premature termination of the lease agreement that covers the necessary costs incurred in the restoration of the possession of the relevant property and a reasonable compensation for other losses demonstrated by the landlord.

The preparatory works of the Act emphasise that this compensation should be paid for actual damage caused to the landlord in each specific case (Government Bill to Parliament HE 182/1992 vp p. 80).

Legal literature states that this provision was included in the Act in order to ensure that a debtor may be released from long-term agreements where it is necessary for the reorganisation of the company. Such a situation could be at hand e.g. when the revival of the company's operations require for certain functions to be terminated. In this context, it is important to secure the ability to remove the cost burden caused by the premises used by these functions. (Koskelo: Yrityssaneeraus [*Corporate Restructuring*] p. 199)

The District Court has determined, based on the wording of the Act, the preparatory works thereof and the factors established in legal literature, that the provision disclosed in Section 27(1) of the Finnish Restructuring Act means that a fixed-term lease agreement concerning business premises changes into an agreement that is subject to notice during the restructuring proceedings and that the statutory notice period that applies is two months. On these grounds, when assessing the contents of the compensation clause, the point of comparison should be the consequences that the termination of a lease agreement that is valid until further notice can have, instead of the consequences of an unjustified termination, i.e. a breach of contract.

Chapter 7 of the Finnish Act on Commercial Leases, which pertains to the termination of lease agreements, does not contain a provision entitling the landlord to receive any kind of compensation when a lease agreement ends because its period of validity or the applicable notice period has ended. As such, the provision established in Section 27(1) of the Finnish Restructuring Act, which entitles landlords to a reasonable compensation in situations involving corporate restructuring, must be interpreted narrowly and in accordance with the purpose of the said provision.

As noted above, this does not constitute a debt adjustment method within the meaning of Section 44 of the Finnish Restructuring Act, but the purpose of the provision is rather to ensure the revival of the company's business by reducing its cost burden. A company's rent burden can be reduced also by the company terminating its lease agreements in order to move into smaller and more modest premises. This kind of cost burden cannot be successfully reduced if the rents payable under the previous lease agreement continue to burden the company's finances in the form of damages.

The District Court hereby notes that the provision established in Chapter 7 Section 7 of the Finnish Employment Contracts Act can be used as a guide to interpretation and as a point of comparison in the matter at hand. The said provision entitles companies to terminate fixed-term employment contracts and other employment contracts whose notice periods are longer based on law or an agreement, with a notice period of two months, when certain conditions are met and if the continuation of the company's viable business operations require a reduction in the number of employees. The aforementioned provision does not entitle the terminated employees to any compensation beyond their salary during the notice period even though these employees may incur considerable damage for the termination of their employment, as can especially be the case for older employees.

Because the right to terminate a lease agreement and the right to terminate an employment contract both involve the reduction of a company's costs, these two methods have equal value in the eyes of the law in the sense that a landlord that has rented out business premises for the purposes of business operations cannot be entitled to compensation that would ensure that the landlord's financial status is the same as it would be if the lease agreement continued as it is

for the remainder of the fixed-term lease agreement's period of validity. Pursuant to the memorandum drafted by Attorney-at-Law Max Tuominen, which has been presented to the District Court, this is also not established practice for the grounds of compensation in restructuring proceedings. Rather, full compensation for rent income that the landlord has not received can be ordered to be paid for a very limited period of time, i.e. for a maximum of 6–12 months after the relevant lease agreement has ended, even in the event that the premises remain empty for a longer period of time. As Attorney-at-Law Tuominen is known for handling numerous insolvency matters, the District Court values his experience in this matter.

In its decision KKO 2003:31, the Supreme Court has ruled that the concept of 'other damage' in the context of a lease agreement refers e.g. to damage that the tenant must compensate to the landlord pursuant to standard contract law rules in the event that their contractual relationship ends prematurely for a reason attributable to the tenant. If the lease agreement is a fixed-term agreement, damage that the landlord incurs for the loss of rent income after the notice period set out in Section 27(1) of the Finnish Restructuring Act has elapsed can constitute damage that must be compensated. With regard to the amount of damages, the Supreme Court only makes reference to the judgement handed down by the Turku Court of Appeal. The short description of the case does not disclose which factors were invoked as grounds for the compensation of damages nor does it disclose which factors the Court of Appeal took into consideration when it decided on the amount of payable damages. As such, the case does not provide grounds on which the amount of damages can be determined.

In the case at hand, the administrator has calculated the amount of lost rent income that each landlord creditor is expected to incur over a period of eighteen months and included these sums in the restructuring programme. This calculation takes the damage-limiting agreements into account as well. The landlord creditors, on the other hand, have requested for their losses to be taken into consideration for the entire remaining duration of their lease agreements, which exceeds the aforementioned eighteen months by several years for all of them.

The District Court hereby notes that, pursuant to established case law and legal literature, even the damages awarded as a result of the unjustified termination of a long-term lease agreement do not cover damage that has not occurred yet.

Legal literature states that courts and arbitral tribunals can, as a rule of thumb, only order the relevant party to compensate damage that has been incurred by the date on which the court decision or arbitral award is handed down. Although the same event of damage could, as such, be assumed to continue to generate compensable damage even after the decision is handed down, the action for damages will, as a rule, be dismissed as premature insofar as it pertains to future damage (Norros: Vahingonkorvaus kestosopimuksen oikeudettoman irtisanomisen perusteella [*Damages payable based on the unjustified termination of a long-term contract*] DL 4/2009 p. 656 and the literature and case law mentioned therein, cf. also the grounds provided in Supreme Court decision KKO 2020:57 with regard to the premature nature of the claim). Assessing damage that will continue to accumulate long into the future is also made more difficult by the fact that the longer the time period that passes from the termination of the agreement, the more difficult it will be to assess which consequences are caused by the termination of the relevant agreement and which by general economic development or a change in the competitive conditions.

The requirement for measures intended for the revival of the company's business and the repayment schedule to be implemented quickly is part of the nature of restructuring proceedings. This is evidenced e.g. by the provision included in Section 40 of the Finnish Restructuring Act that pertains to the period of time reserved for drafting the restructuring programme and the opinion put forward in legal literature that three months is a suitable time limit for initiating separate proceedings (Koskelo: Yrityssaneeraus [*Corporate Restructuring*] p. 303). The debtor's best interest requires for the final contents of the repayment schedule to be established as quickly and efficiently as possible.

On these grounds, the District Court holds that the calculation included in the restructuring programme, which is based on eighteen months of lost rent income, constitutes a sufficiently accurate and justified amount of restructuring debt at this point in time and that, pursuant to the calculation, the claims of each creditor can be taken into consideration in the restructuring programme in accordance with Section 47 of the Finnish Restructuring Act. To the extent that the landlord creditors have presented more specific calculations of the damages that they will incur as a result of the termination of the relevant lease agreements, these claims cannot be processed and resolved in this context without causing material delay to the restructuring proceedings. As such, these matters must be assigned to resolution in separate proceedings.

HOK-Elanto Liiketoiminta Oy, Pirkanmaan Osuuskauppa and Turun Osuuskauppa

During the restructuring proceedings, Stockmann has terminated its main lease agreements as allowed by the Finnish Restructuring Act. As any sublease agreement terminates, pursuant to Section 65(1) of the Finnish Act on Commercial Leases, without notice on the same date as the sublandlord's lease agreements, the sublease agreements have similarly ended. Pursuant to subsection 2 of the same Section, subtenants are entitled to a reasonable compensation for any moving costs from the sublandlord if the sublandlord neglects to inform its subtenants of the termination of their lease agreement. However, this is not the situation at hand.

Neither the Finnish Restructuring Act nor the Finnish Act on Commercial Leases include provisions on the termination of a sublease agreement. No case law exists on this question either.

The District Court hereby notes that the agreements that pertain to the business sale transaction concluded between Stockmann and the S Group and the related sublease agreements form a complex set of contractual arrangements. The questions related to whether damages are payable on the basis of these agreements are so contested that it is completely impossible to determine, based on the correspondence between the parties and the administrator, as to whether the S Group has incurred damage that is compensable based on the agreements. If any such damage has been incurred, the payable damages constitute restructuring debt on the same grounds as ECR Finland Investment I Oy's aforementioned claim.

As the parties agree that this question will be resolved in separate civil proceedings and taking into consideration that determining the correct amount of these claims has no impact on the approval of the draft restructuring programme, the District Court hereby accepts the administrator's proposal that these claims be recorded as having the value of 0 EUR at this point in time.

Markku Hållfast

The arguments put forward by Markku Hållfast are not an obstacle to the approval of the restructuring programme.

Assignment provided pursuant to Section 75(2) of the Finnish Restructuring Act

Under section 75(2) of the Finnish Restructuring Act, the court shall direct the party who has the burden of proof in the matter to submit, within a set period of time, the matter for consideration in separate judicial proceedings or in other proceedings intended for such a matter if the matter cannot be considered and resolved without causing material delay or other inconvenience to the restructuring proceedings, taking due note of the necessary evidence and the other circumstances.

Neither the preparatory works of the Act nor legal literature provide an answer to the question of whether the court can order the matter to be submitted to a specific court or to undergo specific proceedings. Based on Supreme Court decision KKO 1998:152, the conclusion could be drawn that providing neutral directions is sufficient and that the party that decides to file an

action must, at its own risk, assess what the statutorily competent court or applicable proceedings are to which the matter should be subjected.

For the avoidance of doubt, the District Court states that the decisions made here under Section 47(1) of the Finnish Restructuring Act will have no impact on any legal proceedings where the relevant matter is actually examined (Government Bill to Parliament HE 182/1992 vp p. 90).

Resolution

The District Court hereby confirms that ECR Finland Investment I Oy's claim of EUR 223,800 constitutes restructuring debt and that it will be taken into consideration at that amount.

In accordance with Section 47(1) of the Finnish Restructuring Act, the District Court hereby orders that the contested restructuring debts be taken into consideration in the repayment schedule at the following amounts:

- EUR 1,182,438 in damages payable to Nordika II SHQ Oy for the premature termination of the relevant lease agreement;
- EUR 1,409,561 in damages payable to Rodareal Oy and Vantaan Valo Ky for the termination of the relevant lease agreement;
- EUR 2,833,296 in damages payable to Fennia Mutual Insurance Company for the premature termination of the relevant lease agreement;
- EUR 1,953,458 in damages payable to Tampereen Seudun Osuuspankki for the premature termination of the relevant lease agreement;
- EUR 3,452,017 in damages payable to LähiTapiola Keskuskiinteistöt Ky for the premature termination of the relevant lease agreement;
- EUR 141,487 in damages payable to Kauppakeskus Hansa Ky for the premature termination of the relevant lease agreement;
- HOK-Elanto Liiketoiminta Oy's damages receivable of EUR 0;
- Pirkanmaan Osuuskauppa's damages receivable of EUR 0; and
- Turun Osuuskauppa's damages receivable of EUR 0.

The District Court hereby rules that Nordika II SHQ Oy, Rodareal Oy and Vantaan Valo Ky as well as Fennia Mutual Insurance Company, Tampereen Seudun Osuuspankki, LähiTapiola Keskuskiinteistöt Ky, Kauppakeskus Hansa Ky, HOK-Elanto Liiketoiminta Oy, Pirkanmaan Osuuskauppa and Turun Osuuskauppa must each initiate separate judicial or other relevant proceedings to determine the amount of their damages claims within three months of the date on which this decision was handed down if they wish to have their claims be taken into consideration at some other amount than that disclosed in the restructuring programme.

The District Court confirms the amended draft restructuring programme, which is dated 1 February 2021 and appended to this decision, as Stockmann Oyj Abp's restructuring programme. This decision marks the end of the restructuring proceedings.

The administrator must notify all parties to the matter of this decision and of the restructuring programme appended hereto.

The administrator must submit the notifications regarding the cessation of the restructuring proceedings referred to in Sections 5 and 8 of the Finnish Restructuring Regulation.

Supervision of the restructuring programme

The District Court hereby appoints Attorney-at-Law Jyrki Tähtinen as the supervisor of the restructuring programme pursuant to Section 61 of the Finnish Restructuring Act. Provisions regarding reports that must be submitted with regard to the implementation of the restructuring programme are set out in the restructuring programme.

Compliance with the restructuring programme

The District Court hereby orders that the restructuring programme must be complied with regardless of any appeals filed against it, unless otherwise ordered by the court that processes the appeal.

APPEALS

This decision may be appealed to the Helsinki Court of Appeal or by submitting an appeal for a precedent with the Supreme Court in the event that the Supreme Court grants leave to appeal in the matter.
However, the parties must express their intent to appeal to the District Court by 16 February 2021 at the latest.

Res judicata

Information as to whether this decision is final and binding is not disclosed in this decision.

[signature]
District Judge Pirjo Peura-Vasama

Appendix Restructuring Programme 1 February 2021

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