

Company AS BALTIKA  
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## Currency

Title The third report of the reorganization advisor on the fulfillment of the reorganization plan

On 19 June 2020, Harju County Court approved the reorganization plan of AS Baltika (Baltika). The restructuring advisor needs to submit a report to the court and the impacted creditors every six months. The first report was submitted in December 2020. The third report is hereby published to all investors. The data and numbers in the report refer to Baltika on a stand-alone basis, not as a Group i.e. the numbers are not consolidated.

Due to the reorganization proceedings, Baltika has been able to focus and follow through with its business turnaround during the last year - switching to just one brand (Ivo Nikkolo), optimizing, and also heavily reducing all operating expenses even further than what was previously indicated in the reorganization plan. The new in-store assortment and the new business strategy have also helped Baltika survive the negative impact of the second wave of Covid-19. Baltika confirms it will certainly be able to successfully complete the reorganization plan and will manage the payment of all obligations according to the plan, if not even earlier than expected if there will not be any additional or other negative business scenarios in particular due to Covid-19 further spread all over Baltics.

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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 reorganization plan of AS Baltika (hereafter Baltika).

In accordance with § 50 of the Reorganisation Act, the reorganization advisor of Baltika hereby presents to the court and creditors the third written report



regarding the fulfillment of the reorganization plan.

To verify the fulfillment of the reorganization plan and evaluate the financial situation, the reorganization advisor has used the audited accounts of Baltika as of 31.12.2020 and unaudited accounts as of 31.10.2021.

#### Fulfillment of the reorganization plan

The claims of 30 creditors in the total amount of 12 206 649.74 euros were transformed based on the reorganization plan. Claims were transformed in two groups.

The total financial impact of reduction of claims based on the reorganization plan is 5 045 198 euros, which is recorded under other operating revenue in Baltika's 2020 profit and loss statement.

Based on the reorganization plan Baltika had to pay interest on the claims in Group I and starting from June of 2021 start payments of principal amounts in Group I. Baltika has fulfilled this obligation to Swedbank AS. Other creditors in Group I have confirmed to the reorganization advisor that they do not require Baltika to pay in accordance with the reorganisation plan and agree to be paid later.

Based on the reorganisation plan payments of principal amounts of claims in Group II must start from the end of 2021. As of the date of this report Baltika has not made any payments to Group II creditors yet but the company has informed reorganisation advisor about its intent to do so before 31 December 2021.

#### Baltika's financial situation

Within the first six months after the confirmation of reorganisation plan 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).

Results of 2021 are being significantly affected by restrictions caused by the Covid-19 pandemic and the closure of stores in Lithuania, Latvia and Estonia. The sharp decline in revenue starting from December 2020 (stores were completely closed in Latvia and Lithuania from December of 2020 and in Estonia from March of 2021, and reopened to visitors in May of 2021 in Lithuania and Estonia and June of 2021 in Latvia), which was partly compensated by an increase in revenue from e-channel, meant that during 2021 Baltika's actual revenue, gross profit and operating profit were considerably lower than the respective figures presented in the prognosis in the reorganisation plan.

The below table contains the prognosis of the 2020 profit and loss statement



presented in the reorganisation plan of Baltika, the actual profit and loss for 2020, the figures for 10 months from the prognosis (01.01.2021 until 30.10.2021) and the actual profit and loss statement for ten months of 2021.

| Thousand euros                                  | Prognosis 12 months<br>2020 in<br>reorganization plan | Actual 12<br>months 2020 | Prognosis 10<br>months 2021 | Actual 10<br>months 2021 |
|---|---|--------------------------|-----------------------------|--------------------------|
| Revenue   | 12 300  | 9 891                    | 16 125                      | 6 349                    |
| Total revenue                                   | 12 300  | 9 891                    | 16 125                      | 6 349                    |
| Cost of goods sold                              | 11 302  | 8 578                    | 11 030                      | 4 956                    |
| Gross profit                                    | 998   | 1 313                    | 5 095                       | 1 393                    |
| Gross profit margin                             | 8.1%  | 13,3%                    | 31,6%                       | 21,9%                    |
| Various operating<br>expenses                   | 2 844   | 2 140                    | 2 029                       | 1 304                    |
| Payroll   | 3 533   | 2 576                    | 1 893                       | 1 734                    |
| Depreciation,<br>amortisation and<br>impairment | 137   | 82                       | 137                         | 95                       |
| Other operating<br>expense (-) /income<br>(+)   | 3 895   | 3 747                    | -119                        | 116                      |
| Operating income (-<br>loss)                    | -1 622  | 262                      | 1 154                       | -1 623                   |

The comparison shows that the actual operating profit of Baltika for 2020 was far better than the prognosis made when compiling the reorganisation plan, but the actual operating profit for the ten months of 2021 is considerably worse than the prognosis made when compiling the reorganisation plan. The actual operating profit for the ten months of 2021 is EUR2 777 thousand lower than that of prognosis, whereas for the first four months of 2021 the profit was lower by EUR 2 849 thousand, which shows that during the last six months the performance has somewhat improved. Looking at the combined profit and loss for 22 months or the period from 01.01.2020 to 31.10.2021, which reflects both the impact of the measures of reorganisation plan and the impact of the closure of stores due to Covid-19, one can see that cumulatively both combined figures of actual revenue and operating profit are lower than those of prognosis in reorganisation plan (see table below).



| Thousand euros                               | Prognosis in reorganization<br>plan for<br>22 months till 31.10.2021 | Actual for 22 months<br>till 31.10.2021 |
|--|--|---|
| Revenue                                      | 28 425   | 16 240                                  |
| Total revenue                                | 28 425   | 16 240                                  |
| Cost of goods sold                           | 22 332   | 13 534                                  |
| Gross profit                                 | 6 093  | 2 706                                   |
| Gross profit margin                          | 21,4%  | 16,7%                                   |
| Various operating expenses                   | 4 874  | 3 443                                   |
| Payroll                                      | 5 427  | 4 310                                   |
| Depreciation, amortisation<br>and impairment | 274  | 177                                     |
| Other operating expense (-<br>) /income (+)  | 4 014  | 3 863                                   |
| Operating income (-loss)                     | -468   | -1 361                                  |

The comparison between actual profit and loss for 22 months and prognosis made while compiling reorganisation plan shows that actual various operating expenses and payroll expenses are lower than in prognosis. Therefore, the deficit of operating profit can be fully explained by lower gross profit, which in turn is caused by the circumstances that began in December of 2020 and continued throughout the first half of 2021 (closed stores).

For the fulfillment of the reorganisation plan, it is important that Baltika's future financial results, considering the temporary worsening in the first half of 2021, are such that they allow repayment of creditors' claims in accordance with the terms of the reorganisation plan. According to the forecast made by Baltika's management until the end of 2021 and for 2022 (presented to reorganisation advisor in December 2021), and assuming normalised retail activities, Baltika's financial results and cash flows would be sufficient for that purpose.

The number of Baltika's employees reduced from 112 as at the end of March 2020 to 58 as of 31.10.2020 and 42 as of 31.10.2021.

Baltika's shareholders' equity is EUR 948 thousand as of 31.10.2021.



As of 31.10.2021, Baltika had overdue payables in the amount of EUR16 thousand that have been paid as of the date of this report, which shows that Baltika has been able to meet its current liabilities.

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 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, 16.12.2021.a.

Artur Suits

Reorganisation advisor of Aktsiaselts Baltika

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