



Baltika Group

AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2020

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Valukoja 10, Tallinn 11415, Estonia
Phone	+372 630 2700
E-mail	baltika@baltikagroup.com
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 2020 – 31 December 2020
Reporting period	1 January 2020 – 30 September 2020

BALTMAN

monton

Ivo Nikkolo



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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, Baltman and Ivo Nikkolo. Baltika employs a business model, which means that it controls all stages of the fashion process: design, 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 2020 the Group employed 381 people (31 December 2019: 529).

The parent company is located and has been registered at Valukoja 10 in Tallinn, Estonia.

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 September 2020	Holding as at 30 June 2019
OÜ Baltika Retail	Estonia	Dormant	100%	100%
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija ¹	Latvia	Retail	100%	100%
UAB Baltika Lietuva ¹	Lithuania	Retail	100%	100%
OY Baltinia AB	Finland	Under liquidation	100%	100%
Baltika Sweden AB	Sweden	Under liquidation	100%	100%
OÜ Baltika Tailor	Estonia	Under liquidation	100%	100%

¹Interest through a subsidiary.



MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS OF 2020

Baltika Group ended the third quarter with a net loss of 516 thousand euros. The loss for the same period last year was 1,241 thousand euros. The quarter results have improved 725 thousand euros year over-year due to Baltika Group heavy focus on fixed costs reduction that saw operating expense decreasing by 2,243 thousand euros.

The Group's sales revenue for the third quarter was 5,658 thousand euros, decreasing by 42% compared to the same period last year. Retail sales revenue in the third quarter decreased by 41% and e-com decreased by 23%. Main impactor for the decrease in sales in those channels is the strategic decision to exit brands – Mosaic and Bastion. Biggest brand Monton retail sales decreased by 7% in the same period. Sales to business customers decreased by 84%, which is related to the strategic decision to exit this sales channel.

The gross profit for the quarter was 2,884 thousand euros, decreasing by 36% i.e. 1,600 thousand euros compared to the same period of the previous year (Q3 2019: 4,484 thousand euros). The company's gross profit margin was 51.0% in the third quarter, which is 5.1 percentage points higher than the margin of the third quarter of the previous year (Q3 2019: 45.9%). The decrease in gross profit amount is due to decrease in sales. Increase in gross profit margin is due to Baltika Group selling more full-price new stock and less discounted items.

The Group's distribution and administrative expenses in the third quarter were 3,088 thousand euros, decreasing by 42% i.e. 2,243 thousand euros compared to the same period last year. Over 60% of the decrease in expense relates to reduction in retail costs. These are reduced not only by reduction of stores but also with reduction of per store and market office expenses. Consistent and significant reductions in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan that has seen the head-office distribution and administrative expense decrease by 829 thousand euros. In line with restructuring plan Baltika Group head-office staff has been reduced during the quarter by 19 people.

9 months total gross profit amounts to 7,454 thousand euros, compared to prior year 14,665 (decreasing 49%) with biggest decline coming from second quarter where majority of stores were closed for a period due to COVID-19. Operating expenses in the 9 months amounted to 11,604, decreasing by 31% that is 5,267 thousand euros with 45% of the amount coming from second quarter when stores were closed for a period of time due to COVID-19 and 43% coming from third quarter where it is due to cost savings in line with restructuring plan. Other operating income of three quarters in the amount of 5,760 thousand euros is mainly due to 4,585 thousand euros connected with restructuring of creditors' claims in accordance to the restructuring plan approved on 19 June 2020 and the reversal of the impairment of the right to use the property arising from the lease agreements for the production buildings in the amount of 1,320 thousand euros. With net financial expense of 635 thousand euros the net profit of 9 months 2020 is 975 thousand euros (prior year comparative 3,300 net loss).

As at 30 September 2020 owing to received loan 2,550 thousand euros from KJK Fund SICAV-SIF via its holding company and all the costs savings achieved, Baltika Group has achieved the financial stability with 1,085 thousand cash and cash equivalents and no use of bank overdraft (with 3,000 thousand euros limit) that allows to plan forward with the change in strategy. Baltika will move forward with only one womenswear brand from second half-year 2021. Baltika has started cooperation with international agency to build up a brand-new retail concept. First store of the new concept will be tested in the second half-year of 2021 in Tallinn.



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

- ✎ Baltika and its subsidiaries, AS Kawe and its subsidiaries and KJK Fund SICAV-SIF via its holding company have entered into an agreement, in accordance with which KJK acquired from Kawe Group certain claims against Baltika Group. Upon acquiring the claims, the substance of the claims remained unchanged and the only change for Baltika Group is that the creditor of the claims is KJK, instead of Kawe Group.
- ✎ The Annual General Meeting of AS Baltika resolved on 16 August 2020 to approve the Annual report for 2019 and covering of net loss from retained earnings. To recall Supervisory Board Member Tiina Mõis in light of her resignation application. To appoint AS PricewaterhouseCoopers as the auditors of AS Baltika for auditing the financial year 2020 and to remunerate the auditors pursuant to the agreement entered respectively.
- ✎ Court ruling regarding the approval of reorganization plan of 19 June 2020 came into force 26 August 2020.
- ✎ Baltika and Baltika's shareholder KJK Fund SICAV-SIF, via its holding company, have entered on 24th August 2020 into a loan agreement, under which KJK Fund SICAV-SIF via its holding company shall grant to Baltika a loan with the principal amount of 2,550,000 EUR, interest rate of 6.0% and repayment date 31.12.2024. Amounts arising from the said loan are repayable as a single payment on the repayment date (i.e. as a "bullet" payment) and the loan has been granted without collateral.
- ✎ AS of 01 October 2020, the company's new legal address and actual location is Valukoja 10, 11415 Tallinn, Estonia.
- ✎ In connection with the exit from the Finnish retail market and the restructuring of the Group structures, it was decided to start the liquidation of the subsidiary OY Baltinia AB and a bankruptcy was filed in the Helsinki County Court, on the basis of which the court initiated bankruptcy proceedings. Court approved on 8 October 2020 that bankruptcy proceedings have lapsed.



REVENUE

Baltika's third quarter revenue was 5,658 thousand euros, which was 42% lower compared to the same period last year. Retail sales decreased by 41%, biggest influencer being that there is one less mainstream brand, but also having 7% less average sales area in the period. E-com sales decrease of 23% relates mainly to the fact that there is one less brand on sale. Sales to business customers fell by 84%, which is driven by the strategic decision to exit this sales channel.

Sales revenue by channel

EUR thousand	3 Q 2020	3 Q 2019	+/-	9M 2020	9M 2019	+/-
Retail	5,204	8,835	-41%	13,595	26,272	-48%
E-com sales	395	512	-23%	1,561	1,525	2%
Business Customers	48	308	-84%	268	1,428	-81%
Other	11	103	-89%	78	266	-71%
Total	5,658	9,758	-42%	15,502	29,491	-47%

Stores and sales area

As of 30 September 2020, the Group had 72 stores. In the third quarter, the number of stores decreased by 4. In the third quarter, Baltika closed in Estonia and Lithuania 1 store and in Latvia 2 stores.

Stores by market

	30 Sept 2020	30 Sept 2019	Average area change*
Estonia	30	33	-2%
Lithuania	26	29	-9%
Latvia	16	21	-14%
Finland	0	1	-100%
Total stores	72	84	
Total sales area, sqm	15 004	17 579	-15%

*Yearly average area change also considers the time store is closed for renovation

Retail

Retail sales for the third quarter was 5,204 thousand euros, decreasing by 41% compared to the same period last year. Lost sales revenue amount was biggest in the categories of dresses, shirts and trousers.

Retail sales by market

	3 Q 2020	3 Q 2019	+/-	Share	9M 2020	9M 2019	+/-	Share
Estonia	2,496	4,120	-39%	48%	6,485	12,545	-48%	48%
Lithuania	1,435	2,406	-40%	28%	3,841	6,989	-45%	28%
Latvia	1,273	2,244	-43%	24%	3,231	6,579	-51%	24%
Finland	0	65	-100%	0%	38	159	-76%	0%
Total	5,204	8,835	-41%	100%	13,595	26,272	-48%	100%

In the quarter total, sales revenue was lost in all Baltic markets, slightly more in Latvia.

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

	3 Q 2020	3 Q 2019	+/-	9M 2020	9M 2019	+/-
Estonia	125	187	-33%	127	183	-31%
Lithuania	98	147	-33%	97	142	-31%
Latvia	122	192	-36%	120	187	-36%
Finland	0	118	-100%	54	96	0%
Total	116	174	-34%	115	170	-32%

Brands

Monton brand accounts for the largest share, with sales revenue of 76% of retail sales in the third quarter. Monton's sales revenue for the third quarter was 3,944 thousand euros, decreasing by 7% compared to the same period last year. The total sales revenue of the two mainstream brands (Monton and Mosaic) decreased by 42% i.e. 2,884 thousand euros in the third quarter.

Baltman's and Ivo Nikkolo's quarter sales fell by 31% in the third quarter. Bastion's sales disappearance 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 2020	3 Q 2019	+/-	Share	9M 2020	9M 2019	+/-	Share
Monton	3,944	4,261	-7%	76%	9,437	7,449	27%	69%
Mosaic	0	2,568	-100%	0%	941	5,487	-83%	7%
Baltman	640	928	-31%	12%	1,681	1,869	-10%	12%
Ivo Nikkolo	629	902	-31%	12%	1,530	1,826	-16%	11%
Bastion	0	176	-100%	0%	6	806	-99%	0%
Other	0	0	0	0	0	0	0	0
Total	5,204	8,835	-41%	100%	13,595	17,437	-22%	100%

Sales in other channels

The sales revenue of Baltika Group's e-store Andmorefashion.com in the third quarter decreased by 23% compared to the same period last year and was 395 thousand euros. The third quarter is largely characterized by a smaller turnover compared to its preceding months. On a total, the average revenue driven by different brands dropped across all brands, but the drop was expected, as Q3 focused on communicating more full-price product campaigns as well as general branding campaigns and putting less emphasis on high markdown campaigns. Whilst the total revenue dropped by -23% and the conversion rate dropped by 9.23% compared to the same period last year, one has to take into account the lesser amount of stock due to the dismissal of both Mosaic as well as Bastion products. If one were to compare the average conversion rate and total revenue generated of the brands remaining in Q3 2020, the average revenue generated would be 17% higher (excluding returns, 3% higher including returns) and the conversion rate would be 57% higher in comparison to last year. Additionally, thanks to the larger emphasis on full-price sales, the average markdown of products has dropped from approx. 60% to approx. 30% by the end of September. By brands, Monton delivered most revenue, delivering 59% of the total revenue. Ivo Nikkolo followed up by 25%, Baltman by 6%. By countries, Estonia delivered most revenue, 62% of the total amount, Lithuania followed up with 17% & Latvia with 15%.

The sales revenue of business customers was 48 thousand euros in the third quarter, decreasing by 84% compared to a year ago. The sharp decline in business customers' sales revenue is expected, as the gradual exit of business customers' sales channel is part of Baltika Group's ongoing restructuring plan.



OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 2,884 thousand euros, decreasing by 1,600 thousand euros compared to the same period of the previous year (Q3 2019: 4,484 thousand euros). The company's gross profit margin was 51.0% in the third quarter, which is 5.1 percentage points higher than the margin of the third quarter of the previous year (Q3 2019: 45.9%). The decrease in gross profit is due to decrease in sales revenue. The increase in gross profit margin is due to Baltika Group selling more full-priced stock and less discounted items.

The Group's distribution and administrative expenses in the third quarter were 3,088 thousand euros, decreasing by 42% i.e 2,243 thousand euros compared to the same period last year. Over 60% of the decrease in expense relates to reduction in retail costs. These are reduced not only by reduction of stores but also with reduction of per store and market office expenses. Store expenses have also decreased with COVID 19 government support for both rent and salaries that have been recorded in third quarter when all conditions were met for previous period. Consistent and significant reductions in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan that has seen the head-office distribution and administrative expense decrease by 829 thousand euros.

Baltika's distribution and administrative expenses in 9 months of the year totalled 11,604 thousand euros, decreasing by 5,267 thousand euros compared to the same period last year. 1,970 thousand euros i.e 37% of the decrease was driven by the decrease of fixed costs of Baltika's head office.

Other net operating loss was 118 thousand euros in the third quarter, operating loss was 322 thousand euros, in the same period of the previous year the operating loss was 920 thousand euros.

Net financial expenses were 194 thousand euros in the quarter, which is 127 thousand euros less than in the same period last year. The decrease in financial expenses is related to the restructuring of interest-bearing debt obligations of creditors in accordance with the reorganization plan.

The net loss for the quarter was 516 thousand euros, the result for the comparable period was a net loss of 1,241 thousand euros, signifying an improvement in the results by 725 thousand euros. The net profit for the 9 months of the year was 975 thousand euros, the net loss for the comparable period of the previous year was 3,300 thousand euros.

FINANCIAL POSITION

As at 30 September 2020, Baltika Group's cash and cash equivalents amounted to 1,085 thousand euros (264 thousand euros as at 31 December 2019). This shows the financial stability of the company as in the same time the Baltika bank overdraft with limit of 3,000 thousand euros has not been used.

As at 30 September 2020, Baltika Group's trade receivables and other receivables amounted to 180 thousand euros, decreasing by 441 thousand euros compared to the end of the previous year. The decrease is owing to the fact that Baltika is gradually exiting business customers' sales channel as part of Baltika Group's ongoing restructuring plan.

At the end of the quarter, the Group's inventories totalled 5,355 thousand euros, decreasing by 2,289 thousand euros compared to the end of the previous year. The biggest decrease comes from finished goods and goods purchased for retail in the amount of 1,942 thousand euros. Baltika Group has taken a pro-active stance in current volatile market situation and made sure that there is no over-stocking, the more with the planned decrease in number of stores.

Fixed assets were acquired in the third quarter for 52 thousand euros and depreciation to 160 thousand euros. The residual value of fixed assets has decreased by 392 thousand euros compared to the end of the previous year and was 1,291 thousand euros.

Right of use assets as at 30 September 2020 amounted to 10,391 thousand euros. The assets have decreased by 5,649 thousand euros compared to year end, whereby 4,116 thousand euros relates to depreciation, 2 581 thousand euros is finished contracts with majority being related to production rent contracts finishing through restructuring and new contracts in the amount of 1,048 thousand euros.

As at 30 September 2020, the total debt was 15,059 thousand euros, which together with the change in overdraft means a decrease in debt compared to the end of the previous year (31.12.2019: 19,988 thousand euros) by 4,929 thousand euros. The decrease in the Group's debt is mostly related to the



restructuring of creditors' claims arising from the reorganization plan, in connection with which the lease liability of the assets of the production units located in Estonia was reduced. The other reason is that as at 30 September 2020 Baltika is not using its bank overdraft (990 thousand euros used as at previous year-end).

Cash flow from operating activities in the third quarter was 171 thousand euros (Q3 2019: -53 thousand euros) as majority of trade payables outstanding from the second quarter were paid off. In the third quarter, 64 thousand euros were invested in investment activities. The share of overdrafts decreased by 1,714 thousand euros during the quarter when loan in the amount of 2 550 thousand euros from KJK Fund SICAV-SIF via its holding company was received. The Group's total cash flow for the third quarter was -315 thousand euros (Q3 2019: -899 thousand euros).

As at 30 September 2020, Group's net debt (interest-bearing debt less cash and cash equivalents) was 13,974 thousand euros, which is 5,760 thousand euros less than at the end of the previous year. The decrease in net debt is mainly related to the restructuring of creditors' claims arising from the reorganization plan. The net debt to equity ratio as of 30 September 2020 was 1,466% (31 December 2019: 1,640%). Compared to the end of the year, the net debt-to-equity ratio has improved. The Group's liquidity ratio has improved over 12 months (30 September 2020 and 30 September 2019) from 0.88 to 0.96 due to a decrease in current liabilities.

PEOPLE

As at 30 September 2020 Baltika Group employed 381 people, which is 40 people less than at 30 June 2020 (421), thereof 307 (30.06.2020: 328) in the retail system, and 74 (30.06.2020: 93) at the head office and logistics centre.

Baltika Group employees' remuneration expense in 9 months of the year amounted to 3,910 thousand euros (9 months of 2019: 8,159 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 234 thousand euros (9 months of 2019: 437 thousand euros). 2019 remuneration of the members of the Management Board includes the severance pay paid to Meelis Milder in the amount of 198 thousand euros.

KEY FIGURES OF THE GROUP (III QUARTER AND 9 MONTHS OF 2020)

	Q3 2020	Q3 2019	Q3 2018	Q3 2017	Q3 2016	Q3 2015	Q3 2015
Revenue (EUR thousand)	5,658	9,758	11,026	12,001	11,966	12,002	13,149
Retail sales (EUR thousand)	5,204	8,835	9,404	9,435	9,547	10,290	11,437
Share of retail sales in revenue	92.0%	90.5%	85.3%	78.6%	79.8%	85.7%	87.0%
Gross margin	51.0%	45.9%	45.6%	44.0%	45.4%	44.6%	45.1%
EBITDA (EUR thousand)	803	845	-407	-36	151	-86	-181
Net profit (EUR thousand)	-516	-1 242	-814	-471	-296	-520	-650
EBITDA margin	14.2%	8.7%	-3.7%	-0.3%	1.3%	-0.7%	-1.4%
Operating margin	-5.7%	-9.4%	-6.1%	-2.9%	-1.4%	-3.3%	-4.0%
EBT margin	-9.1%	-12.7%	-7.4%	-3.9%	-2.5%	-4.3%	-4.9%
Net margin	-9.1%	-12.7%	-7.4%	-3.9%	-2.5%	-4.3%	-4.9%

	9M and 30 Sept 2020	9M and 30 Sept 2019	9M and 30 Sept 2018	9M and 30 Sept 2017	9M and 30 Sept 2016	9M and 30 Sept 2015	9M and 30 Sept 2015 ¹
Sales activity key figures							
Revenue (EUR thousand)	15,502	29,491	32,410	34,490	34,289	35,301	38,655
Retail sales (EUR thousand)	13,595	26,272	27,257	27,850	28,265	30,317	33,671
Share of retail sales in revenue	87.7%	89.1%	84.1%	80.7%	82.4%	85.9%	87.1%
Share of exports in revenue	50.3%	53.4%	55.1%	56.3%	56.7%	57.1%	60.8%
Number of stores in retail	72	84	93	93	94	94	104
Number of stores	72	84	120	125	127	121	131
Sales area (sqm) (end of period)	15,004	16,321	17,416	17,299	17,094	17,044	19,881
Number of employees (end of period)	381	841	991	1 025	1,060	1,111	1,196
Gross margin	48.1%	49.7%	49.2%	48.0%	49.4%	47.0%	47.3%
EBITDA (EUR thousand)	6 090	3 021	-457	457	882	80	-376
Net profit (EUR thousand)	975	-3 300	-1 669	-862	-443	-1 176	-1 719
EBITDA margin	39.3%	10.2%	-1.4%	1.3%	2.6%	0.2%	-1.0%
Operating margin	10.4%	-7.6%	-3.9%	-1.4%	-0.3%	-2.3%	-3.5%
EBT margin	6.3%	-11.2%	-5.1%	-2.5%	-1.3%	-3.3%	-4.5%



Net margin	6.3%	-11.2%	-5.1%	-2.5%	-1.3%	-3.3%	-4.4%
Inventory turnover	1.99	2.78	2.05	2.14	2.15	2.01	2.05

Other ratios ²	9M and 30 Sept 2020	9M and 30 Sept 2019	9M and 30 Sept 2018	9M and 30 Sept 2017	9M and 30 Sept 2016	9M and 30 Sept 2015	9M and 30 Sept 2015 ¹
Current ratio	0.96	0.88	1.1	1.5	1.0	1.3	1.3
Net gearing ratio	1.466%	1359%	267%	215%	202%	118%	118%
Return on equity	80.9%	384.3%	-38.3%	-19.1%	-10.1%	-21.1%	-21.1%
Return on assets	3.8%	-12.1%	-9.1%	-4.5%	-2.3%	-7.3%	-7.3%

¹In connection with Baltika's exit from the Russian retail business at the beginning of the year 2016, the sales activity key figures of 2015 present only results of continued operations.

²Other 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*

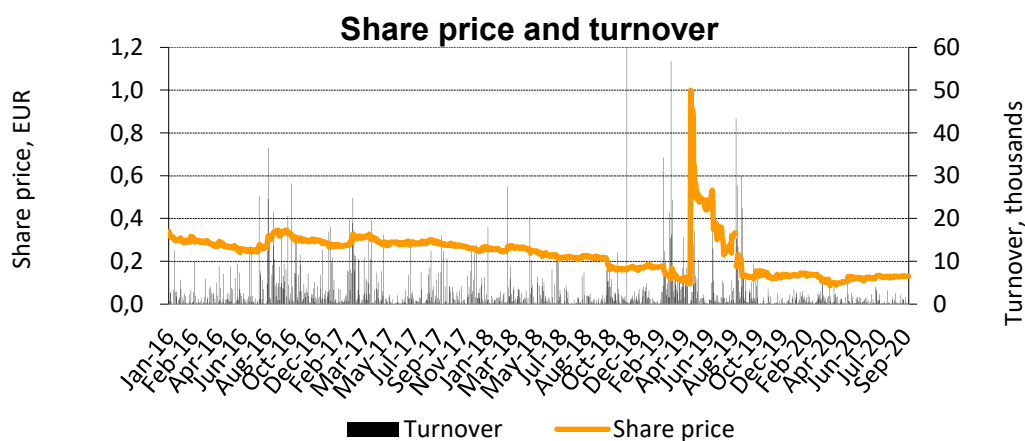
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)÷Equity

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.

Flavio Perini
Member of Management Board, CEO
16 October 2020



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 of 2020 as presented on pages 12-33.

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.

Flavio Perini
Member of Management Board, CEO
16 October 2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	30 September 2020	31 Dec 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	1,085	264
Trade and other receivables	4	180	621
Inventories	5	5,355	7,644
Assets classified as held for sale		0	28
Total current assets		6,620	8,557
Non-current assets			
Deferred income tax asset		281	281
Other non-current assets	4	264	222
Property, plant and equipment	6	1,291	1,683
Right-of-use assets	8	10,391	16,040
Intangible assets	7	548	536
Total non-current assets		12,775	18,762
TOTAL ASSETS		19,395	27,319
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	9	148	1,731
Lease liabilities	8	3,371	5,383
Trade and other payables	10,11	3,383	4,118
Total current liabilities		6,902	11,232
Non-current liabilities			
Borrowings	9	4,052	488
Lease liabilities	8	7,488	12,396
Total non-current liabilities		11,540	12,884
TOTAL LIABILITIES		18,442	24,116
EQUITY			
Share capital at par value	12	5,408	5,408
Reserves	12	820	4,045
Retained earnings		-6,250	-341
Net profit (loss) for the period		975	-5,909
TOTAL EQUITY		953	3,203
TOTAL LIABILITIES AND EQUITY		19,395	27,319

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME**

	Note	3Q 2020	3Q 2019	9m 2020	9m 2019
Revenue	13,14	5,658	9,758	15,502	29,491
Cost of goods sold	15	-2,774	-5,274	-8,048	-14,826
Gross profit		2,884	4,484	7,454	14,665
Distribution costs	16	-2,653	-4,788	-9,659	-14,843
Administrative and general expenses	17	- 435	-543	-1,945	-2,028
Other operating income (-expense)	18	-118	-73	5,760	-24
Operating profit (loss)		-322	-920	1,610	-2,230
Finance costs	19	-194	-321	-635	-1,070
Profit (loss) before income tax		-516	-1,241	975	-3,300
Income tax expense		0	0	0	0
Net profit (loss) for the period		-516	-1,241	975	-3,300
Total comprehensive income (loss) for the period		-516	-1,241	975	-3,300
Basic earnings per share from net profit (loss) for the period, EUR	20	-0.01	-0,04	0,02	-0,11
Diluted earnings per share from net profit (loss) for the period, EUR	20	-0,01	-0,04	0,02	-0,11

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	3Q 2020	3Q 2019	9m 2020	9m 2019
Cash flows from operating activities					
Operating profit (loss)		-322	-920	1,610	-2,230
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	15-17	1,122	1,763	3,109	5,243
Gain (loss) from sale, impairment of PPE, non-current assets, net		17	2	48	4
Other non-monetary adjustments		0	60	-3,444	-290
Changes in working capital:					
Change in trade and other receivables	4	147	-71	441	-8
Change in inventories	5	1,898	260	2,289	277
Change in trade and other payables	10	-2,667	-1,000	-735	-1,474
Interest paid and other financial expense		-24	-147	-104	-246
Net cash generated from operating activities		171	-53	3,214	1,276
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	6, 7	-64	-243	-289	-559
Proceeds from disposal of PPE		0	0	33	10
Net cash used in investing activities		-64	-243	-256	-549
Cash flows from financing activities					
Received borrowings	9	2,550	0	3,550	3,000
Repayments of borrowings	9	0	-3,176	-116	-3,524
Change in bank overdraft	9	-1,714	89	-957	321
Repayments of finance lease	8	0	-8	0	-28
Repayments of lease liabilities, principle	8	-1,092	-1,469	-4,069	-4,260
Repayments of lease liabilities, interest	8	-166	-194	-544	-617
Repayments of convertible notes	8	0	-845	0	-845
Proceeds from share issues	11	0	5,000	0	5,000
Net cash generated from (used in) financing activities		-422	-603	-2 136	-953
Total cash flows		-315	-899	822	-226
Cash and cash equivalents at the beginning of the period	3	1,400	1,101	263	428
Cash and cash equivalents at the end of the period	3	1,085	202	1,085	202
Change in cash and cash equivalents		-315	-899	822	-226

*Other non-monetary adjustments relates to restructuring of allocated loan

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Reserves	Retained earnings	Total
Balance as at 31 Dec 2018	4,079	1,107	-5,119	67
Loss for the period	0	0	-3,300	-3,300
Total comprehensive income	0	0	-3,300	-3,300
Reduction of the nominal value of the share	-3,671	-1,107	4,778	0
Increase of share capital	5,000	0	0	5,000
Balance as at 30 September 2019	5,408	0	-3,641	-1,767
Balance as at 31 Dec 2019	5,408	4,045	-6,250	3,203
Profit for the period	0	0	975	975
Total comprehensive loss	0	0	975	975
Reduction of subordinated loan	0	-3,225	0	-3,225
Balance as at 30 September 2020	5,408	820	-5,275	953

**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, Baltman and Ivo Nikkolo. The Group employs a business model that controls the following stages of the fashion process: design, 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 12) 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 2020 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 2019, 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 2019.

All information in the financial statements is presented in thousands of 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.

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.

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 2020 and 2019 all sales were made in euros. The Group's foreign exchange risk is related to purchases done in foreign currencies. Most 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	III qv 2020	III qv 2019
USD (US dollar)	3.76%	-5.91%

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

Balance-sheet date rates (30.09.2020; 31.12.2019)	
USD (US dollar)	4.22%



Cash and cash equivalents (Note 3), trade receivables (Note 4) and borrowings (Note 9) are in euro and thereof not open to foreign exchange risk. Trade payables (Note 10) 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 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 877 thousand euros at 30 September 2020 and 424 thousand euros at 31 December 2019 were subject to a floating 6-month interest rate based on Euribor. Non-current overdraft at 30 September 2020 was subject to floating 6-month interest rate (not classified as non-current as at 31.12.2019). The remaining long-term borrowings at 30 September 2020 in the amount of 10,391 thousand euros and 12,396 thousand euros as at 31 December 2019 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.

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 2020 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 124 thousand euros (31 December 2019: 240 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 2020 was 3,000 thousand euros (31 December 2019: 2,010 thousand euros).

**Financial liabilities by maturity at 30 September 2020**

	Carrying amount	Undiscounted cash flows ¹		
		1-12 months	1-5 years	Total
Loans (Note 9) ²	4,153	13	4,918	4,931
Finance lease liabilities (Note 8)	10,859	4,026	7,549	11,575
Trade payables (Note 10)	1,083	1,038	45	1,083
Other financial liabilities	29	29	0	29
Total	16,124	5,106	12,512	17,618

Financial liabilities by maturity at 31 December 2019

	Carrying amount	Undiscounted cash flows ¹		
		1-12 months	1-5 years	Total
Loans (Note 9) ²	2,219	1,803	781	2,584
Lease liabilities (Note 8)	17,779	7,328	11,815	19,143
Trade payables (Note 10)	1,959	1,959	0	1,959
Other financial liabilities	23	23	0	23
Total	21,980	11,113	12,596	23,709

¹For interest bearing borrowings carrying a floating interest rate based on Euribor, the last applied spot rate to loans has been used.

²Used 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.

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

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 based on 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.

At the end of the reporting period Group's total equity was 953 thousand euros, which is lower than the requirement stipulated in Commercial Code. In order to comply with the law as at 30 September 2020, equity has to be at least 2,704 thousand euros. Equity deficit is the result of negative operating result in 2019. The Management of the Group is actively working on meeting the net asset requirement set out in the Commercial Code.

Net gearing ratio

	30 Sept 2020	31 Dec 2019
Interest carrying borrowings (Note 9)	15,059	19,998
Cash and bank (Note 3)	-1,085	-264
Net debt	13,974	19,734
Total equity	953	3,203
Net gearing ratio	1,466%	1,640%

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 2020 and 31 December 2019.

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 2020	31 Dec 2019
Cash at hand	45	70
Cash at bank and overnight deposits	1,040	194
Total	1,085	264

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	30 Sept 2020	31 Dec 2019
Trade receivables, net	124	240
Other prepaid expenses	43	185
Tax prepayments and tax reclaims, thereof	5	121
Value added tax	5	121
Other current receivables	8	75
Total	180	621

Long-term assets

Non-current lease prepayments	264	222
Total	264	222

All trade and other receivables are in euros.

Trade receivable allowance expense in 2020 third quarter was 0 thousand euros (2019: 0 thousand euros), which was recognised in the statement of profit and loss within "Impairment loss of trade receivables". The expense in 2019 was mainly related to overdue balances from Eastern European region.

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

30 September 2020	Baltic region	Eastern European region	Other regions	Total
Not due	101	0	0	101
Up to 1 month past due	0	0	0	0
1-3 months past due	11	0	0	11
3-6 months past due	0	0	0	0
Over 6 months past due	10	2	0	12
Total	122	2	0	124

31 December 2019	Baltic region	Eastern European region	Other regions	Total
Not due	165	10	27	202
Up to 1 month past due	16	0	3	19
1-3 months past due	15	0	3	18
3-6 months past due	1	0	0	1
Over 6 months past due	0	0	0	0
Total	197	10	33	240

NOTE 5 Inventories

	30 Sept 2020	31 Dec 2019
Fabrics and accessories	99	369
Allowance for fabrics and accessories	-53	-120
Finished goods and goods purchased for resale	5,053	6,995



Allowance for impairment of finished goods and goods purchased for resale	0	-130
Prepayments to suppliers	256	530
Total	5,355	7,644

**NOTE 6 Property, plant and equipment**

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2018					
Acquisition cost	2,988	4,634	4,909	0	12,531
Accumulated depreciation	-2,241	-4,482	-3,930	0	-10,653
Net book amount	747	152	979	0	1,878
Additions	320	8	203	23	554
Disposals	-3	0	-11	0	-14
Reclassification	2	105	-105	-2	0
Depreciation	-262	-78	-315	0	-655
30 September 2019					
Acquisition cost	2,821	4,448	4,422	21	11,712
Accumulated depreciation	-2,017	-4,298	-3,671	0	-9,986
Net book amount	804	150	751	21	1,726
31 December 2019					
Acquisition cost	2,746	1,004	4,235	5	7,990
Accumulated depreciation	-1,987	-856	-3,464	0	-6,307
Net book amount	759	148	771	5	1,683
Additions	110	18	39	66	233
Disposals	-9	-60	-37	0	-106
Reclassification	40	0	0	-40	0
Depreciation	-246	-39	-234	0	-519
30 September 2020					
Acquisition cost	2,439	915	3,813	31	7,198
Accumulated depreciation	-1,785	-848	-3,274	0	-5,907
Net book amount	654	67	539	31	1,291

NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
31 December 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 September 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

**31 December 2019**

Acquisition cost	885	643	46	154	1,728
Accumulated depreciation	-763	-429	0	0	-1,192
Net book amount	122	214	46	154	536
Additions	28	0	27	0	55
Disposals	-1	0	-5	0	-6
Amortisation	-14	-24	0	0	-38

30 September 2020

Acquisition cost	913	643	68	154	1,778
Accumulated depreciation	-777	-453	0	0	-1,230
Net book amount	136	190	68	154	548

NOTE 8 Finance lease

This note provides information for leases where the group is a lessee.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases

	Right-of-use assets
1. January 2019 (first implementation of IFRS 16)	18,079
Depreciation	-4,548
Net assets 30.09.2019	13,531
Net assets 31.12.2019	16,040
Additions	1,048
Terminations	-2,581
Depreciation	-4,116
Net assets 30.09.2020	10,391

Right-of-use assets include only lease contracts for offices and commercial premises.

Terminations includes the production buildings that are no longer used by Baltika Group and which contractual liabilities were restructured.

	30 Sept 2020	31 Dec 2019
Lease liabilities		
Current	3,371	5,383
Non-current	7,488	12,396
Total lease liabilities	10,859	17,779

Detailed information on minimum lease payments by maturity is disclosed in Note 2.

Amounts recognised in the statement of profit or loss

The group's consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases.

	3Q 2020	3Q 2019	9m 2020	9m 2019
Interest expense (under finance cost, Note 19)	165	194	545	617
Depreciation (under operating expenses, Notes 15-17)	957	1,544	3,882	4,548
Total	1,122	1,738	4,427	5,165



The total cash outflow for long-term leases in 9 months of 2020 was 4,069 thousand euros (9 months 2019: 4,260 thousand euros).

Offices and commercial premises rent contracts have mainly been concluded for fixed term, on average for 5 years and include mostly rights to prolong and terminate. Rental conditions are agreed contract by contract and therefore can include various conditions.

NOTE 9 Borrowings

	30 Sept 2020	31 Dec 2019
Current borrowings		
Current portion of bank loans	129	698
Overdraft	0	990
Current portion of finance lease liabilities	19	0
Other short term borrowings	0	43
Total	148	1,731
Non-current borrowings		
Non-current bank loans	877	424
Non current overdraft	28	0
Other non-current liabilities	3,147	64
Total	4,052	488
Total borrowings	4,200	2,219

During the reporting period, the Group made bank loan repayments in the amount of 116 thousand euros (9 months 2019: 524 thousand euros). Group's overdraft facilities with the banks were used in the amount of 0 thousand euros as at 30 September 2020 (31 December 2019: 990 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 634 thousand euros (9 months 2019: 1 070 thousand euros), including 113 thousand euros from the convertible bonds of related party in first quarter of 2019 and); and 9 months interests from lease liabilities recognised under IFRS 16 in the amount of 544 thousand euros (9 months 2019: 617 thousand euros).

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 tranche 1,500 thousand euros was taken into use in March 2019 and the second tranche 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. An amendment to the loan agreement was signed in December, according to which, as of December 2019, part of the above-mentioned loan (4,045 thousand euros) is non-interest bearing and the repayment date is not fixed. The repayment date will be agreed by the parties but will not be earlier than 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 was 600 thousand euros which is repayable in December 2019.

Changes in 2020



In November, KJK Fund Sicav-SIF, a major shareholder of the company, and AS Baltika signed a new amendment to the loan agreement, according to which KJK Fund Sicav-SIF will grant an additional loan of 1,000 thousand euros, with an interest rate of 6% per annum and repayment date in May 2022. The loan was drawn down in the first quarter of 2020.

In accordance with creditors' claims restructuring plan approved on 19 June 2020 the overdraft agreement (in the amount of 3,000 thousand euros) was extended till 31.12.2023 and the investment loan repayment schedule was changed in a way that repayments will be made from June 2021 till December 2023. KJK Fund SICAV-SIF loan was restructured in a way that only 15% of claim will be paid and in the end of 2023.

In August, KJK Fund Sicav-SIF, a major shareholder of the company, and AS Baltika signed a new amendment to the loan agreement, according to which KJK Fund Sicav-SIF will grant a loan of 2,550 thousand euros, with an interest rate of 6% per annum and repayment date in December 2024. The loan was transferred on September 2020.

Interest carrying loans and bonds of the Group as at 30 September 2020

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2,00%	1,006
Borrowings at fixed interest rate	6,00%	2,550
Total		3,556

Interest carrying loans and bonds of the Group as at 31 December 2019

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +3.7%	2,155
Total		2,155

NOTE 10 Trade and other payables

	30 Sept 2020	31 Dec 2019
Current liabilities		
Trade payables	1,083	1,959
Tax liabilities, thereof	1,430	1,036
Personal income tax	231	123
Social security taxes and unemployment insurance premium	673	338
Value added tax	526	568
Other taxes	0	7
Payables to employees ¹	489	719
Other current payables	29	23
Other accrued expenses	32	48
Customer prepayments	70	77
Total	3,133	3,862

¹Payables to employees consist of accrued wages, salaries and vacation reserve.

Trade payables and other accrues expenses in denominated currency

	30 Sept 2020	31 Dec 2019
EUR (euro)	991	1,064
USD (US dollar)	124	943
Total	1,115	2,007

**NOTE 11 Provisions**

	30 Sept 2020	31 Dec 2019
Client bonus provision	250	250
Other provision	0	6
Total	250	256

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 2019.

NOTE 12 Equity**Share capital and reserves**

	30 Sept 2020	31 Dec 2019
Share capital	5,408	5,408
Number of shares (pcs)	54,079,485	54,079,485
Nominal value of share (EUR)	0.10	0.10
Other reserves	820	4,045

As at 30 September 2020, 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 2019, under the Articles of Association, the company’s minimum share capital was 2,000 thousand euros and the maximum share capital was 8,000 thousand euros. As at 30 September 2020 and 31 December 2019 share capital consists of ordinary shares, that are listed on the Nasdaq Tallinn Stock Exchange and all shares have been paid for.

Changes in year 2019

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 shares. The subscription period for shares started on July 16, 2019 and ended on August 7, 2019. 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

Changes in year 2020



In accordance with creditors' claims restructuring plan approved on 19 June 2020 loan from KJK Fund SICAV-SIF was reduced from 4,045 thousand euros to 820 thousand euros.

Other reserves in the amount of 820 thousand euros at 30 September 2020 and 4,045 thousand euros as of 31 December 2019 represents the non-interest-bearing loan with no fixed repayment date from KJK Sicav-SIF.

Shareholders as at 30 September 2020

	Number of shares	Holding
1. ING Luxembourg S.A.	48,526,500	89.73%
2. Clearstream Banking AG	1,070,500	1.98%
3. Members of Management and Supervisory Boards and persons related to them		
Entities connected to Supervisory Board not mentioned above	231 578	0.43%
4. Other shareholders	4,250 907	7.86%
Total	54,079,485	100%

Shareholders as at 31 December 2019

	Number of shares	Holding
1. ING Luxembourg S.A.	48,526,500	89.73%
2. Clearstream Banking AG	1,070,500	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%
4. Other shareholders	2,953,266	5.46%
Total	54,079,485	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 and made the entity a controlling shareholder (shareholding of 89.73%).


NOTE 13 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, consignment 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 consignment 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.

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 2020			
Revenue (from external customers)	5,204	454	5,658
Segment profit (loss) ²	430	83	513
Incl. depreciation and amortisation	-148	0	-148
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
9M 2020 and as at 30 September 2020			
Revenue (from external customers)	13,596	1,906	15,502
Segment profit (loss) ²	-1,266	-331	-1,597
Incl. depreciation and amortisation	-487	0	-487
Inventories of segments	3,444	0	3,444
9M 2019 and as at 30 September 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

¹All other segments include sale of goods to wholesale, franchise and consignment clients, materials and sewing services and the sales from e-commerce

²The segment profit is the segment operating profit.

Reconciliation of segment profit to consolidated operating profit

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Total segment profit	513	794	-1,597	2,975
Unallocated expenses ¹ :				
Costs of goods sold and distribution costs	-282	-1 215	-608	-3,481
Administrative and general expenses	-435	-543	-1,945	-2,028
Impact of the rent accounting principles	0	117	0	328



Other operating income (expenses), net	-118	-73	5 760	-24
Operating profit (loss)	-322	-920	1 610	-2,230

¹Unallocated 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 2020	31 Dec 2019
Total inventories of segments	3,444	4,051
Inventories in Parent company and production company	1,911	3,593
Inventories on statement of financial position	5,355	7,644

NOTE 14 Revenue

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Sale of goods in retail channel	5,205	8,835	13,596	26,272
Sale of goods in wholesale and franchise channel	48	308	268	1,428
Sale of goods in e-commerce channel	394	512	1,560	1,525
Other sales	11	103	78	266
Total	5,658	9,758	15,502	29,491

Sales by geographical (client location) areas

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Estonia	2,749	4,551	7,703	14,075
Lithuania	1,501	2,498	4,095	7,253
Latvia	1,350	2,373	3,516	6,942
Russia	8	229	35	599
Serbia	0	0	0	119
Austria	0	-38	1	101
Finland	34	105	91	244
Germany	1	2	8	22
Ukraine	7	7	25	22
Other countries	8	31	28	114
Total	5,658	9,758	15,502	29,491

NOTE 15 Cost of goods sold

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Materials and supplies	2,774	4,302	8,179	11,874
Payroll costs in production	0	737	0	2,360
Operating lease expenses*	0	-6	0	-5
Other production costs	0	80	0	258
Depreciation of assets used in production (Note 6,7)	0	161	0	509
Changes in inventories	0	0	-130	-170
Total	2,774	5,274	8,049	14,826

NOTE 16 Distribution costs

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Payroll costs	1,127	2,126	4,188	6,752
Operating lease expenses*	19	379	191	1,297
Advertising expenses	136	263	473	804
Depreciation and amortisation (Note 6,7,8)	1,024	1,494	3,880	4,409



Fuel, heating and electricity costs	78	101	229	330
Municipal services and security expenses	78	99	232	298
Fees for card payments	28	49	73	145
Travel expenses	39	18	118	57
Information technology expenses	3	74	26	205
Consultation and management fees	9	27	55	39
Communication expenses	15	21	46	66
Other sales expenses ¹	97	137	148	441
Total	2,653	4,788	9,659	14,843

¹Other 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 17 Administrative and general expenses

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Payroll costs	134	273	734	1,172
Operating lease expenses*	1	2	15	28
Information technology expenses	42	53	133	148
Bank fees	5	19	31	66
Depreciation and amortisation (Note 6,7)	98	108	545	326
Fuel, heating and electricity expenses	10	14	56	49
Management, juridical-, auditor's and other consulting fees	109	20	318	79
Other administrative expenses ¹	36	54	113	160
Total	435	543	1,945	2,028

¹Other administrative expenses consist of insurance, communication, travel, training, municipal and security expenses and other services.

NOTE 18 Other operating income and expenses

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Gain (loss) from sale, impairment of PPE	-27	-2	-85	-4
Other operating income, expenses	-35	1	5,916	124
Foreign exchange gain (-loss)	-36	8	-44	-6
Fines, penalties and tax interest	0	0	-2	0
Other operating expenses	-20	-80	-25	-138
Total	-118	-73	5,760	-24

Other operating income in amount of 4,620 thousand euros relates to restructuring of creditors' claims in accordance to the restructuring plan approved on 19 June 2020 and the reverse of the impairment of the right to use the property arising from the lease agreements for the production buildings in the amount of 1,320 thousand euros when contract terminated through restructuring.

NOTE 19 Finance costs

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Interest cost	-194	-321	-635	-1,070
Total	-194	-321	-635	-1,070

In third quarter of 2020, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 544 thousand euros (9 months 2019: 617 thousand euros).

**NOTE 20 Earnings per share**

Basic earnings per share		3 Q 2020	3 Q 2019	9m 2020	9m 2019
Weighted average number of shares (thousand)	pcs	54 079	30 710	54 079	29 999
Net loss from continuing operations		-516	-1 241	975	-3 300
Basic earnings per share	EUR	-0,01	-0,04	0,02	-0,11
Diluted earnings per share	EUR	-0,01	-0,04	0,02	-0,11

There were no dilutive instruments in the reporting period. Instruments that could potentially dilute basic earnings per share are K-bonds in 2019 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 0.13 euros (6 months 2019: 0.26 euros).

NOTE 21 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 12);
- ✘ members of the Management Board and the Supervisory Board¹;
- ✘ 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.

¹Only 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 2020	3 Q 2019	9m 2020	9m 2019
Services purchased	6	6	12	12
Total	6	6	12	12

In 2020 and 2019, AS Baltika bought mostly management services from the related parties.

Balances with related parties

	30 Sept 2020	31 Dec 2019
Other loans and interests (Note 9)	3,928	4,109
Payables to related parties total	3,928	4,109

All transactions in 2020 as well as in 2019 reporting periods and balances with related parties as at 30 September 2020 and 31 December 2019 were with entities under the control or significant influence of the members of the Supervisory Board.

Compensation for the members of the Management Board and Supervisory Board

	3 Q 2020	3 Q 2019	9m 2020	9m 2019
Salaries of the members of the Management Board	52	59	234	428
Remuneration of the members of the Supervisory Council	3	3	9	9
Total	55	62	243	437



As at 30 September 2020 was one Management Board Member and four Supervisory Board Members. 31 December 2019 were two Management Board Members and five Supervisory Board Members.

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 Leyer 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 Leyrer 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 2020

According to the decision of the Supervisory Board held in 11 March, Flavio Perini is the new CEO and Member of Management Board of AS Baltika from 1 April 2020. Mae Leyrer, Member of the Management Board of AS Baltika 14-months contract expired on 22 May 2020. The contract of Maigi Pärnik-Pernik, Member of the Management Board, expired in March 2020 and was extended to 22 May 2020 according to the decision made on 11 March by Supervisory Board.

On 16 August 2020, the Annual General Meeting of Shareholders decided to recall Tiina Möis, a member of the Supervisory Board.



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, KJK Capital Oy,

Member of the Management Board, KJK Management SA,

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 2020: 0



REET SAKS

Member of the Supervisory Board since 25.03.1997

Legal Advisor at Farmi Piimatööstus

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 2020: 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:

Sole board member of Kaima Capital Eesti OÜ

CEO, member of the Board of KJK Capital Oy

Chairman of the Board of KJK Fund II, SICAV-SIF

Member of the Management Board of KJK Fund III Management S.a.r.l

Member of the Management Board of KJK Investments S.a.r.l

Member of the Supervisory Board of AS Toode

Member of the Management Board of Amber Trust Management SA

Member of the Management Board of Amber Trust II Management SA

Director of Amber Trust SCA

Director of Amber Trust II SCA

Member of the Board of Aurejärvi Varainhoito Oy

Member of the Board of KJK Investicije 2 d.o.o

Member of the Board of KJK Investicije 4 d.o.o

Member of the Board of KJK Investicije 5 d.o.o

Member of the Board of KJK Investicije 7 d.o.o

Member of the Board of KJK Investicije 8 d.o.o

Member of the Supervisory Board of Managetrade OÜ

Chairman of the Supervisory Board of JSC Rigas Dzirnaveiks

Member of the Board of UAB Malsena Plius

Member of the Board of AB Baltic Mill

Member of the Board of Bostads AB Blåklinten Oy

Member of the Supervisory Board of Saaremere Kala AS

Member of the Supervisory Board of Eurohold Bulgaria AD

Member of the Board of UAB D Investiciju Valdymas

Chairman of the Board of KJK Management SA

Chairman of the Supervisory Board of AS PR Foods

Member of the Supervisory Board of Elan d.o.o.o

Member of the Board of Baltik Vairas

Chairman of the Supervisory Board of Tahe Outdoors OÜ

Member of the Board of KJK Sports S.a.r.l.

Baltika shares held on 30 September 2020: 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 2020: 0



AS BALTIKA MANAGEMENT BOARD



FLAVIO PERINI

Member of the Management Board, CEO since May 1st 2020

Member of the Board since 2020, in the Group since 2020

Law Degree (Università degli Studi di Parma)

Baltika shares held on 30 September 2020: 0