

FINANTSINSPEKTSIOON

Company AS BALTIIKA
Type Company Release
Category Other corporate action
Disclosure time 16 Dec 2022 15:45:00 +0200

Currency

Title The fifth 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 fifth 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 continue with business reorganisations during 2022 - to close the vast majority of unprofitable stores and launch a new store concept in four locations. We have optimised business processes and significantly reduced operating expenses. Our strategic decision to sell some of Ivo Nikkolo's trademarks brought Baltika a one-time profit in the amount of 7,436 thousand euros, which successfully fulfilled the equity recover plan. Baltika confirms that it will be able to successfully fulfil the restructuring plan and the obligations assumed by the plan.

Brigitta Kippak

Chairman of The Management Board, CEO

brigitta.kippak@baltikagroup.com
(

Finantsinspeksiōn
<http://www.fi.ee>



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 fifth written report regarding the fulfilment of the reorganisation plan.

To verify the fulfilment of the reorganisation plan and evaluate the financial situation, the reorganisation advisor has used the audited accounts of Baltika as at 31.12.2021 and unaudited accounts as at 31.10.2022.

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 reorganisation plan. Claims were transformed in two groups.

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

Based on the reorganisation 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 reorganisation 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 had to begin from the end of 2021, and the first payments were made before the deadline or 31 December 2021. As of the date of this report Baltika has not yet made payments to Group II creditors that are due at the end of 2022, but the company has informed reorganisation advisor about its intent to do so before 31 December 2022.

Baltika's financial situation

Within the first six month 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).



The below table contains the prognosis of 2021 profit and loss statement presented in the reorganisation plan of Baltika, actual profit and loss for 2021, the figures for 10 months from the prognosis (01.01.2022 until 31.10.2022) and the actual profit and loss statement for ten months of 2022.

Thousand euros	Prognosis 12 months		Prognosis 10 months 2022	Actual 10 months 2022
	2021 in reorganisation plan	Actual 12 months 2021		
Revenue	17 535	6 113	17 485	4 638
Total revenue	17 535	6 113	17 485	4 638
Cost of goods sold	12 202	5 402	12 158	3 649
Gross profit	5 333	711	5 327	989
Gross profit margin	30%	12%	30%	21%
Various operating expenses	2 432	1 640	1 963	992
Payroll	2 267	2 028	1 931	1 278
Depreciation, amortisation and impairment	162	56	158	111
Other operating expense (-) /income (+)	-119	111	0	7 378
Operating income (-) loss)	591	-2 902	1 275	5 987

Results of 2021 were significantly affected by restrictions caused by Covid-19 pandemic and closure of stores in Lithuania, Latvia and Estonia. 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.

Revenue, gross profit and operating profit for the first four months of 2022 were significantly affected by the following events:

- * Unpredictable state of war between Russia and Ukraine that had an impact of the sales of Baltika in the first weeks of March (decline in number of visitors to stores). The strongest impact was experienced in the Lithuanian market where visitor numbers began to decline from the second half of February (local media was covering the threat of potential war). By the end of March the situation in the Baltics had stabilised and visitor numbers started to recover gradually.
- * All Baltic countries experienced high rates of COVID-19 cases in the first quarter of 2022, which impacted negatively on the visits to stores and also presented challenges to everyday management of stores' operations, due to which quality of service also declined and impacted on sales negatively.
- * Decline in revenue resulted from planned closure of loss making stores.

Revenue for 01.05.2022 - 31.10.2022 was 3 139 thousand Euro, which is by 923 thousand Euro lower than for the same period previous year (revenue for comparable period was 4 062 thousand Euro). Decline in revenue was caused by planned closure of loss making stores.

During 01.05.2022 - 31.10.2022 three loss making stores were closed:

- * In July of 2022 Veerenni store in Estonia
- * In August of 2022 Valmiera Galerija Valleta store in Latvia
- * In October of 2022 Jõhvi Pargikeskus store in Estonia.

Reduced revenue will in future be compensated by opening of a new store:

- * In August of 2022 outlet store in Arsenali Keskus in Tallinn.

In addition to aforementioned, in the end of November the old kind of Ivo Nikkolo store in Vilnius Panorama Commercial Centre was replaced with a store with new Ivo Nikkolo concept. The new concept will support growth of sales of Ivo Nikkolo products going forward.

Gross profit for 01.05.2022 - 31.10.2022 was 700 th. Euro, and gross profit margin 22%. Gross profit for the comparable period of the previous year was 764 th. Euro and gross profit margin 19%. Decline of gross profit is directly related to decline in revenue. Gross profit margin has improved by three percentage points. Increase in prices of raw materials and cost of transportation, and strengthening of US dollar, have brought about a considerable increase in the cost of goods and their procurement. Despite of that Baltika has managed to improve its gross margin as a result of well managed pricing policy on its markets (discounting in stores has been strategically thought through and increase in cost of goods has been partially passed on to consumers).

Operating profit for 01.05.2022 - 31.10.2022 was 6 761 th. Euro. Operating loss for the comparable period the previous year was 898 th Euro. Operating profit for 01.05.2022 - 31.10.2022 was materially impacted by Baltika's strategic



decision to sell part of Ivo Nikkolo trademarks and continue using them under an exclusive licence agreement. As a result of this transaction, Baltika recorded a one-off gain of 7 436 th Euro, which explains the increase in operating profit as compared with the same period last year. Operating profit for the current period (01.05.2022 - 31.10.2022,) without taking into account the gain from sale of Ivo Nikkolo trademarks, would have been (668) thousand Euros. Still this result would have been 230 thousand Euro better than for the same period last year.

The prognosis vs actual cumulative profit and loss for 34 months from 1 January 2020 to 31 October 2022 is presented in the table below.

Thousand euros	Prognosis in reorganisation	
	plan for 34 months till 31.10.2022	Actual for 34 months till 31.10.2022
Revenue	47 321	20 642
Total revenue	47 321	20 642
Cost of goods sold	35 663	17 630
Gross profit	11 658	3 013
Gross profit margin	25%	15%
Various operating expenses	7 239	4 771
Payroll	7 731	5 883
Depreciation, amortisation and impairment	457	249
Other operating expense (-) /income (+)	3 776	11 236
Operating income (-loss)	7	3 346

While observing the actual profit and loss for 34 months (01.01.2020 to 31.10.2022), into which period fall the impact of reorganisation of claims, the impact of closure of stores due to Covid-19, lower number of visitors due to high number of Covid cases within population, and the impact of the war in Ukraine, one can see that cumulatively both actual revenue and gross profit are lower than in prognosis made while compiling reorganisation plan. At the same time actual various operating expenses and payroll expenses are lower than in prognosis. Due to the one-off gain of 7 436 th Euro from the sale of trademarks, cumulative operating profit of Baltika is 3 346 th Euro, and this result is



significantly better than in the prognosis made while compiling reorganisation plan.

As a result of operating profit for ten months of 2022, Baltika's shareholders' equity has become positive and is 5 930 thousand Euro as at 31.10.2022.

For the fulfilment of the reorganisation plan it is important that Baltika's future financial results, considering the worsening of results in 2021 and the first half of 2022, 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 and presented to reorganisation advisor, Baltika's projected 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 at 31.10.2020 and 36 as at 31.10.2022.

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, 16.12.2022.a.

Artur Suits
Reorganisation advisor of Aktsiaselts Baltika

