

Company AS BALTIKA  
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Currency

Title Court initiated the reorganisation proceedings of AS BALTIKA

Aktsiaselts BALTIKA (hereinafter "Baltika") informs that Baltika submitted an application for the commencement of reorganisation proceedings to Harju County Court on March 25, 2020 and on March 26, 2020 the court decided to initiate reorganisation proceedings.

As stated in the Baltika's stock exchange announcement on March 19, 2020, the coronavirus COVID-19 is having a significant negative impact on the financial results and liquidity of Baltika Group. COVID-19 has had the greatest impact so far on the activities of Baltika Group in Lithuania, where all stores have been closed since March 16 due to orders given by the Lithuanian government. The Estonian government has ordered all shopping malls in Estonia to be closed as at March 27. Latvian stores face restrictions limiting opening hours during the weekdays and are closed on weekends. In addition, non-recurring expenses related to the restructuring (mainly regarding the cessation of production in Estonia) of Baltika Group have also had a negative impact on the financial results and liquidity of Baltika Group. As a result of these circumstances, Baltika Group is having solvency problems, which according to Baltika are temporary by their nature.

In order to overcome the above mentioned difficulties, Baltika has applied for the commencement of reorganisation proceedings. Baltika is in the opinion that in the current situation reorganisation of the company is the best way to protect the rights and interests of the shareholders, the employees, the creditors and the partners of Baltika. The company believes that as a result of the reorganisation proceedings and the measures taken in these proceedings, Baltika will be able to overcome its economic difficulties and restore its liquidity, improve profitability and ensure its sustainable management. This is also supported by the restructuring and efforts to improve business model which have already been made by Baltika Group, such as cessation of production operations in Estonia and thereby reducing production costs, and various other measures to reduce fixed costs.

If reorganisation of Baltika is successfully completed and the company's



financial difficulties overcome, it will be possible to continue with the activities of Baltika and retain several valuable jobs. In addition, the successful reorganisation of the company would help to ensure the durability of the Estonian design industry, as Baltika Group is the only Estonian fashion company that exports much of its production and offers professional work in the field of industrial fashion.

Following the commencement of the reorganisation proceedings, Baltika must prepare a reorganisation plan. The court has set a date to present the reorganisation plan to the court for approval by June 1, 2020. The reorganisation plan will be prepared in consultation with Baltika's main partners. The reorganisation plan specifies which reorganisation measures will be implemented, including the impact of the reorganisation on the creditors. The reorganisation plan is accepted by way of voting of the creditors. The final decision on whether to approve the plan is up to the court. The reorganisation only concerns AS Baltika, not any other Baltika Group entities.

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