

FINANTSINSPEKTSIOON

Company AS BALTika
Type Company Release
Category Other corporate action
Disclosure time 18 Dec 2020 09:40:21 +0200

Currency

Title The report of the reorganisation advisor on the fulfilment of the reorganisation plan

?Harju County Court approved 19 June 2020 reorganisation plan of AS Baltika. Restructuring advisor needs to submit every 6-month report to court and all creditors impacted. We will publish hereby information in the report, including financial numbers regarding 10 months, to all investors. We will draw your attention to the fact that data and numbers in the report refer to AS Baltika on a stand-alone basis and Group consolidated numbers are only in case if accordingly referred.

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THE REPORT OF THE REORGANISATION ADVISOR ON THE FULFILMENT OF THE REORGANISATION PLAN

Harju County Court confirmed with 19.06.2020 ruling for civil case 2-20-4688 the reorganisation plan of AS Baltika (hereafter Baltika).

In accordance with § 50 of the Reorganisation Act, the reorganisation advisor of Baltika hereby presents to the court and creditors the first written report regarding the fulfilment of the reorganisation plan.

To verify the fulfilment of the reorganisation plan and evaluating the financial situation, the reorganisation advisor has used the unaudited accounts of Baltika as at 31.10.2020.

Fulfilment of the reorganisation plan

The claims of 30 creditors in the total amount of 12 206 649.74 euros were

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transformed based on the reorganisation plan. Claims were transformed in two groups.

During the reporting period Baltika did not have to repay any principal claims. Such obligation starts from June 2021 for Group I and end of 2021 for Group II.

Based on the reorganisation plan Baltika had to pay interest on the claims in Group I. Baltika has fulfilled this obligation.

The financial impact of transforming the claims under the reorganisation plan is EUR 5 045 198 in total and it is accounted under other operating income.

Baltika's financial situation

Baltika's financial situation has been positively influenced by both transformation of the creditors' claims and also several substantive changes in Baltika's operations, as a result of which compared to the state prior to reorganisation, the gross profit of Baltika from the sale of goods has improved and various operating expenses have reduced (incl rent expenses that fall under several operating expenses, payroll).

The below table contains the prognosis of 2020 profit and loss statement presented in the reorganisation plan of Baltika, the figures of 10 months from the prognosis (until 31.10.2020) and the actual profit and loss statement for ten months that includes the effect from reorganisation measures.

	12 months prognosis	2020 in reorganisation plan	10 months till 31.10.2020 prognosis	10 months till 31.10.2020 actual
Thousand euros				
Revenue	12 300		11 311	11 057
Total revenue	12 300		11 311	11 057
Cost of goods sold	11 302		10 217	8 053
Gross profit	998		1 095	3 004
Gross profit margin	8.1%		9.7%	27.1%
Various operating expenses	2 844		2 373	1 601
Payroll	3 533		2 950	2 202
Depreciation, amortisation and impairment	137		116	65



Other operating expense (-) /income	3 895	3 895	4 106
Operating income (-) loss)	-1 622	-449	3 242

Comparison shows that operating profit of Baltika in reporting period was far better than prognosis used when compiling the reorganisation plan.

The discounts given by suppliers for goods already purchased i.e., the goods that were already in the warehouse had the biggest impact on the reduction of costs of goods sold and increase in gross profit compared to the prognosis. At the same time, it has to be considered that revenue of Baltika, which also has impact on gross profit, is derived from sales to subsidiaries. It is a practice within Baltika Group to adjust intragroup prices in the end of calendar year in line with transfer pricing policy. Therefore, the level of gross profit for the 2020 financial year will become clear in January 2021.

The gross profit margin that is important for Baltika as a group is the consolidated gross profit margin that also improved during the period under observation, being 51.0% in III quarter 2020, 49.2% in II quarter 2020 and 45.9% in III quarter 2019.

The decrease in payroll was caused by the faster decrease in number of employees than expected (many of which terminated their contract in their own will) and smaller redundancy expense than prognosed. The number of Baltika's employees reduced from 112 as at the end of March to 58 as at 31.10.2020.

Reduction of various operating expenses and payroll has permanent characteristics and will have an impact also in the coming periods. Moving Baltika's offices to smaller premises, that better meet the new requirements of Baltika and that have rental costs that are significantly lower compared to the previous space, has aided in saving on operating costs. The reduction in payroll is due to the decision to continue with only one brand from second half of the year 2021. As the development of a new collection takes place much earlier, then discontinuing several brands has allowed to reduce the number of staff already during year 2020. Described methods are in compliance with the measures devised in the reorganisation plan.

Baltika's shareholders' equity is EUR 2 410 thousand as at 31.10.2020.

Baltika's liquidity and solvency improved significantly as a result of a loan from KJK BLTK Holding OÜ on 02.09.2020 in the amount of EUR2 550 000 (stock exchange announcement about the loan <https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=952973&messageId=1200710>). Additional financing and improved cashflow from operating



activities during the period under observation has allowed Baltika to fulfil all obligations arising after the initiation of reorganisation proceedings. As at 31.10.2020 Baltika basically has no overdue payables (as at 31.10.2020 Baltika had 3 971 euros worth overdue liabilities which were received late and which all were paid by 10.11.2020. Baltika has also payable in the amount of 3 978 GBP, that is not on the balance sheet as Baltika disagrees regarding the payable and therefore has not paid it).

Based on the above, the reorganisation advisor is of the opinion that as a result of confirming of the reorganisation plan and implementing the reorganisation measures Baltika's financial situation has already improved. Baltika has followed in its operations the reorganisation plan, due to which fulfilling the reorganisation plan, including paying the creditors' claims in the period set out in reorganisation plan is still realistic.

The reorganisation advisor confirms, that he has forwarded this report in addition to the court also to all the creditors that are impacted by reorganisation.

Tallinn, 17.12.2020.a.

Artur Suits
Reorganisation advisor of Aktsiaselts Baltika

