AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2019

Commercial name	AS Baltika
Commercial registry number	10144415
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Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2019 – 31 December 2019
Reporting period	1 January 2019 – 30 September 2019

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BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer. Baltika develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo. Baltika employs a vertically integrated business model, which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics, wholesale and retail.

The shares of AS Baltika are listed on the Nasdaq Tallinn Stock Exchange that is part of the exchange group NASDAQ.

As at 30 September 2019 the Group employed 841 people (31 December 2018: 975).

The parent company is located and has been registered at 24 Veerenni in Tallinn, Estonia.

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 Sept 2019	Holding as at 31 Dec 2018
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman[1]	Estonia	Retail	100%	100%
SIA Baltika Latvija[2]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[2]	Lithuania	Retail	100%	100%
OY Baltinia AB	Finland	Retail	100%	100%
Baltika Sweden AB	Sweden	Dormant	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%

[1]Interest through a subsidiary.
[2]Interest through Baltman OÜ

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MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS OF 2019

Baltika Group ended the third quarter with a net loss of 1,241 thousand euros. The net loss for the same period last year was 814 thousand euros. The result for the third quarter of 2019 includes a negative impact of 77 thousand euros on the new accounting standard IFRS 16.

The Group's sales revenue decreased by 12% in the third quarter compared to the same period last year and amounted to 9,758 thousand euros. The biggest sales channel (91%), retail, sales decreased by 6% and totalled 8,835 thousand euros. Revenue decreased in all three Baltic markets, which was mainly driven by the weak September result and the closure of Bastion brand, which is a part of Baltika Group's ongoing restructuring plan. Excluding the negative impact of the closure of Bastion, sales in August and July remained at the previous year's level.

The third quarter sales revenue of Baltika Group e-store Andmorefashion.com increased by 33% compared to the same period last year and was 512 thousand euros. The brand with the biggest share of sales revenue is Monton, which accounts for 38% of the sales revenue of the e-shop. Compared to the third quarter of last year, sales increased in all major markets. The most distant countries where Baltika`s brand orders were shipped in the third quarter were Turkey, Israel, Japan, Australia and USA.

The sales revenue of business customers decreased by 75% compared to the third quarter of last year and was 308 thousand euros. The decrease in sales revenue of approximately 1 million euros is related to the termination of contracts with franchise partners in Eastern Europe and Peek & Cloppenburg, a chain of department stores in Germany and Central Europe. The sharp decline in business customers` sales was expected, as the gradual exit from business customer sales channel is part of Baltika Group's ongoing restructuring plan.

The gross profit for the quarter was 4,484 thousand euros, decreasing by 549 thousand euros compared to the same period last year (Q3 2018: 5,033 thousand euros). The decrease in gross profit is due to decreased sales revenue both in retail and business customers. The company's gross profit margin in the third quarter was 45.9%, which is 0.3 percentage points higher than last year's third quarter margin (Q3 2018: 45.6%).

The Group's distribution expenses in the third quarter were 4,788 thousand euros, a decrease of 380 thousand euros compared to the same period last year. Administrative and general expenses decreased by 5% i.e 29 thousand euros in the third quarter and were 543 thousand euros. A consistent and significant reduction in marketing and administrative expenses is a part of Baltika Group's ongoing restructuring plan.

Baltika Group's nine month sales revenue decreased by 9% compared to the same period last year and was 29,491 thousand euros. Retail sales decreased 4% and business customers´ sales 62%, while e-store sales increased 23%. The company's net result for the first nine months of the year was 3,300 thousand loss, compared with a net loss of 1,669 thousand last year. The main reason for the weak nine-month result was a significant decrease in retail and business customers` sales. In addition, the nine-month result includes the negative impact of the new accounting standard IFRS 16 of 289 thousand euros.

As of 1 January 2019, IFRS 16, "Leases", amended the recognition of lease contracts so that the rent payments for the remaining term of the lease period are recognized in the statement of financial position at their present value as both assets and liabilities, and period rent expenses are not recognized in income statement, instead of that the depreciation and interest expense are recognized in the income statement. The impact of the mandatory new accounting standard IFRS 16 on the income statement is shown in the table below.

	3Q 2019	**9 M 2019**
Decrease in rent expenses	1,661	4,876
Increase in depreciation	-1,544	-4,548
Increase in operating profit	**117**	**328**
Calculated interest expense on lease liabilities	-194	-617
Decrease in the net profit	**-77**	**-289**

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In addition, IFRS 16 has a significant impact on the company's various balance sheet assets and liabilities. As at 30.09.19, fixed assets (i.e all lease payments at their present value, up to the end of the contract term) increased by 15,869 thousand euros and at the same time short-term lease liabilities increased by 5,487 thousand euros and long-term lease liabilities by 10,670 thousand euros.

Equity

As of the end of the third quarter, the equity of the company does not comply with the requirements of the Commercial Code. The Management of the Group is working on meeting the net asset requirement set out in the Commercial Code.

EQUITY	**30 September 2019**
Share capital at par value	5,408
Share premium	0
Reserves	0
Retained earnings	-341
Net profit (loss) for the period	-3,300
TOTAL EQUITY	**1,767**

Highlights of the period until the date of release of this quarterly report

- During the period from July 16, 2019 to August 7, 2019, the public offering of 50,000,000 ordinary shares of AS Baltika took place at an offer price of 0.1 euros per share. During the subscription period 53,379,570 shares were subscribed, in amount of 5,337,957 euros. On August 15, 2019 the Management Board of AS Baltika approved the final results of the public offering and the increase of share capital was entered into the Commercial Register on August 13, 2019. The new registered share capital of AS Baltika is 5,407,949 euros which is divided into 54,079,485 shares with the nominal value of 0.1 euros.

- As a result of the public offering of AS Baltika shares, the shareholding of KJK Fund SICAV-SIF (ING LUXEMBOURG S.A. AIF ACCOUNT), a major shareholder of the company, increased to 89.69% in AS Baltika. KJK Fund SICAV-SIF announced its intention to make a takeover bid for the acquisition of all AS Baltika shares in a stock exchange release dated on August 16, 2019.

- KJK Fund SICAV-SIF, the major shareholder of AS Baltika, announced in a stock exchange release dated on September 3, 2019 of its mandatory takeover bid for acquiring all the shares of Baltika. The offering acceptance period will start at September 3, 2019 and will end at October 2, 2019.

- The general meeting of shareholders of AS Baltika held on May 8, 2017 passed a resolution to issue convertible bonds worth 4.5 million euros. It was decided to issue 900 convertible bonds at an issue price of 5,000 euros. Of the 900 bonds offered, 889 bonds were subscribed in the total amount of 4,445 thousand euros. Two-year bonds carry 6% interest per annum. Each bond entitles its holder to subscribe for 15,625 shares at an issue price of 0.32 euros. By August 18, 2019, no subscription request had been received and according to the agreement between AS Baltika and KJK Fund Sicav-SIF signed in May, the amount payable to KJK Fund Sicav-SIF for the bonds was formalized as a long-term loan. The remaining installments were repaid to the bondholders.

- On September 20, 2019 Baltika Group closed the last Bastion brand store, which marks a milestone in Baltika Group's ongoing restructuring plan.

- KJK Fund SiCAV-SIF disclosed the results of the takeover bid on October 4, 2019. The shareholders of AS Baltika, who accepted the takeover bid, decided to sell a total of 20,509 shares to KJK Fund SICAV-SIF, representing approximately 0.0379% of all shares of AS Baltika. Together with the shares to be acquired as a result of the takeover bid, after the transfer of the shares to KJK Fund SICAV-SIF, a total of 48,526,500 shares of AS Baltika will be held, which represents approximately 89.7318% of all shares of AS Baltika. Together with the shares which was acquired from the takeover bid, KJK Fund SICAV-SIF holds a total of 48,526,500 shares of AS Baltika, which represents approximately 89.7318% of all shares of AS Baltika.

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- In July, an amendment to the existing bank agreement between AS Baltika and Luminor Bank AS was signed, extending the repayment term of the overdraft in the amount of 1,000 thousand euros. According to the amendment, as of November 2019, the overdraft limit is 600 thousand euros, which will be repaid in December 2019. Due to the end of AS Baltika and Luminor Bank AS overdraft agreement, the Supervisory Board authorized the Management Board to sign a loan agreement in amount of 1 million euros between AS Baltika and KJK Fund SICAV-SIF. The loan is used for seasonal cash flow management. The maturity of the loan is 3 years and the annual interest rate is 6%.

- On October 8, 2019, the Extraordinary General Meeting of Shareholders of AS Baltika elected Kristjan Kotkas as the fifth member of the Supervisory Board of AS Baltika, who shall be paid according to the resolution of the Annual General Meeting of Shareholders of April 27, 2015. Kristjan Kotkas has been a General Counsel at KJK Capital Oy since April 2019. During the years 2011-2019, Kotkas worked as a sworn attorney at Cobalt Law Firm. Kotkas holds master's degrees in law from the University of Tartu and the University of Cape Town. Kristjan Kotkas is a member of the Management Board of KJK III Participations S.a.r.l, Rondebosch OÜ, Protea Invest OÜ and the MTÜ Eesti Ragbi Liit. In addition, Kotkas is the President of the MTÜ Tallinna Kalev RFC. Kristjan Kotkas does not own any shares of AS Baltika.

REVENUE

Baltika's third quarter revenue was 9,758 thousand euros, decreasing by 12% compared to the same period last year. In terms of sales channels, e-commerce showed a positive result, increasing sales by 33%, retail sales decreased by 6% and business customers by 75%. Sales of other services increased by approximately 80 thousand euros, which includes increase in sales of sewing services and packaging materials compared to the previous year.

Revenue by activity

EUR thousand	3 Q 2019	3 Q 2018	+/-	9M 2019	9M 2018	+/-
Retail	8,835	9,404	-6%	26,272	27,257	-4%
Business Customers	308	1,212	-75%	1,428	3,748	-62%
E-com sales	512	386	33%	1,525	1,235	23%
Other	103	24	333%	266	170	56%
Total	**9,758**	**11,026**	**-12%**	**29,491**	**32,410**	**-9%**

Stores and sales area

As at 30 September 2019, Group had 84 stores. In the third quarter, the number of stores decreased by six - one franchise store in Serbia, one store in Lithuania and four stores in Estonia.

Stores by market

	30 September 2019	30 September 2018	Average area change*
Estonia	33	40	-2%
Lithuania	29	30	-1%
Latvia	21	22	-1%
Finland	1	1	41%
Ukraine[1]	0	12	-49%
Russia[1]	0	10	-15%
Belarus[1]	0	2	0%
Spain[1]	0	2	-84%
Serbia[1]	0	1	-69%
Total stores	**84**	**120**	
Total sales area, sqm	**16,321**	**22,650**	**-28%**

*Yearly average area change also takes into account the time store is closed for renovation

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Retail

Third quarter retail sales were 8,835 thousand euros, decreasing by 6% compared to the previous year. The decrease in retail sales is associated with a decrease in both sales space and sales efficiency. Compared to previous years, retail sales in the third quarter of this year were characterized by an increase in sales of outerwear. The sales of formal clothing, knitwear and dresses and skirts decreased significantly. In the first nine months of the year, retail sales decreased 4% to 26,272 thousand euros.

Retail sales by market

EUR thousand	3 Q 2019	3 Q 2018	+/-	Share	9M 2019	9M 2018	+/-	Share
Estonia	4,120	4,369	-6%	47%	12,545	13,124	-4%	48%
Lithuania	2,406	2,551	-6%	27%	6,989	7,005	0%	27%
Latvia	2,244	2,447	-8%	25%	6,579	7,023	-6%	25%
Finland	65	37	76%	1%	159	105	50%	1%
Total	**8,835**	**9,404**	**-6%**	**100%**	**26,272**	**27,257**	**-4%**	**100%**

In the third quarter, sales efficiency declined in all three Baltic markets. Sales efficiency for the entire retail channel decreased by 4% and for the nine months total sales efficiency decreased by 2%.

Sales efficiency by market (sales per sqm in a month, EUR)

	3 Q 2019	3 Q 2018	+/-	9M 2019	9M 2018	+/-
Estonia	187	193	-3%	183	188	-2%
Lithuania	147	152	-3%	142	140	1%
Latvia	192	204	-6%	187	197	-5%
Finland	118	91	30%	87	0	0%
Total	**174**	**181**	**-4%**	**170**	**174**	**-2%**

Brands

Monton brand accounts for the biggest share, accounting for 48% of retail sales in the third quarter. Monton's third quarter sales were 4,261 thousand euros, remaining at the previous year's level. The decline in Mosaic sales is due to the men's collection, which has been sold under the Monton brand since the fall-winter season 2019-2. Total sales of the two mainstream brands fell 2% year-over-year, especially in the men's product category. Sales of suits and jackets have decreased as a result of a decline in the overall trend in formal clothing, which is also reflected in Baltman sales - 9% quarterly sales. Ivo Nikkolo retained nine months' total sales in previous year level, Monton's nine months sales declined by 1% and Bastion's decline in sales is connected with the brand closing decision, which is a part of Baltika Group's ongoing restructuring plan.

Retail revenue by brand

EUR thousand	3 Q 2019	3 Q 2018	+/-	Share	9M 2019	9M 2018	+/-	Share
Monton	4,261	4,258	0%	48%	11,710	11,828	-1%	45%
Mosaic	2,568	2,734	-6%	29%	8,054	8,285	-3%	31%
Baltman	928	1,020	-9%	11%	2,797	3,042	-8%	11%
Ivo Nikkolo	902	937	-4%	10%	2,728	2,737	0%	10%
Bastion	176	454	-61%	2%	982	1,355	-28%	4%
Total	**8,835**	**9,404**	**-6%**	**100%**	**26,272**	**27,257**	**-4%**	**100%**

Sales in other channels

The third quarter sales revenue of Baltika Group e-store Andmorefashion.com increased by 33% compared to the same period last year and was 512 thousand euros. The brand with the highest share of sales is Monton, which accounts for 38% of online sales, followed by Mosaic with 30%, Ivo Nikkolo with 25%, Bastion with 4% and Baltman with 4%. 87% and 13%, respectively, of the third quarter sales revenue was generated by women and men. The share of the latter has increased by 3 percentage points year-on-year comparison, indicating that the Andmorefashion.com sales channel is increasingly used to buy men's products.

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The sales of our largest brands grew as follows: Monton 55%, Mosaic 38%, Ivo Nikkolo 32% and Baltman 96%. Sales share continued to be highest in Estonia, accounting for about 58% of total e-store sales, followed by Latvia and Lithuania with 17% and 15%, respectively. Compared to the third quarter of the previous year, Estonia (34%) grew the most, followed by Lithuania (53%) and Latvia (31%). The most distant countries to where Baltika's brand orders were shipped in the third quarter were Turkey, Israel, Japan, Australia and the US.

The sales revenue of business customers decreased by 75% compared to the third quarter of last year and was 308 thousand euros. The decline in sales of nearly 1 million euros is connected with the termination of contracts with franchise partners in Eastern Europe and Peek & Cloppenburg, a chain of department stores in Germany and Central Europe.

By countries, the biggest sales revenue was generated from wholesale customers in Estonia, accounting for 58% of total sales, followed by Russia with 15% and Latvia with 10%. As of the end of the third quarter, the number of franchise stores representing Baltika's brands was 0. The sharp decrease in corporate sales was expected as this is a one part of Baltika Group's ongoing restructuring plan.

OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 4,484 thousand euros, decreasing by 549 thousand euros compared to the same period last year (Q3 2018: 5,033 thousand euros). The decrease in gross profit is due to decreased sales revenue both in retail and business customers channel. The company's gross profit margin in the third quarter was 45.9%, which is 0.3 percentage points higher than last year's third quarter margin (Q3 2018: 45.6%). Gross profit margin increased in Q3 mainly due to lower share of business customers` sales, which is a lower margin sales segment.

Group's distribution expenses in the third quarter were 4,788 thousand euros, a decrease of 380 thousand euros compared to the same period last year. General administrative expenses decreased by 5% i.e 29 thousand euros in the third quarter to 543 thousand euros. A consistent and significant reduction in marketing and administrative expenses is part of Baltika Group's ongoing restructuring plan.

Other net operating income for the third quarter was -73 thousand euros and operating loss was 920 thousand euros. The operating loss for the same period last year was 670 thousand euros.

Net financial expenses for the quarter were 321 thousand euros, which is 144 thousand euros more than in the same period last year. The increase in financial expenses is due to the additional interest expense arising from the requirements of IFRS 16.

The net loss for the quarter was 1,241 thousand euros. The result for the comparable period last year was a net loss of 814 thousand euros. Nine month result is a net loss of 3,300 thousand euros, compared to a net loss of 1,669 thousand euros for the comparable period last year. The main reason for the weak nine-month result was a significant decline in retail and business customer`s sales. In addition, the nine-month result includes the negative impact of the new accounting standard of IFRS 16 289 thousand - and Meelis Milder's severance pay of 198 thousand euros.

FINANCIAL POSITION

IFRS 16 has a significant impact on the company's total assets and liabilities on balance sheet:

Assets	**30 September 2019**
Right-of-use assets	15,869
Liabilities	
Current lease liabilities	5,487
Non-current lease liabilities	10,671

As at 30 September 2019, trade receivables and other receivables of the Baltika Group totalled 1,069 thousand euros, increasing by 203 thousand euros year-on-year comparison. Trade receivables and other receivables have decreased by 2,563 thousand euros in comparison with the seasonally comparable balance (as at 30.09.2018) due to impairment of receivables from Eastern European franchise partners.

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At the end of the quarter, the Group's inventories totalled 10,600 thousand euros, a decrease of 107 thousand euros compared to the end of the previous year. The amount of finished goods and goods purchased for sale has increased by 580 thousand euros. At the same time, the amount of fabric and accessories has decreased by 653 thousand euros and the prepayments to suppliers have decreased by 34 thousand euros. The change in inventory structure is related to the one part of Baltika Group's ongoing restructuring plan concerning the termination of production in Estonia at the end of 2019.

Fixed assets were acquired in the third quarter for 243 thousand euros and depreciation was 1,763 thousand euros. The residual value of tangible fixed assets and intangible assets increased by 15,718 thousand euros compared to the end of last year and was 18,139 thousand euros. The increase of 15,869 thousand euros in non-current assets is related to the implementation of IFRS 16 “Leases”.

Cash flow from operating activities for the third quarter was -53 thousand euros (Q3 2018: -1 280 thousand euros). In the third quarter, 243 thousand euros were investment activities. The available amount of the overdraft in use increased by 89 thousand euros and the loan was repaid in the amount of 3 176 thousand euros. The Group's quarterly cash flow totalled -899 thousand euros (Q3 2018: EUR 170 thousand).

As at 30 September 2019, the total amount of borrowings were 24 213 thousand euros, which, together with the change in overdraft, represents an increase of 15 219 thousand euros compared to the end of last year (31.12.2018: 8 994 thousand euros). of which 16,158 thousand euros represents the impact of the recognition of lease agreements on the financial position of the Group due to the change in accounting policy. Excluding the impact of IFRS 16, the Group's borrowings decreased by 939 thousand euros compared to the end of last year related to the redemption of K-bonds.

Group's net debt (interest-bearing debt less cash and cash equivalents) as at September 30, 2019 was 24,011 thousand euros, which is 15,445 thousand euros higher than at the end of the previous year. The increase in net debt is related to the recognition of leases due to a change in accounting policy in IFRS 16 “Leases” in the Group's statement of financial position. The gearing ratio was at September 30, 2019 1,359% (December 31, 2018: 12,785%). Compared to the seasonally similar business cycle last year, the Group's net debt to equity ratio has significantly deteriorated (30 September 2018: 266.7%) due to negative operating results and one-off costs. The Group's liquidity ratio has worsened from 1.1 to 0.9 in 12 months (30 September 2018 and 30 September 2019).

PEOPLE

As at 30 September 2019 Baltika Group employed 841 people, which is 150 people less than at 30 September 2018 (991), thereof 437 (30.09.2018: 468) in the retail system, 275 (30.09.2019: 347) in manufacturing and 129 (30.09.2018: 176) at the head office and logistics centre.

Baltika Group employees’ remuneration expense in nine months amounted to 8,159 thousand euros (9 months 2018: 8,028 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 437 thousand euros (9 months 2018: 187 thousand euros). The remuneration of the members of the Management Board for the first nine months of 2019 includes a severance payment of 198 thousand euros to Meelis Milder.

KEY FIGURES OF THE GROUP (III QUARTER AND 9 MONTHS 2019)

	Q3 2019	Q3 2018	Q3 2017	Q3 2016	Q3 2015[1]	Q3 2015
Revenue (EUR thousand)	9,758	11,026	12,001	11,966	12,002	13,149
Retail sales (EUR thousand)	8,835	9,404	9,435	9,547	10,290	11,437
Share of retail sales in revenue	90.5%	85.3%	78.6%	79.8%	85.7%	87.0%
Gross margin	45.9%	45.6%	44.0%	45.4%	44.6%	45.1%
EBITDA (EUR thousand)	845	-407	-36	151	-86	-181
Net profit (EUR thousand)	-1,241	-814	-471	-296	-520	-650
EBITDA margin	8.7%	-3.7%	-0.3%	1.3%	-0.7%	-1.4%
Operating margin	-9.4%	-6.1%	-2.9%	-1.4%	-3.3%	-4.0%

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EBT margin	-12.7%	-7.4%	-3.9%	-2.5%	-4.3%	-4.9%
Net margin	-12.7%	-7.4%	-3.9%	-2.5%	-4.3%	-4.9%

Sales activity key figures	9M and 30 September 2019	9M and 30 September 2018	9M and 30 September 2017	9M and 30 September 2016	9M and 30 September 2015[1]	9M and 30 September 2015
Revenue (EUR thousand)	29,491	32,410	34,490	34,289	35,301	38,655
Retail sales (EUR thousand)	26,272	27,257	27,850	28,265	30,317	33,671
Share of retail sales in revenue	89.1%	84.1%	80.7%	82.4%	85.9%	87.1%
Share of exports in revenue	53.4%	55.1%	56.3%	56.7%	57.1%	60.8%
Number of stores in retail	84	93	93	94	94	104
Number of stores	84	120	125	127	121	131
Sales area (sqm) (end of period)	16,321	17,416	17,299	17,094	17,044	19,881
Number of employees (end of period)	841	991	1,025	1,060	1,111	1,196
Gross margin	49.7%	49.2%	48.0%	49.4%	47.0%	47.3%
EBITDA (EUR thousand)	3,021	-457	457	882	80	-376
Net profit (EUR thousand)	-3,300	-1,669	-862	-443	-1,176	-1,719
EBITDA margin	10.2%	-1.4%	1.3%	2.6%	0.2%	-1.0%
Operating margin	-7.6%	-3.9%	-1.4%	-0.3%	-2.3%	-3.5%
EBT margin	-11.2%	-5.1%	-2.5%	-1.3%	-3.3%	-4.5%
Net margin	-11.2%	-5.1%	-2.5%	-1.3%	-3.3%	-4.4%
Inventory turnover	2.8	2.1	2.1	2.2	2.0	2.1

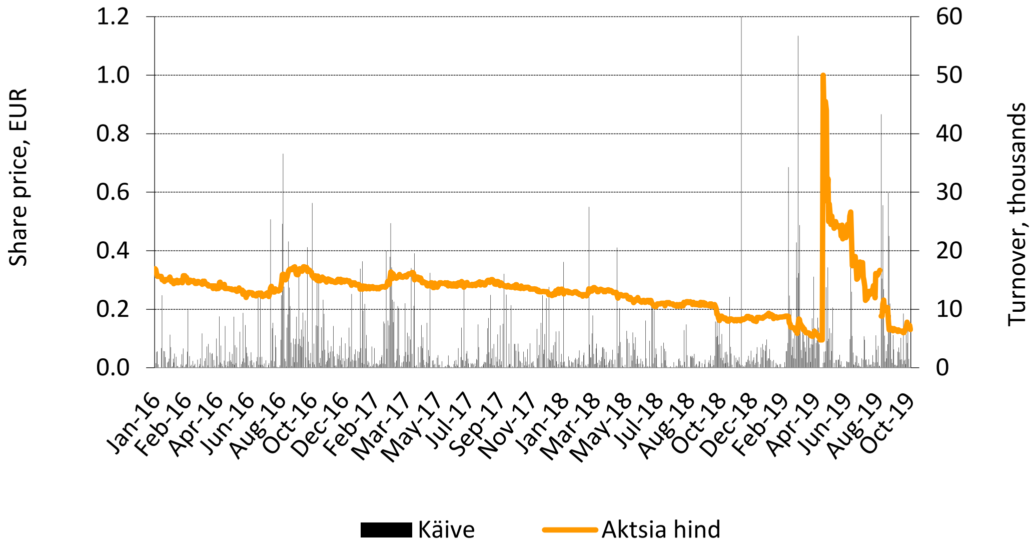
Other ratios	9M and 30 September 2019	9M and 30 September 2018	9M and 30 September 2017	9M and 30 September 2016	9M and 30 September 2015[1]	9M and 30 September 2015
Current ratio	0.9	1.1	1.5	1.0	1.3	1.3
Net gearing ratio	1359.0%	266.7%	215.3%	202.0%	117.5%	117.5%
Return on equity	384.3%	-38.3%	-19.1%	-10.1%	-21.1%	-21.1%
Return on assets	-12.1%	-9.1%	-4.5%	-2.3%	-7.3%	-7.3%

[1]In connection with Baltika's exit from the Russian retail business at the beginning of the year 2016, the sales activity key figures of 2015 presents only results of continued operations.
[2]Other ratios include impact of continued and discontinued operations.

Definitions of key ratios
EBITDA = Operating profit-amortisation depreciation and loss from disposal of fixed assets
EBITDA margin = EBITDA÷Revenue
Gross margin = (Revenue-Cost of goods sold)÷Revenue
Operating margin = Operating profit÷Revenue
EBT margin = Profit before income tax÷Revenue
Net margin = Net profit (attributable to parent)÷Revenue
Current ratio = Current assets÷Current liabilities
Inventory turnover = Cost of goods sold÷Average inventories*
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)÷Equity
Return on equity (ROE) = Net profit÷Average equity*
Return on assets (ROA) = Net profit÷Average total assets*

*Based on 12-month average

SHARE PRICE AND TURNOVER



MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The Management Board confirms that the management report presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements; includes the description of major risks and doubts influencing the remainder of the financial year; and provides an overview of all significant transactions with related parties.

Mae Leyrer
Member of the Management Board
17 October 2019

Maigi Pärnik-Pernik
Member of the Management Board
17 October 2019

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter and 9 months of 2019 as presented on pages 13-35.

The Management Board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;

2. the financial statements give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of the operations and the cash flows of the Group; and its cash flows;

3. the Group is going concern.

Mae Leyrer
Member of the Management Board
17 October 2019

Maigi Pärnik-Pernik
Member of the Management Board
17 October 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sept 2019	31 Dec 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	202	428
Trade and other receivables	4	1,069	866
Inventories	5	10,600	10,707
Total current assets		**11,871**	**12,001**
Non-current assets			
Deferred income tax asset		286	286
Other non-current assets	4	213	287
Property, plant and equipment	6	17,632	1,878
Intangible assets	7	507	543
Total non-current assets		**18,638**	**2,994**
TOTAL ASSETS		**30,509**	**14,995**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	8	8,886	7,829
Trade and other payables	9,10	4,529	5,934
Total current liabilities		**13,415**	**13,763**
Non-current liabilities			
Borrowings	8	15,327	1,165
Total non-current liabilities		**15,327**	**1,165**
TOTAL LIABILITIES		**28,742**	**14,928**
EQUITY			
Share capital at par value	11	5,408	4,079
Share premium		0	0
Reserves	11	0	1,107
Retained earnings		-341	0
Net profit (loss) for the period		-3,300	-5,119
TOTAL EQUITY		**1,767**	**67**
TOTAL LIABILITIES AND EQUITY		**30,509**	**14,995**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	3Q 2019	3Q 2018	9M 2019	9M 2018
Revenue	12,13	9,758	11,026	29,491	32,410
Cost of goods sold	14	-5,274	-5,993	-14,826	-16,462
Gross profit		**4,484**	**5,033**	**14,665**	**15,948**
Distribution costs	15	-4,788	-5,168	-14,843	-15,504
Administrative and general expenses	16	-543	-572	-2,028	-1,733
Other operating income (-expense)	17	-73	37	-24	24
Operating loss		**-920**	**-670**	**-2,230**	**-1,265**
Finance costs	18	-321	-144	-1,070	-404
Loss before income tax		**-1,241**	**-814**	**-3,300**	**-1,669**
Income tax expense		0	0	0	0
Net loss for the period		**-1,241**	**-814**	**-3,300**	**-1,669**
Total comprehensive loss for the period		**-1,241**	**-814**	**-3,300**	**-1,669**
Basic earnings per share from net loss for the period, EUR	19	-0.04	-0.02	-0.11	-0.04
Diluted earnings per share from net loss for the period, EUR	19	-0.04	-0.02	-0.11	-0.04

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CONSOLIDATED CASH FLOW STATEMENT

	Note	3Q 2019	3Q 2018	9M 2019	9M 2018
Cash flows from operating activities					
Operating loss		-920	-670	-2,230	-1,265
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-16	1,763	262	5,243	807
Gain (loss) from sale, impairment of PPE, non-current assets, net		2	0	4	4
Other non-monetary adjustments		60	0	-290	0
Changes in working capital:					
Change in trade and other receivables	4	-71	-759	-8	-1,539
Change in inventories	5	260	239	277	-752
Change in trade and other payables	9	-1,000	-296	-1,474	-295
Interest paid and other financial expense		-147	-56	-246	-144
Net cash generated from operating activities		**-53**	**-1,280**	**1,276**	**-3,184**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	6, 7	-243	-92	-559	-356
Proceeds from disposal of PPE		0	0	10	0
Net cash used in investing activities		**-243**	**-92**	**-549**	**-356**
Cash flows from financing activities					
Received borrowings	8	0	1,000	3,000	1,000
Repayments of borrowings	8	-3,176	-127	-3,524	-455
Change in bank overdraft	8	89	683	321	2,932
Repayments of finance lease		-8	-14	-28	-87
Repayments of lease liabilities, principle		-1,469	0	-4,260	0
Repayments of lease liabilities, interest		-194	0	-617	0
Repayments of convertible notes	11	-845	0	-845	0
Proceeds from share issues		5,000	0	5,000	0
Net cash generated from (used in) financing activities		**-603**	**1,542**	**-953**	**3,390**
Total cash flows		**-899**	**170**	**-226**	**-150**
Cash and cash equivalents at the beginning of the period	3	**1,101**	**384**	**428**	**704**
Cash and cash equivalents at the end of the period	3	**202**	**554**	**202**	**554**
Change in cash and cash equivalents		**-899**	**170**	**-226**	**-150**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
Balance as at 31 Dec 2017	**8,159**	**496**	**1,345**	**-4,814**	**5,186**
Loss for the period	0	0	0	-1,669	-1,669
Total comprehensive loss	**0**	**0**	**0**	**-1,669**	**-1,669**
Value of conversion feature on convertible notes	-4,080	-496	-238	4,814	0
Balance as at 30 Sept 2018	**4,079**	**0**	**1,107**	**-1,669**	**3,517**
Balance as at 31 Dec 2018	**4,079**	**0**	**1,107**	**-5,119**	**67**
Loss for the period	0	0	0	-3,300	-3,300
Total comprehensive loss	**0**	**0**	**0**	**-3,300**	**-3,300**
Reduction of the nominal value of the share	-3,671	0	-1,107	4,778	0
Issue of ordinary shares	5,000	0	0	0	5,000
Balance as at 30 Sept 2019	**5,408**	**0**	**0**	**-3,641**	**1,767**

NOTES TO CONSOLIDATED INTERIM REPORT

NOTE 1 Accounting policies and methods used in the preparation of the interim report

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer that develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo. The Group employes a vertically integrated business model which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, logistics and whole-, franchise- and retail sales. AS Baltika's shares are listed on the Nasdaq Tallinn Stock Exchange. The largest shareholder and the only company holding more than 20% of shares (Note 11) of AS Baltika is KJK Fund Sicav-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the third quarter ended 30 September 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The interim report should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2018, which has been prepared in accordance with International Financial Reporting Standards. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except accounting for leases, which is accounted under IFRS 16 principles starting from 1 January 2019. Changes in lease accounting are described below. Other new and revised standards and interpretations effective from 1 January 2019 do not have a significant impact on the Group's financial statements as of preparing the interim financial report.

All information in the financial statements is presented in thousands euros, unless stated otherwise.

This interim report has not been audited or otherwise reviewed by auditors, and includes only the Group's consolidated reports and does not include all of the information required for full annual financial statements.

Changes in significant accounting policies

The Group has adopted IFRS 16, Leases for the first time starting from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements. The effect from application of standard for Leases on the Group's financial statements is described below.

IFRS 16, Leases

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognized fixed assets and lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

The Group leases various properties and commercial premises. Rental contracts are typically made for fixed periods of average 5 years but include, as a rule extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

The Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities were recognised in the balance sheet at net present value of lease payments. Each lease payment is allocated between the liability of principal of the lease payment and finance cost (interest expense). The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis (except for exceptions). Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on some kind an index (for example inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate. The alternative interest rate is the interest rate that the Group would have to pay if it financed the purchase of a similar right to use the asset with a loan.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- if rental agreement requires, then restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term rentals include contracts with a lease term of 12 months or less. Low-value assets are generally computer equipment, smaller machines and equipment.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed.

On applying the standard as at 1 January 2019, the lease payments were discounted at the Group's incremental borrowing rate of 5% on average. The Group has used a single discount rate to a portfolio of leases with reasonably similar characteristics as practical expedient permitted by the standard. The Group has used the following practical expedients:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As the result of application, the Group's total assets in the balance sheet as at 1 January 2019 increased by 18,079 thousand euros and liabilities increased by 18,079 thousand euros.

NOTE 2 Financial risks

In its daily activities, the Group is exposed to different types of risks. Risk management is an important and integral part of the business activities of the Group. The Group's ability to identify, measure and control different risks is a key variable for the Group's profitability. The Group's management defines risk as a potential negative deviation from the expected financial results. The main risk factors are market (including currency risk, interest rate risk and price risk), credit, liquidity and operational risks. Management of the Group's Parent company considers all the risks as significant risks for the Group. The Group uses the ability to regulate retail prices, reduces expenses and if necessary restructures the Group's internal transactions to hedge certain risk exposures.

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The basis for risk management in the Group are the requirements set by the Nasdaq Tallinn, the Financial Supervision Authority and other regulatory bodies, adherence to generally accepted accounting principles, as well as the company's internal regulations and risk policies. Overall risk management includes identification, measurement and control of risks. The management of the Parent company plays a major role in managing risks and approving risk procedures. The Supervisory Board of the Group's Parent company monitors the management's risk management activities.

Market risk

Foreign exchange risk

In 2019 and 2018 all sales were made in euros. The Group's foreign exchange risk is related to purchases done in foreign currencies. The majority of raw materials used in production are acquired from the European Union and goods purchased for resale are acquired outside of the European Union. The main currencies used for purchases are EUR (euro) and USD (US dollar).

The Group's results are affected by the fluctuations in foreign currency rates. The changes in average foreign currency rates against the euro in the reporting period were the following:

Average currencies	9M 2019	9M 2018
USD (US dollar)	-5.91%	-10.23%

The changes in foreign currency rates against the euro between balance-sheet dates were the following:

Balance-sheet date rates (30.09.2019; 31.12.2018)	
USD (US dollar)	-4.90%

Cash and cash equivalents (Note 3), trade receivables (Note 4) and borrowings (Note 8) are in euro and thereof not open to foreign exchange risk. Trade payables (Note 9) are also in foreign currency and therefore open to foreign exchange risk.

The Management monitors changes of foreign currency constantly and assesses if the changes exceed the risk tolerance determined by the Group. If feasible, foreign currencies collected are used for the settling of liabilities denominated in the same currency.

Interest rate risk

As the Group's cash and cash equivalents carry fixed interest rate and the Group has no other significant interest carrying assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from current and non-current borrowings issued at floating interest rate and thus exposing the Group to cash flow interest rate risk. Interest rate risk is primarily caused by the potential fluctuations of Euribor and Eonia and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

Non-current borrowings in the amount of 602 thousand euros at 30 September 2019 and 1,165 thousand euros at 31 December 2018 were subject to a floating 6-month interest rate based on Euribor. Non-current borrowings in the amount of 4,045 thousand euros at 31 September 2018 (31 December 2018:0) were subject to a fixed interest rate. The remaining long-term borrowings at 30 September 2019 in the amount of 10,671 thousand euros are the present value of the lease liabilities recognized under IFRS 16, discounted at an average interest rate of 5%. The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

During the financial year and the previous financial year, the Group´s management evaluated and recognised the extent of the interest rate risk. However, the Group uses no hedging instruments to manage the risks arising from fluctuations in interest rates, as it finds the extent of the interest-rate risk to be insignificant.

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Price risk

The Group is not exposed to the price risk with respect to financial instruments as it does not hold any equity securities.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as all outstanding trade receivables.

Cash and cash equivalents

For banks and financial institutions, mostly independently rated parties with a minimum rating of “A” are accepted as long-term counterparties in the Baltic states and Finland.

Trade receivables

As at 30 September 2019 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 478 thousand euros (31 December 2018: 397 thousand euros) on a net basis after allowances.

Sales to retail customers are settled in cash or using major credit cards, thus no credit risk is involved with retail clients, except the risk arising from banks and financial institutions selected as approved counterparties.

Liquidity risk

Liquidity risk is the potential risk that the Group has limited or insufficient financial (cash) resources to meet the obligations arising from the Group’s activities. Management monitors the sufficiency of cash and cash equivalents to settle liabilities and finance the Group’s strategic goals on a regular basis by using rolling cash forecasts.

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, commercial bond issues, issuance of additional shares and monitors the terms of receivables and purchase contracts. The unused limit of the Group´s overdraft facilities as at 30 September 2019 was 1,345 thousand euros (31 December 2018: 1,666 thousand euros).

Risk arising from lease contracts

The risk arising from lease contracts is a potential risk that, in the event of a change in the Group's business model, it will not be possible to terminate a long-term lease without incurring additional costs. The Group's long-term lease contracts are related to leasing of production facilities and shops. One of the main parts of Baltika Group's ongoing restructuring plan is to discontinue production in the Group's Estonian production units by the end of 2019. The Group's management is in active negotiation with the lessor of the production facilities to find a solution for early termination of the lease. A failure of the negotiations weakens the financial position of the Group and has a significant negative impact on the financial statements and cash flow for the years 2019 and 2020. The Group's annual lease payments for the Group's production facilities in 2019 are approximately 700 thousand euros.

Financial liabilities by maturity at 30 September 2019

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 8)[2]	8,005	3,466	5,290	8,756
Finance lease liabilities (Note 8)	50	47	4	51
Trade payables (Note 9)	1,902	1,902	0	1,902
Lease liabilities (Note 8)	16,158	7,112	10,095	17,207
Other financial liabilities	72	72	0	72
Total	**26,187**	**12,599**	**15,389**	**27,988**

Lease liabilities as of September 30, 2019 include production facilities’ lease liabilities in the amount of 3 003 thousand euros based on the current lease agreements. One of the main parts of Baltika Group's ongoing restructuring plan is to discontinue production in the Group's Estonian production units by the end of 2019. The Group's management is in active negotiation with the lessor of the production facilities to find a solution for early termination of the lease. A failure of the negotiations weakens the financial position of the Group and has a significant negative impact on the financial statements and cash flow for the years 2019 and 2020.

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Financial liabilities by maturity at 31 December 2018

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 8)[2]	4,153	3,165	1,158	4,323
Finance lease liabilities (Note 8)	78	38	48	86
Convertible bonds (Note 8)	4,763	4,994	0	4,994
Trade payables (Note 9)	3,065	3,065	0	3,065
Other financial liabilities	22	22	0	22
Total	**12,081**	**11,284**	**1,206**	**12,490**

[1]For interest bearing borrowings carrying a floating interest rate based on Euribor, the last applied spot rate to loans has been used.
[2]Used overdraft facilities are shown under loans based on the contractual date of payment.

Operational risk

The Group's operations are mostly affected by the cyclical nature of economies in target markets and changes in competitive positions, as well as risks related to specific markets (especially non-European Union market – Russia, Ukraine, Belarus).

To manage the risks, the Group attempts to increase the flexibility of its operations: the sales volumes and the activities of competitors are also being monitored and if necessary, the Group makes adjustments in price levels, marketing activities and collections offered. In addition to central gathering and assessment of information, an important role in analysing and planning actions is played by a market organisation in each target market, enabling the Group to obtain fast and direct feedback on market developments on one hand and adequately consider local conditions on the other.

Improvement of flexibility plays an important role in increasing the Group's competitiveness. Continuous efforts are being made to shorten the cycles of business processes and minimise potential deviations. This also helps to improve the relative level and structure of inventories and the fashion collections' meeting consumer expectations.

The most important operating risk arises from the Group's inability to produce collections which would meet customer expectations and the goods that cannot be sold when expected and as budgeted.

To ensure good collections, the Group employs a strong team of designers who monitor and are aware of fashion trends by using internationally acclaimed channels. Such a structure, procedures and information systems have been set up at the Group which help daily monitoring of sales and balance of inventories and using the information in subsequent activities. In order to avoid supply problems, cooperation with the world's leading procurement intermediaries as well as fabric manufacturers has been expanded.

The unavoidable risk factor in selling clothes is the weather. Collections are created and sales volumes as well as timing of sales is planned under the assumption that regular weather conditions prevail in the target markets – in case weather conditions differ significantly from normal conditions, the actual sales results may significantly differ from the budget.

Debtors of the Group may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating operating and economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments, however management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Capital management

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The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Loan agreements with the banks include certain restrictions and obligations to provide information to the bank concerning payments of dividends, changes in share capital and in cases of supplementing additional capital.

Commercial Code sets requirement to equity level – the required level of equity has to be minimum 50% of share capital.

The Group monitors capital on the basis of net gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as interest carrying borrowings less cash and cash equivalents.

As at 30 September 2019 and 31 December 2018, the amount of the Group's equity did not meet the requirement of the Commercial Code, which is at least 50% of the share capital. Equity deficit is the result of extraordinary allowances and impairment losses of trade receivables, inventories and non-current assets related to strategical decisions in amount of 3,583 thousand euros recorded in 2018 and negative operating result in 2018. The Management of the Group is working on meeting the net asset requirement set out in the Commercial Code.

Net gearing ratio

	30 Sept 2019	31 Dec 2018
Interest carrying borrowings (Note 8)	24,213	8,994
Cash and bank (Note 3)	-202	-428
Net debt	24,011	8,566
Total equity	1,767	67
Net gearing ratio	**1,359%**	**12,785%**

Fair value

The Group estimates that the fair values of the financial assets and liabilities denominated in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 30 September 2019 and 31 December 2018.

Trade receivables and payables are recorded in the carrying amount less an impairment provision, and as trade receivables and payables are short term then their fair value is estimated by management to approximate their balance value.

Regarding to the Group's long-term borrowings that have a floating interest rate that changes along with the changes in market interest rates, the discount rates used in the discounted cash flow model are applied to calculate the fair value of borrowings. The Group's risk margins have not changed considerably and are reflecting the market conditions. Group's long-term borrowings that have a fixed interest rate, are recognized at the discounted present value by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Based on that, the Management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 Cash and cash equivalents

	30 Sept 2019	31 Dec 2018
Cash at hand	58	120
Cash at bank and overnight deposits	144	308
Total	**202**	**428**

All cash and cash equivalents are denominated in euros.

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NOTE 4 Trade and other receivables

Short-term trade and other receivables	30 Sept 2019	31 Dec 2018
Trade receivables, net	478	397
Other prepaid expenses	205	205
Tax prepayments and tax reclaims, thereof	364	234
Value added tax	364	234
Other current receivables	22	30
Total	**1,069**	**866**

Long-term assets		
Non-current lease prepayments	213	287
Total	**213**	**287**

All trade and other receivables are in euros.

Trade receivables by region (client location) and by due date

30 Sept 2019	Baltic region	Eastern European region	Other regions	Total
Not due	233	19	3	255
Up to 1 month past due	6	0	0	6
1-3 months past due	0	18	0	18
3-6 months past due	0	143	0	143
Over 6 months past due	0	56	0	56
Total	**239**	**236**	**3**	**478**

31 Dec 2018	Baltic region	Eastern European region	Other regions	Total
Not due	286	86	-9	363
Up to 1 month past due	4	0	13	17
1-3 months past due	8	0	7	15
3-6 months past due	0	0	0	0
Over 6 months past due	1	0	1	2
Total	**299**	**86**	**12**	**397**

NOTE 5 Inventories

	30 Sept 2019	31 Dec 2018
Fabrics and accessories	792	1,445
Work-in-progress	107	107
Finished goods and goods purchased for resale	9,297	8,887
Allowance for impairment of finished goods and goods purchased for resale	0	-170
Prepayments to suppliers	404	438
Total	**10,600**	**10,707**

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NOTE 6 Property, plant and equipment

	Buildings and structures	Right-of-use assets	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2017						
Acquisition cost	**2,925**	**0**	**4,743**	**4,878**	**0**	**12,546**
Accumulated depreciation	-2,064	0	-4,372	-3,715	0	-10,151
Net book amount	**861**	**0**	**371**	**1,163**	**0**	**2,395**
Additions	156	0	41	108	0	305
Disposals	0	0	0	-4	0	-4
Depreciation	-271	0	-91	-371	0	-733
30 Sept 2018						
Acquisition cost	**2,960**	**0**	**4,719**	**4,770**	**0**	**12,449**
Accumulated depreciation	-2,214	0	-4,398	-3,874	0	-10,486
Net book amount	**746**	**0**	**321**	**896**	**0**	**1,963**
31 December 2018						
Acquisition cost	**2,988**	**0**	**4,634**	**4,909**	**0**	**12,531**
Accumulated depreciation	-2,241	0	-4,482	-3,930	0	-10,653
Net book amount	**747**	**0**	**152**	**979**	**0**	**1,878**
IFRS 16 initial application (Note 1)	0	18,079	0	0	0	18,079
Net book amount as at 1 January 2019	**747**	**18,079**	**152**	**979**	**0**	**19,957**
Additions	320	2,800	8	203	23	3,354
Disposals	-3	0	0	-11	0	-14
Reclassification	2	0	105	-105	-2	0
Depreciation	-262	-4,548	-78	-315	0	-5,203
Termination of lease contracts	0	-462	0	0	0	-462
30 Sept 2019						
Acquisition cost	**2,821**	**20,417**	**4,448**	**4,422**	**21**	**32,129**
Accumulated depreciation	-2,017	-4,548	-4,261	-3,671	0	-14,497
Net book amount	**804**	**15,869**	**187**	**751**	**21**	**17,632**

The net book value of right-of-use assets as of September 30, 2019 includes Groups' lease contracts for the production facilities in the amount of 2 945 thousand euros. One of the main parts of Baltika Group's ongoing restructuring plan is to discontinue production in the Group's Estonian production units by the end of 2019. The Group's management is in active negotiation with the lessor of the production facilities to find a solution for early termination of the lease. A failure of the negotiations weakens the financial position of the Group and has a significant negative impact on the financial statements and cash flow for the years 2019 and 2020.

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NOTE 6 Intangible assets

	Licenses, software and other	Trade-marks	Pre-payments	Goodwill	Total
31.12.2017					
Acquisition cost	**2,107**	**1,243**	**0**	**509**	**3,859**
Accumulated depreciation	-1,921	-425	0	0	-2,346
Net book amount	**186**	**818**	**0**	**509**	**1,513**
Additions	2	0	49	0	**51**
Amortisation	-16	-58	0	0	**-74**
30.09.2018					
Acquisition cost	**2,109**	**1,243**	**49**	**509**	**3,910**
Accumulated depreciation	-1,937	-483	0	0	-2,420
Net book amount	**172**	**760**	**49**	**509**	**1,490**
31.12.2018					
Acquisition cost	**2,092**	**1,243**	**0**	**154**	**3,489**
Accumulated depreciation	-1,905	-1,041	0	0	-2,946
Net book amount	**187**	**202**	**0**	**154**	**543**
Additions	0	0	4	0	**4**
Amortisation	-16	-24	0	0	**-40**
30.09.2019					
Acquisition cost	**2,092**	**1,243**	**4**	**154**	**3,493**
Accumulated depreciation	-1,965	-1,021	0	0	-2,986
Net book amount	**127**	**222**	**4**	**154**	**507**

NOTE 7 Borrowings

	30 Sept 2019	31 Dec 2018
Current borrowings		
Current portion of bank loans	698	697
Overdraft	2,655	2,334
Current portion of finance lease liabilities	46	35
Lease liabilities	5,487	0
Share options (Note 11)	0	4,763
Total	**8,886**	**7,829**
Non-current borrowings		
Non-current bank loans	598	1,122
Non-current finance lease liabilities	4	43
Lease liabilities	10,671	0
Other non-current loans (Note 11)	4,054	0
Total	**15,327**	**1,165**
Total borrowings	**24,213**	**8,994**

Lease liabilities include lease agreements that are valid in the period of December 2019 until November 2025. Lease liability recorded in the balance sheet as at 30 September 2019 is recognised as a result of adoption of IFRS 16 on 1 January 2019. The lease payments are discounted at the Group's incremental borrowing rate 5%.

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During the reporting period, the Group made bank loan repayments in the amount of 524 thousand euros (9 months 2018: 455 thousand euros) and lease liabilities (under IFRS) principal payments in the amount of 4,260 thousand euros. Group´s overdraft facilities with the banks were used in the amount of 2,655 thousand euros as at 30 September 2019 (31 December 2018: 2,334 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 1,070 thousand euros (9 months 2018: 404 thousand euros), including 143 thousand euros from the convertible bonds of related party and 74 thousand euros from loans from related party (9 months 2018: 163 thousand euros from convertible bonds of related party); and interests from lease liabilities recognised under IFRS 16 in the amount of 617 thousand euros.

The Group leases various production equipment, cars, furniture and equipment for shops under finance leases.

Changes in 2018

In May the repayment date of the overdraft agreement (in the amount of 1,000 thousand euros) was extended until December 2018.

In July an annex under the existing facility agreement was signed, which extended the other overdraft´s repayment date until July 2019 (in the amount of 3,000 thousand euros). With the same annex the existing loan repayment period was extended to be over three years and an additional investment loan in the amount of 1,000 thousand euros was agreed, which will be repaid during the next 3 years. In the third quarter the loan was taken into use.

Changes in 2019

In order to finance working capital, a short-term loan agreement was signed with KJK Fund Sicav-SIF for 3,000 thousand euros. Loan with the repayment date in August 2019, was taken into use in two tranches. The first tranch 1,500 thousand euros was taken into use in March 2019 and the second tranch in April 2019. The loan carried 6% interest and was repaid with the funds received from the share issue.

In June the repayment date of the overdraft agreement (in the amount of 3,000 thousand euros) was extended until July 2020.

In May an agreement was signed between the main holder of K-Bonds (81%), the major shareholder of the company KJK Fund Sicav-SIF and AS Baltika to refinance the convertible bonds. In accordance with the signed agreement, the entire amount for the convertible bonds (including accrued interest) that became repayable in August 2019 was converted into a long-term loan with interest of 6% per annum and maturity date in May 2022.

In July an annex under the existing facility agreement was signed, which extended the second overdraft´s (in the amount of 1,000 thousand euros) repayment date. According to the annex, starting from November 2019 the new amount of the overdraft will be 600 thousand euros which is repayable in December 2019.

Interest carrying loans and bonds of the Group as at 30 September 2019

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR+3,9% or EONIA +3,8%	4,001
Borrowings at fixed interest rate (Note 20)	6.00%	4,045
Total		**8,046**

Interest carrying loans and bonds of the Group as at 31 December 2018

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR +3,7% or EONIA +3,8%	4,231
K-Bonds (Note 11)	6.00%	4,445
Total		**8,676**

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NOTE 8 Trade and other payables

	30 Sept 2019	31 Dec 2018
Current liabilities		
Trade payables	1,902	3,065
Tax liabilities, thereof	1,292	1,437
Personal income tax	165	148
Social security taxes and unemployment insurance premium	477	552
Value added tax	583	702
Other taxes	67	35
Payables to employees[1]	822	980
Other current payables[2]	72	22
Other accrued expenses	38	5
Customer prepayments	72	94
Total	**4,198**	**5,603**

[1]Payables to employees consist of accrued wages, salaries and vacation reserve.
[2]Information about the liabilities to related parties is in Note 20.

Trade payables and other accrues expenses in denominated currency

	30 Sept 2019	31 Dec 2018
EUR (euro)	1,161	1,763
USD (US dollar)	779	1,307
Total	**1,940**	**3,070**

NOTE 9 Provisions

	30 Sept 2019	31 Dec 2018
Client bonus provision	331	331
Total	**331**	**331**

Short description of the provision

Baltika customer loyalty program “AndMore” motivates clients by allowing them to earn future discounts on purchases made today (bonus euros). Accumulated bonuses are valid for six months from the customer´s last purchase. Program conditions are described in detail on company´s website.

Assumptions used

The provision is calculated using assumptions made by Management as described in the Group´s consolidated annual financial statements for the year ended 31 December 2018.

NOTE 10 Equity

Share capital and reserves

	30 Sept 2019	31 Dec 2018
Share capital	5,408	4,079
Number of shares (pcs)	54,079,485	40,794,850
Nominal value of share (EUR)	0.10	0.10
Statutory reserve	0	944
Other reserves	0	163

As at 30 September 2019, under the Articles of Association, the company’s minimum share capital is 2 000 thousand euros and the maximum share capital is 8 000 thousand euros and as at 31 December 2018, under the Articles of Association, the company’s minimum share capital is 4,000 thousand euros and the maximum share capital is 16,000 thousand euros. As at 30 September 2019 and 31 December 2018 share capital consists of ordinary shares, that are listed on the Nasdaq Tallinn Stock Exchange and all shares have been paid for.

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On May 6, 2019, the number of shares were reduced according to the decision of the Annual General Meeting held on 12 April 2019, that approved the amendment of the Articles of Association, which stipulates that the nominal value of the share will be changed from 0.1 euros to 1 euro. Thereafter, all existing ordinary shares will be cancelled and exchanged to the new shares so that each 10 existing shares shall be exchanged to 1 new share. The amount of share capital remained unchanged.

On May 22, 2019 the decrease of the share capital of AS Baltika was registered in the Commercial Register and on 27 May 2019 the nominal value of AS Baltika share was changed at the Estonian Central Securities Depository based on the resolution adopted by the general meeting of shareholders held on April 12, 2019. Pursuant to the resolution of the general meeting of shareholders the share capital of AS Baltika was to be decreased by 3,671 thousand euros from 4,079 thousand euros to 408 thousand euros. The share capital was decreased by reducing the nominal value of the shares by 0.9 euro. As a result of the decrease of the share capital, the share capital of AS Baltika was 408 thousand euros that was divided into 4,079,485 shares with nominal value of 0.10 euro by share.

AS Baltika annual general meeting held on April 12, 2019 approved the increase of share capital by issuing 50,000,000 new ordinary share. The subscription period for shares started on July 16, 2019 at 10.00 and ended on August 7, 2019 at 14.00. The Management Board of AS Baltika approved the distribution of new shares to investors on August 9, 2019, which was changed by the Management Board decision on August 15, 2019. On August 13, 2019 Commercial Register registered the increase of share capital of AS Baltika. The new amount of the registered share capital of AS Baltika is 5,408 thousand euros, which is divided into 54,079,485 shares with nominal value of 0.1 euros

Convertible bonds and share option program

	Issue date	Share subscription period	Number of convertible bonds 30 Sept 2019	Number of convertible bonds 31 Dec 2018
K-Bond	16 August 2017	15 July 2019 - 18 August 2019	0	889

- K-bonds

On 8 May 2017, the Annual General Meeting of shareholders decided to issue convertible bonds with bondholder option in the total amount of 4.5 million euros. The decision was to issue 900 convertible bonds with the issuance price of 5,000 euros. Out of 900 bonds offered, 889 bonds in total amount of 4,445 thousand euros were subscribed. The convertible bonds carry an annual interest rate of 6% and the term is two years. Each bond gives its owner the right to subscribe for 15,625 Baltika's share at subscription price of 0.32 euros. No applications were received by 18 August 2019 to mark the shares; therefore, in accordance with the agreement signed in May between AS Baltika and KJK Fund Sicav-SIF, entire amount repayable to KJK Fund Sicav-SIF was converted into a long-term loan (see Note 8). All other proceeds were repaid to bond holders.

Bonds were partly issued to a related party (720 bonds in the amount of 3,600 thousand euros, Note 20) which were converted into a long-term loan.

- Share option programs

On 16 May 2018, the Annual General Meeting of shareholders decided to conditionally increase share capital by up to 1,000,000 registered shares with a nominal value of 0.10 euro subscription price of 0.10 euro related to the share option program. The share options are granted amongst others to the Management Board members and vest three years after signing the option agreement if the Baltika share price increase conditions are fulfilled.

Shareholders as at 30 September 2019

	Number of shares	Holding
1. ING Luxembourg S.A.	48,505,991	89.69%
2. Clearstream Banking Luxembourg S.A. clients	1,070,840	1.98%
3. Members of Management and Supervisory Boards and persons related to them		
Entities connected to Supervisory Board not mentioned above	1,529,219	2.83%
6. Other shareholders	2,973,435	5.50%
Total	**54,079,485**	**100%**

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Shareholders as at 31 December 2018

	Number of shares	Holding
1. ING Luxembourg S.A.	15,870,914	38.90%
2. Clearstream Banking Luxembourg S.A. clients	10,702,525	26.23%
3. Luksusjaht AS	900,237	2.21%
4. Svenska Handelsbanken clients	870,000	2.13%
5. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	1,000,346	2.45%
Persons related to members of Management Board	228,583	0.56%
Entities related to Supervisory Board not mentioned above	1,002,427	2.46%
6. Other shareholders	10,219,818	25.06%
Total	**40,794,850**	**100%**

The shares of the Parent company are listed on the Nasdaq Tallinn. After registering the increase of AS Baltika share capital in Commercial Register on August 13, 2019, KJK Fund Sicav-SIF (ING Luxembourg S.A. AIF ACCOUNT account) shareholding in AS Baltika increased to 89.69% which makes the entity a controlling shareholder.

NOTE 11 Segments

The Group's chief operating decision maker is the Management Board of the Parent company AS Baltika. The Parent company's Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management Board has determined the operating segments based on these reports.

The Parent company's Management Board assesses the performance of the business by distribution channel: retail channel and other sales channels (including wholesale, franchise, consignation and e-commerce). The retail segments are countries which have been aggregated to reportable segments by regions which share similar economic characteristics and meet other aggregation criteria provided in IFRS 8.

Description of segments and principal activities:

- Retail segment - consists of retail operations in Estonia, Latvia, Lithuania and Finland. While the Management Board reviews separate reports for each region, the countries have been aggregated into one reportable segment as they share similar economic characteristics. Each region sells the same products to similar classes of customers and use the same production process and the method to distribute their products.

- All other segments – consists of sale of goods to wholesale, franchise and consignation clients, materials and sewing services and e-commerce sales. None of these segments meet the reportable segments quantitative thresholds set out by IFRS 8 and are therefore aggregated into the All other segments category.

The Parent company's Management Board measures the performance of the operating segments based on external revenue and profit (loss). External revenue amounts provided to the Management Board are measured in a manner consistent with that of the financial statements. The segment profit (loss) is an internal measure used in the internally generated reports to assess the performance of the segments and comprises the segment's gross profit (loss) less operating expenses directly attributable to the segment, except for other operating income and expenses. The amounts provided to the Management Board with respect to inventories are measured in a manner consistent with that of the financial statements. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment based on the operations of the segment and the physical location of the inventories.

The Management Board monitors the Group´s results also by shops and brands. The Group makes decisions on a shop-by-shop basis, using aggregated information for decision making. For segment reporting the Management Board has decided to disclose the information by distribution channel. Most of the Management Board's decisions related to investments and resource allocation are based on the segment information disclosed in this Note.

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Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements, except for accounting for lease that is presented in reports to Management Board according to IAS 17.

The Management Board primarily uses a measure of revenue from external customers, segment profit, depreciation and amortisation and inventories to assess the performance of the operating segments. Information for the segments is disclosed below:

The segment information provided to the Management Board for the reportable segments

	Retail	All other segments[1]	Total
3 Q 2019			
Revenue (from external customers)	8,835	923	9,758
Segment profit (loss)[2]	627	167	794
Incl. depreciation and amortisation	-190	0	-190
3 Q 2018			
Revenue (from external customers)	9,404	1,622	11,026
Segment profit (loss)[2]	974	341	1,315
Incl. depreciation and amortisation	-210	0	-210
9M 2019 and as at 30 Sept 2019			
Revenue (from external customers)	26,272	3,219	29,491
Segment profit (loss)[2]	2,346	629	2,975
Incl. depreciation and amortisation	-583	0	-583
Inventories of segments	5,206	0	5,206
9M 2018 and as at 30 Sept 2018			
Revenue (from external customers)	27,256	5,154	32,410
Segment profit (loss)[2]	3,071	988	4,059
Incl. depreciation and amortisation	-647	-1	-648
Inventories of segments	5,188	0	5,188

[1]All other segments include sale of goods to wholesale, franchise and consignation clients, materials and sewing services and the sales from e-commerce.
[2]The segment profit is the segment operating profit.

Reconciliation of segment profit to consolidated operating profit

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Total segment profit	794	1,315	2,975	4,059
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-1,215	-1,450	-3,481	-3,615
Administrative and general expenses	-543	-572	-2,028	-1,733
Impact of the rent accounting principles	117	0	328	0
Other operating income (expenses), net	-73	37	-24	24
Operating loss	**-920**	**-670**	**-2,230**	**-1,265**

[1]Unallocated expenses include the expenses of the parent and production company that are not allocated to the reportable segments in internal reporting.

Reconciliation of segment inventories to consolidated inventories

	30 Sept 2019	30 Sept 2018	31 Dec 2018
Total inventories of segments	5,206	5,188	4,273
Inventories in Parent company and production company	5,394	6,063	6,434
Inventories on statement of financial position	**10,600**	**11,251**	**10,707**

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NOTE 12 Revenue

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Sale of goods in retail channel	8,835	9,404	26,272	27,257
Sale of goods in wholesale and franchise channel	308	1,212	1,428	3,748
Sale of goods in e-commerce channel	512	386	1,525	1,235
Other sales	103	24	266	170
Total	**9,758**	**11,026**	**29,491**	**32,410**

Sales by geographical (client location) areas

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Estonia	4,551	4,807	14,075	14,544
Lithuania	2,498	2,621	7,253	7,206
Latvia	2,373	2,553	6,942	7,371
Russia	229	475	599	1,326
Finland	105	107	244	302
Serbia	0	39	119	111
Austria	-38	155	101	350
Ukraine	7	235	22	611
Germany	2	25	22	218
Spain	0	-74	0	75
Cyprus	0	2	2	109
Other countries	31	81	112	187
Total	**9,758**	**11,026**	**29,491**	**32,410**

NOTE 13 Cost of goods sold

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Materials and supplies	4,302	4,812	11,874	13,132
Payroll costs in production	737	908	2,360	2,691
Operating lease expenses[1]	-6	171	-5	513
Other production costs	80	84	258	282
Depreciation of assets used in production (Note 6,7)	161	18	509	54
Changes in inventories	0	0	-170	-210
Total	**5,274**	**5,993**	**14,826**	**16,462**

[1]Due to application of IFRS 16 from 1 January 2019, Group’s rental expenses in production costs in the amount of 533 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

NOTE 14 Distribution costs

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Payroll costs	2,126	2,340	6,752	7,013
Depreciation and amortisation (Note 6,7)	1,494	237	4,409	730
Operating lease expenses[1]	379	1,709	1,297	5,090
Advertising expenses	263	299	804	906
Fuel, heating and electricity costs	101	104	330	345
Municipal services and security expenses	99	91	298	278
Information technology expenses	74	46	205	142
Fees for card payments	49	52	145	156
Communication expenses	21	23	66	72
Travel expenses	18	51	57	121
Consultation and management fees	27	25	39	101

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Other sales expenses[2]	137	191	441	550
Total	**4,788**	**5,168**	**14,843**	**15,504**

[1]Due to application of IFRS 16 from 1 January 2019, Group's rental expenses in distribution costs in the amount of 4,013 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).
[2]Other sales expenses consist mostly of insurance and customs expenses, bank fees, expenses for uniforms, packaging, transportation and renovation expenses of stores, and service fees connected to administration of market organisations.

NOTE 15 Administrative and general expenses

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Payroll costs	273	295	1,172	889
Depreciation and amortisation (Note 6,7)	108	7	326	23
Information technology expenses	53	54	148	159
Management, juridical-, auditor´s and other consulting fees	20	9	79	52
Bank fees	19	27	66	82
Operating lease expenses[1]	2	121	28	325
Fuel, heating and electricity expenses	14	13	49	46
Other administrative expenses[2]	54	46	160	157
Total	**543**	**572**	**2,028**	**1,733**

[1]Due to application of IFRS 16 from 1 January 2019, Group's rental expenses in administrative and general expenses in the amount of 330 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

[2]Other administrative expenses consist of insurance, communication, travel, training, municipal and security expenses and other services.

NOTE 16 Other operating income and expenses

	3 Q 2019	3 Q 2018	9m 2019	9m 2018
Gain (loss) from sale, impairment of PPE	-2	1	-4	1
Other operating income[1]	1	44	124	45
Foreign exchange gain (-loss)	8	-3	-6	-11
Other operating expenses	-80	-5	-138	-11
Total	**-73**	**37**	**-24**	**24**

[1]In nine months 2019, other operating income includes received payments for doubtful receivables in the amount of 121 thousand euros.

NOTE 17 Finance costs

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Interest cost	-321	-144	-1 070	-404
Total	**-321**	**-144**	**-1 070**	**-404**

In nine months 2019, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 617 thousand euros.

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NOTE 18 Earnings per share

		3 Q 2019	3 Q 2018	9M 2019	9M 2018
Weighted average number of shares (thousand)	pcs	30,710	40,795	29,999	40,795
Net loss from continuing operations		-1,241	-814	-3,300	-1,669
Basic earnings per share	**EUR**	**-0.04**	**-0.02**	**-0.11**	**-0.04**
Diluted earnings per share	**EUR**	**-0.04**	**-0.02**	**-0.11**	**-0.04**

There were no dilutive instruments in the reporting period. Instruments that could potentially dilute basic earnings per share are K-bonds and the share option programs. Their dilutive effect is contingent on the share price and whether the Group has generated a profit.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Nasdaq Tallinn Stock Exchange in the reporting period was 0.26 euros (2018: 0.24 euros).

NOTE 19 Related parties

For the purpose of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the financial and management decisions of the other one in accordance with IAS 24, Related Party Disclosures. Not only the legal form of the transactions and mutual relationships, but also their actual substance has been taken into consideration when defining related parties.

For the reporting purposes in consolidated interim statements of the Group, the following entities have been considered related parties:

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 11);
- members of the Management Board and the Supervisory Board[1];
- immediate family members of the persons stated above;
- entities under the control or significant influence of the members of the Management Board and Supervisory Board.

[1]Only members of the Parent company Management Board and Supervisory Board are considered as key management personnel, as only they have responsibility for planning, directing and controlling Group activities.

Transactions with related parties

	3 Q 2019 Purchases	3 Q 2018 Purchases	9M 2019 Purchases	9M 2018 Purchases
Services	6	6	18	18
Total	**6**	**6**	**18**	**18**

In 2019 and 2018, AS Baltika bought mostly management services from the related parties.

Balances with related parties

	30 Sept 2019	31 Dec 2018
Other non-current loans and interests (Note 8, 9)	4,054	3,902
Payables to related parties total	**4,054**	**3,902**

Information about the loans and interest to related parties is in Note 8 and 11.

All transactions in 2019 as well as in 2018 reporting periods and balances with related parties as at 30 September 2019 and 31 December 2018 were with entities under the control or significant influence of the members of the Supervisory Board.

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Compensation for the members of the Management Board and Supervisory Board

	3 Q 2019	3 Q 2018	9M 2019	9M 2018
Salaries of the members of the Management Board[1]	59	54	428	176
Remuneration of the members of the Supervisory Board	1	4	9	11
Total	**60**	**58**	**437**	**187**

[1]Salaries of the members of the Management Board 9-month 2019 expense includes a severance pay for Meelis Milder in the amount of 198 thousand euros.

On 12 April, Annual General Meeting decided to recall Valdo Kalm from the Supervisory Board. As at 30 September 2019 there were four Supervisory Board Members and as at 31 December 2018 there were five Supervisory Board Members.

On October 8, 2019 the Extraordinary General Meeting of Shareholders of AS Baltika elected Kristjan Kotkas as the fifth member of the Supervisory Board of the Company. Kristjan Kotkas has been working as a General Counsel at KJK Capital Oy since April 2019.

Changes in the Management Board in 2019

By the decision of the Supervisory Board made on March 14, 2019, starting from March 22, 2019 Mae Hansen will be the third member of the Management Board of AS Baltika. She will be responsible for implementing the 2019–2020 operational plan, which main parts are optimizing the brand portfolio and sales channels, digitalisation and changing the procurement base.

On June 26, 2019, Supervisory Board approved the resignation request of the CEO Meelis Milder. On the same day Meelis Milder`s powers as the Member of the Management Board ended. Meelis Milder will continue as an Advisor of the Supervisory Board of the company on the basis of one-year contract, which was signed on June 26, 2019. As a result of the changes, the Management Board of AS Baltika continues with two members, Mae Hansen as a CEO, who will be responsible for the sales, marketing and retail business processes and Maigi Pärnik-Pernik, who will be responsible for product development and support functions.

Changes in the Management Board in 2018

At the 21st of August 2018 meeting the Supervisory Board of AS Baltika extended the contract of the member of the Management Board Meelis Milder for another 3-year term.

Convertible bonds (K-bonds) were partly issued to related parties (Note 11).

In 2018 share options will be issued among others to the Management Board members under the share option program.

AS BALTIKA SUPERVISORY BOARD

JAAKKO SAKARI MIKAEL SALMELIN
Chairman of the Supervisory Board since 23 May 2012, Member of the Supervisory Board since 21.06.2010
Partner, KJK Capital Oy
Master of Science in Finance, Helsinki School of Economics
Other assignments:
Member of the Management Board of KJK Fund SICAV-SIF,
Member of the Board of Directors, KJK Management SA,
Member of the Board of Directors, KJK Capital Oy,
Member of the Management Board, KJK Invest Oy,
Member of the Management Board of Amiraali Invest Oy,
Member of the Management Board of UAB D Investiciju Valdymas.
Baltika shares held on 30 September 2019: 0

TIINA MÕIS
Member of the Supervisory Board since 03.05.2006
Chairman of the Management Board of AS Genteel
Degree in Economical Engineering, Tallinn University of Technology
Other assignments:
Member of the Supervisory Board of AS LHV Pank and AS LHV Group,
Member of the Supervisory Board of Rocca al Mare Kool
Baltika shares held on 30 September 2019: 1,297,641 shares (on AS Genteel account)

REET SAKS
Member of the Supervisory Board since 25.03.1997
Attorney at Raidla Ellex Law Office
Degree in Law, University of Tartu
Other assignments
Member of the Management board of Non-profit organization AIPPI Estonian workgroup
Baltika shares held on 30 September 2019: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Board since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Other assignments:
Member of the Supervisory Board of AS Tallink Grupp,
Member of the Board of Oy Tallink Silja Ab,
Member of the Board of KJK Invest Oy,
Member of the Board of Kaima Capital Eesti OÜ,
Member of the Board of Aurejärvi Varainhoito Oy,
Member of the Board of UAB Malsena Plius,
Member of the Board of UAB D Investiciju Valdymas,
Member of the Board of Bostads AB Blåklinten Oy,
Member of the Board of AS Baltic Mill,
Member of the Board of KJK Investicije d.o.o,
Vice-chairman of the Board of AAS BAN,
Vice-chairman of the Management Board of Amber Trust Management SA,
Chairman of the Management Board of Amber Trust II Management SA,
Chairman of the Management Board of KJK Fund SICAV-SIF,
Chairman of the Management Board of KJK Fund II SICAV-SIF,
Chairman of the Supervisory Board of Salva Kindlustuse AS,
Chairman of the Supervisory Board of AS PRFoods,
Member of the Supervisory Board of Managetrade OÜ,
Member of the Supervisory Board of Toode AS,
Chairman of the Supervisory Board of JSC Rigas Dzirnavnieks,
Chairman of the Board of Directors, KJK Management SA,
Chairman of the Board of Directors, KJK Capital Oy,
Member of the Supervisory Board of AS Saaremere Kala,
Member of the Supervisory Board of Eurohold Bulgaria AD,
Member of the Board of Leader Group 2016 AD,
Director of KJK Bulgaria Holding EOOD,
Director of Amber Trust SCA,
Director of Amber Trust II SCA,
Member of Supervisory Board of AAS Baltijas Apdrosianas.
Baltika shares held on 30 September 2019: 231 578 shares (on Kaima Capital Eesti OÜ account)

KRISTJAN KOTKAS
Member of the Supervisory Board since 08.10.2019
General Counsel at KJK Capital Oy
Master's degree in Law, University of Tartu
Master's degree in Law, University of Cape Town
Other assignments:
Member of the Management Board of KJK III Participations S.a.r.l,
Member of the Management Board of Rondebosch OÜ,
Member of the Management Board of Protea Invest OÜ,
President of Non-profit organization Tallinn Kalev RFC,
Member of the Management Board of Non-profit organization Estonian Rugby Union.
Baltika shares held on 30 September 2019: 0

AS BALTIKA MANAGEMENT BOARD

MAE LEYRER
Member of the Management Board, Chief Transformation Officer
Member of the Board since 2019, in the Group since 2019
Global Executive MBA, University of Vienna (Austria) and Carlson School of Management (USA)
Baltika shares held on 30 September 2019: 0

MAIGI PÄRNIK-PERNIK
Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Master of Science in Engineering, Tallinn University of Technology
Baltika shares 30 September 2019: 0