

Questions and answers for creditors

Why is Eco Log applying for financial reorganization?

Eco Log has recently faced liquidity issues. We are undergoing a reorganization to overcome our challenges and to create long-term sustainable conditions for the business. There are several reasons to why the company is in this situation. Eco Log was hit hard by the Covid pandemic, which led to complications in global supply chains with component shortages as a result. In addition, Russia's invasion of Ukraine has further created disturbance in the global supply chain. The increased material costs and disruptions in supply chains have resulted in a delay of certain deliveries. Since the business is highly capital intensive, the company is particularly affected by delayed deliveries, which has led to a deterioration of the company's liquidity.

Which company is applying for reorganization?

The reorganization only concerns Eco Log Sweden AB. It does not concern SP Maskiner in Ljungby AB, Maskinservice in Norden AB, Eco Group Log AB or Eco Log Försäljning AB.

What happens to the debts Eco Log has to creditors?

A financial reorganization means that the company's debts for the period up to the approval of the reorganization application are frozen and may not be paid while the reorganization is in progress. New debts, on the other hand, are paid directly. No supplier should doubt whether you will be paid by Eco Log during the reorganization. Everyone who delivers to Eco Log will be paid immediately.

We regret this situation, but reorganization is a must in order to find a solution to the liquidity issues and to create long-term sustainable conditions.

How urgent is the situation?

In the short term, the situation is serious. The company's liquidity has been very strained and other solutions have not been found. Although it is not desirable to be in this situation, the decision to apply for reorganization is what we can do to act as responsible as possible and ensure the company's continued operations. The now initiated reorganization is not a problem in itself – it is our solution to the problems that the company already has. The application is deemed necessary when all other options are explored.

Do suppliers risk losing money due to Eco Log being reorganized?

The administrator and the management will together work out what the reorganization plan will look like.

That the reorganization process is regrettable is a strong understatement and we wish we could have found some other way to sort out our financial issues. The reality is that reorganization is the only option for us. The alternative would be bankruptcy, which would most likely have affected all concerned, i.e. customers, suppliers and employees, substantially worse. We believe that we have a very good chance of now addressing the underlying causes of our financial worries.

When will I as a supplier/creditor be paid?

A financial reorganization means that the company's debts, up to the approval of the reorganization application, are frozen and may not be paid while the reorganization is in progress. These debts may be subject to a settlement, which may form part of the reorganization plan that the administrator will present. Settlement means that the district court approves a debt write-off for the unsecured creditors, which normally includes all suppliers. The remaining part of the debts is normally to be paid within one year of the start of the reorganization.

What's next?

What happens after the reorganization is approved is that a letter of formal notice containing more

information is distributed to all creditors. This information, which also includes a notice of creditors' meeting, is sent out within approximately one week from the date of the start of the reorganization.

About three weeks after the start of the reorganization, in mid-December, a meeting of creditors will be held. Soon thereafter, the administrator will make a proposal for a solution to the financial challenges.

What is a settlement?

A part of many reorganizations is that all known creditors are called to a meeting where they must decide whether they are prepared to accept composition solutions, that is, to write down parts of the claims that were outstanding when the reorganization began. A prerequisite for a settlement to be granted is that a majority of creditors support the settlement.

Which creditors get paid first?

A fundamental principle of reorganizations is that everyone should be treated equally. However, the legislature distinguishes between priority and unsecured creditors. Those who are prioritized, which normally means having collateral or a statutory right to payment, are not affected by a reorganization. Should bankruptcy occur, they will be paid first.

Other claims are unsecured. This normally includes all common accounts payable. These have equal rights among themselves, which means that they get back an equal share (as a percentage) of their claims.

What chances does Eco Log have to succeed with a reorganization?

A financial reorganization means that Eco Log gets the opportunity to reorganize and rebuild the business in peace and quiet, which gives it better chances of long-term survival. The assessment is that there are good chances to succeed with a reorganization. The business has been profitable and there is great potential to solve the liquidity issues. The goal is a new start that secures jobs, availability for customers and operations in the long term.

Who is the administrator?

Linda Schenholm at the law firm Carler has been proposed as administrator.

How long does a reconstruction last?

It depends on how the process proceeds but a maximum of three months with the possibility of extension.

What happens the next few days?

The administrator summons all known creditors to a creditors' meeting within three to five weeks from the time the application was filed with the district court. At this meeting, a reorganization plan will be presented by the administrator together with the management and the creditors will have the opportunity to comment on the process.

Where can I turn if I have more questions?

You can always contact your regular contact person at Eco Log directly.

You can also email Niklas Jonsson at niklas.jonsson@ecologforestry.com or contact the administrator, Linda Schenholm. Primarily via linda.schenholm@carler.se and secondly +46 (0)70 570 44 21.