AS BALTIKA

Consolidated interim report for the first quarter of 2020

Commercial name	AS Baltika
Commercial registry number	10144415
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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 – 31 March 2020

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Consolidated interim report for the I quarter of 2020 (in thousands euros, unaudited)

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 31 March 2020 the Group employed 495 people (31 December 2019: 529).

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 31 March 2020	Holding as at 31 Dec 2019
OÜ Baltika Retail	Estonia	Holding	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	Retail	100%	100%
Baltika Sweden AB	Sweden	Under liquidation	100%	100%
OÜ Baltika Tailor	Estonia	Under liquidation	100%	100%

[1]Interest through a subsidiary.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FIRST QUARTER OF 2020

Baltika Group ended the first quarter with a net loss of 2,474 thousand euros. The loss for the same period last year was 1,442 thousand euros. The financial results of the first quarter were strongly affected by the weak March caused by the global COVID-19 pandemic. January and February results were in accordance with the company's forecasts.

In the first quarter, COVID-19 had the strongest impact on Baltika Group's operations in Lithuania, where all stores were closed as of 16 March due to orders from the Lithuanian government, and all shopping centers in Estonia were closed by a government decision on 27 March. In Latvia, the shops were open part-time during the week and closed on weekends. Since the declaration of the state of emergency, Baltika Group has directed even more resources to the e-shop www.andmorefashion.com, through which customers can shop without contact.

In addition, non-recurring costs related to the restructuring of the Baltika Group (mainly the cessation of production in Estonia) have also had a negative impact on the financial results and liquidity of the Baltika Group in the first quarter. In order to overcome the above difficulties, the court initiated the reorganization proceedings of AS Baltika on March 26, 2020. Baltika is of the opinion that in the current situation the reorganization of the company is the best way to protect the rights and interests of Baltika's shareholders, employees, creditors and partners.

The Group's sales revenue for the first quarter was 6,137 thousand euros, decreasing by 34% compared to the same period last year. Majority, i.e 70% of the loss of sales revenue (2.2 million euros) came from March, when a state of emergency was declared in the Baltics and stores were closed. The sales revenue in January and February was slightly lower than in the previous year, but the men's collection made a very strong result, where sales of Baltman suits and Monton outerwear increased significantly compared to the previous year.

The sales channel with the largest share retail, decreased by 32% (2.6 million euros) of which 80% is the extremely weak result in March. The sales revenue of Baltika Group's e-store Andmorefashion.com in the first quarter decreased by 7% compared to the same period last year and was 505 thousand euros. The sales revenue of business customers was 200 thousand euros in the first quarter, decreasing by 72% compared to a year ago. The decrease in sales revenue of business customers is expected, as the exit of business customers` sales channel is a part of the Baltika Group's ongoing restructuring plan.

The Group's distribution expenses in the first quarter were 4,200 thousand euros decreasing by 17%, i.e 829 thousand euros compared to the same period last year. A consistent and significant reduction in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan.

The result for the first quarter of 2020 includes a negative impact of 11 thousand euros on the new accounting standard IFRS 16.

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

- The Supervisory Board of AS Baltika meeting hold on 23th of January 2020 approved the plan to reorganise group structure. Part of the company`s restructuring plan is to change group management more efficient. In order to achieve that group structure will be changed more flat and lean. Supervisory Board decided to liquidate AS Baltika's subsidiary Baltika Sweden AB (dormant). In addition, it was decided that AS Baltika acquires 100% shareholding in OÜ Baltman, a subsidiary of OÜ Baltika Retail (holding company) for 0.15 million euros. OÜ Baltman manages the Baltics retail companies SIA Baltika Latvija and UAB Baltika Lietuva.

- According to the decision of the Supervisory Board held in 11 March, Flavio Perini will be the new CEO and Member of Management Board of AS Baltika since 1 April 2020. Mae Leyrer, Member of the Management Board of AS Baltika 14-months contract expires on 22 May 2020. The contract of Maigi Pärnik-Pernik, Member of the Management Board, expires in March 2020 and will be extended by 22 May 2020 according to the decision made on 11 March by Supervisory Board. Until the end of the contracts, both Leyrer and Pärnik-Pernik, as members of the management board, will continue to actively implement company's restructuring plan, while gradually transferring management to the new Management Board.

- AS Baltika´s subsidiary OÜ Baltika Retail received on 11 March 2020 an application for claim from OÜ Aquabene to acquire property located at Viru county, Kohtla-Järve city, Ahtme district, Õpetajate tee 5. OÜ Baltika Retail has sold the above referred property to the OÜ Aquabene under a contract of sale dated 4 March 2010. According to the contract of sale OÜ Baltika Retail has an obligation to repurchase the property. Following the sale of the property, Baltika Group leased the property for production activities. According to the application for claim the repurchase price is 1,167,172 euros. Pursuant to the application, OÜ Baltika Retail is obliged to buy back the property by 25 March 2020 at the latest. AS Baltika has issued a guarantee for fulfilment of the obligations of OÜ Baltika Retail.

- During the auditing process of 2019 financial year a loan agreement amendment was formalized between AS Baltika and KJK Fund Sicav-SIF of which result equity line "other reserves"(as at 31.12.2019 4,045 thousand euros) amount differs by 2,000 thousand euros from the amount reported in Baltika's fourth quarter and 12 months 2019 report (2,045 thousand euros) disclosed on 28.02.2020. Change is related with the fact that although the agreement between AS Baltika and KJK AS was made as of 31.12.2019, there was no formal confirmation of the amendment to the loan agreement with Fund Sicav-SIF and based on the principle of conservatism, the amount of 2,000 thousand euros was reported in the fourth quarter and 12 months report as a debt and not as other reserves in equity.

- AS Baltika submitted an application for the commencement of reorganisation proceedings to Harju County Court on March 25, 2020 and on March 26, 2020 the court decided to initiate reorganisation proceedings. The court has set a date to present the reorganisation plan to the court for approval by May 25, 2020. The initiation of the reorganization procedure is related with the coronavirus COVID-19, which is having a significant negative impact on the financial results and liquidity of Baltika Group. In addition, non-recurring expenses related to the restructuring (mainly regarding the cessation of production in Estonia) of Baltika Group have also had a negative impact on the financial results and liquidity of Baltika Group. As a result of these circumstances, Baltika Group is having solvency problems, which according to Baltika are temporary by them nature and can be overcome by the successful completion of the reorganization.

- On April 25, 2020, all retail stores of the Baltika Group located in Lithuania were reopened and on May 11, 2020, all retail stores located in Estonia were reopened by government decision.

- On April 30, 2020, the last Baltika Group retail store in Iso Omena shopping center in Finland was closed.

- On April 30, 2020 AS Baltika presented reorganization plan to creditor's for their approval. According to the reorganization plan major restructuring measures are finishing the successfully started strategic turnaround with it's goal of cutting fixed costs, applying applicable COVID-19 measures, and engaging additional financing and restructuring creditor's claims. Baltika plans to fulfill the reorganization plan within three years from it's approval. For the approval of the reorganization plan creditors will cast their votes. After creditors voting, court will make the final decision on the reorganization plan's approval.

- The audit company PWC, which audits AS Baltika, has completed the main audit procedures, except for the approval of the expected reorganization plan in court, after which the cash flow forecast for the next 12 months arising from the reorganization plan and financing agreements will be reviewed and assessed. The annual report also needs to be supplemented with regard to the information on the approval of the reorganization plan. The 2019 annual report will be published on the stock exchange after that.

- On May 20, 2020 Baltika`s reorganization plan was accepted by the creditors. On the basis of the reorganization plan of Baltika, the creditors were in two groups and also the voting therefore took place in two groups. Of the Group I creditors, 66.67% of the creditors voted in favor, and the votes determined on the basis of the volume of claims accounted for 99.61% of all Group I votes. Of the Group II creditors, 82.76% of the creditors voted in favor, and the votes determined on the basis of the volume of claims accounted for 68.86% of all Group II votes. According to the Reorganization Act, a reorganization plan shall be accepted if at least half of all the creditors who hold at least two-thirds of all the votes (i.e volume of claims) vote in favor. If creditors are divided into groups, this requirement must be met in all groups. Baltika submitted the reorganization plan accepted by the creditors to the court for approval on 22 May 2020.

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REVENUE

Baltika's first quarter revenue was 6,137 thousand euros, which was 34% lower compared to the same period last year. The strongest sales result was shown by the E-shop, where sales revenue in the conditions of the COVID-19 crisis decreased only by 7% compared to the previous year. First-quarter retail sales revenue declined by 32%, and sales to business customers fell by 72%, which is driven by the strategic decision to exit this sales channel.

Sales revenue by channel

EUR thousand	1 Q 2020	1 Q 2019	+/-
Retail	5,385	7,975	-32%
Business Customers	200	708	-72%
E-com sales	505	544	-7%
Other	47	43	10%
Total	**6,137**	**9,270**	**-34%**

Stores and sales area

As of 31 March 2020, the Group had 78 stores. In the first quarter, the number of stores decreased by 4. In the first quarter, Baltika closed in Latvia 2 stores and in Lithuania and Estonia 1 store.

Stores by market

	31 March 2020	31 March 2019	Average area change*
Estonia	32	39	-13%
Lithuania	28	30	-2%
Latvia	17	21	-22%
Finland	1	1	0%
Ukraine[1]	0	0	-100%
Russia[1]	0	8	-100%
Belarus[1]	0	0	-100%
Spain[1]	0	0	-100%
Serbia[1]	0	2	-100%
Total stores	**78**	**101**	
Total sales area, sqm	**15,580**	**19,019**	**-18%**

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

Retail

Retail sales for the first quarter was 5,385 thousand euros, decreasing by 32% compared to the same period last year. Compared to the previous year, the first quarter of this year was characterized by the decrease of retail sales of dresses, outerwear and knitwear. At the same time sales of bags and footwear grew.

Retail sales by market

EUR thousand	1 Q 2020	1 Q 2019	+/-
Estonia	2,551	3,794	-33%
Lithuania	1,540	2,151	-28%
Latvia	1,265	1,994	-37%
Finland	30	36	-18%
Total	**5,385**	**7,975**	**-32%**

In the quarter total, sales revenue was lost the most in Latvian and Estonian markets, respectively by 37% and 33% and sales efficiency decreased by 18%.

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

	1 Q 2020	1 Q 2019	+/-
Estonia	127	160	-21%
Lithuania	116	129	-10%
Latvia	136	172	-21%
Finland	54	66	-18%
Total	**125**	**152**	**-18%**

Brands

Monton brand accounts for the biggest share, accounting for 59% of retail sales in the first quarter. Monton's first quarter sales were 3,162 thousand euros, decreasing by 4% compared with last year. Sales decreased in women's collections and the biggest decline was in the dresses and skirts category. At the same time, sales of bags, hats, scarves and jewellery increased. Sales of the men's collection increased, due to the fact that the Mosaic men's collection is sold under the Monton brand since the fall-winter season 2019-2. Total sales for the two mainstream brands (Monton and Mosaic) fell 30%, i.e 1.8 million euros. The majority, i.e 84% of the loss of sales revenue (1.5 million euros) came from March, when a state of emergency was declared in the Baltics and stores were closed. The sales revenue in January and February was slightly lower than in the previous year, but outerwear and among accessories bags made a very strong sales result in both the women's and men's collections.

Baltman`s quarter sales fell by 22% and Ivo Nikkolo's revenue declined 30% in the first quarter. Baltman's sales revenue in January and February was at the previous year's level, but sales of suits and blouses/shirts fell sharply in March, which led to a decline in the brand's sales revenue in the quarter as a whole. Ivo Nikkolo's decline in sales revenue in the first quarter is driven by declining demand for dresses and outerwear, while sales of bags, hats and footwear have increased. Bastion's sharp 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	1 Q 2020	1 Q 2019	+/-	Share
Monton	3,162	3,310	-4%	59%
Mosaic	897	2,504	-64%	17%
Baltman	677	870	-22%	13%
Ivo Nikkolo	644	924	-30%	12%
Bastion	5	367	-99%	0%
Total	**5,385**	**7,975**	**-32%**	**100%**

Sales in other channels

The first quarter sales revenue of Baltika Group e-store Andmorefashion.com decreased by 7% compared to the same period last year and was 505 thousand euros. The brand with the largest share of sales revenue is Monton, which sales revenue accounted for 52% of the e-store sales, followed by Ivo Nikkolo with 24%, Mosaic with 17% and Baltman with 7%. The strongest result among the brands was made by Ivo Nikkolo and especially strong month was March, which was driven by special offers pushed by the Covid-19 crisis, that attracted to buy a premium brand. The women's and men's collections accounted for 82% and 18% of the sales revenue in the first quarter, respectively. The share of the latter has increased by 4 percentage points compared to a year ago, which shows that the Andmorefashion.com sales channel is increasingly used to buy men's products.

Sales share continued to be highest in Estonia, accounting for about 57% of total e-store sales, followed by Latvia and Lithuania with 18%. Compared to the first quarter of the previous year, the sales revenue was the only one in Lithuania (+ 14%) that grew by all brands. The most distant countries to which purchase orders for Baltika brands were sent in the first quarter were Turkey, Cyprus, Israel, Japan, Australia and the USA.

The sales revenue of business customers decreased by 72% compared to the first quarter of last year and was 200 thousand euros. By countries, the biggest sales revenue was generated from wholesale customers in Estonia, accounting for 66% of total sales, followed by Finland with 10% and Latvia with 7%. The sharp decrease in business customers sales was expected as the gradual exit from business customers´ sales is a one part of Baltika Group's ongoing restructuring plan.

OPERATING EXPENSES AND NET PROFIT

The company's gross profit margin in the first quarter was 44.8% that is lower by 3.0 percentage points than the margin in the first quarter of last year. Gross profit margin decreased in first quarter mainly due to the deeper beginning of the year discounts.

Gross profit for the quarter was 2,747 thousand euros, decreasing by 1,687 thousand euros compared to the same period last year (1Q 2019: 4,434 thousand euros).

Group's distribution expenses in the first quarter was 4,200 thousand euros, decreasing by 829 thousand euros compared to the same period last year. Administrative and general expenses increased due to the production units rent costs in first quarter compared with last year and was 792 thousand euros. A consistent and significant reduction in distribution and administrative expenses is part of Baltika Group's ongoing restructuring plan.

Other net operating income in the fourth quarter was 37 thousand euros. Operating loss was 2,208 thousand euros, operating loss for the same period last year was 1,076 thousand euros.

Net financial expense in the quarter was 266 thousand euros, which is 100 thousand euros less than in the same period last year. Financial expense includes additional interest expense arising from the requirements of IFRS 16.

The quarter resulted in a net loss of 2,474 thousand euros, comparable period result was loss 1,442 thousand euros.

FINANCIAL POSITION

As at 31 March 2020, Baltika Group trade and other receivables amounted to 753 thousand euros, increasing by 132 thousand euros compared to last year-end.

As at the end of the quarter, Group's inventories totalled 8,035 thousand euros, increasing by 391 thousand euros compared to last year-end. Finished goods and goods purchased for resale has increased by 677 thousand euros and the prepayments to suppliers have decrease by 209 thousand euros.

In the first quarter, purchases of fixed assets were made in the amount of 84 thousand euros and deprecation and the decrease of value was 1,682 thousand euros. Fixes assets residual value decreased by 1,239 thousand euros compared to last year-end and was 17,523 thousand euros.

As at 31 March 2020 the total borrowings amounted to 20,905 thousand euros, which together with the use of overdraft facility signifies an increase of 917 thousand euros compared to last year-end (31 December 2019: 19,988 thousand euros). Group's borrowings increased due to the 1 000 thousand euros financing loan taken from KJK Fund SICAV-SIF.

The fourth quarter operating activities cash-flow was -120 thousand euros (1Q 2019 888 thousand euros). In the first quarter, investments were made in the amount of 117 thousand euros. Overdraft in use increased by quarter 1,094 thousand euros, loan repayments were made in the amount of 116 thousand euros. Group's first quarter total cash flow was 49 thousand euros (1Q 2019: 37 thousand euros).

As at 31 March 2020 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 20,586 thousand euros, which is 852 thousand euros more than at the end of last year. The increase in net debt is related to the additional 1,000 thousand euros loan and the increased use of overdraft due to the liquidity problems related with emergency situation caused by COVID-19 crisis. The net debt to equity ratio as of March 31, 2020 was 2824% (December 31, 2019: 616%). Compared to the end of the year, the net debt-to-equity ratio has deteriorated due to negative financial results. The Group's liquidity ratio has improved over 12 months (31 March 2020 and 31 March 2020) from 0.5 to 0.8 due to a decrease in current liabilities (especially K-bonds).

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PEOPLE

As at 31 March 2020 Baltika Group employed 495 people, which is 34 people less than at 31 December 2019 (529), thereof 383 (31.12.2019: 408) in the retail system, 0 (31.12.2019: 2) in manufacturing and 112 (31.12.2019: 119) at the head office and logistics centre.

Baltika Group employees' remuneration expense in first quarter amounted to 1,684 thousand euros (Q1 2019: 2,667 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 70 thousand euros (Q1 2019: 79 thousand euros).

Since April 1, 2020 Flavio Perini will be the new CEO and Member of Management Board of AS Baltika. Perini has more than 22 years of experience in the international fashion business where he has worked with famous brands like Levi`s, Prenatal, Max Mara and OKAID. He has led companies` restructuring, change management and international expansion projects in Eastern Europe, Middle East, Asia and South America. Perini holds a law degree (Università degli Studi di Parma).

KEY FIGURES OF THE GROUP (I QUARTER OF 2020)

Sales activity key figures	**3M and 31 March 2020**	**3M and 31 March 2019**	**3M and 31 March 2018**	**3M and 31 March 2017**	**3M and 31 March 2016**	**3M and 31 March 2015**
Revenue (EUR thousand)	6,137	9,270	10,343	10,757	10,505	11,220
Retail sales (EUR thousand)	5,385	7,975	8,137	8,524	8,428	9,335
Share of retail sales in revenue	87.7%	86.0%	78.7%	79.2%	80.2%	83.2%
Share of exports in revenue	50.2%	53.3%	56.6%	57.7%	58.2%	58.9%
Number of stores in retail	78	91	95	95	94	91
Number of stores	78	101	126	128	130	117
Sales area (sqm) (end of period)	15,580	17,082	17,642	17,425	17,133	16,608
Number of employees (end of period)	495	946	1,022	1,047	1,103	1,123
Gross margin	44.8%	47.8%	47.2%	48.8%	50.6%	45.4%
EBITDA (EUR thousand)	-525	672	-576	-152	-59	-389
Net profit (EUR thousand)	-2,474	-1,442	-982	-590	-493	-783
EBITDA margin	-8.5%	7.2%	-5.6%	-1.4%	-0.6%	-3.5%
Operating margin	-36.0%	-11.6%	-8.3%	-4.4%	-3.7%	-5.9%
EBT margin	-40.3%	-15.6%	-9.5%	-5.5%	-4.7%	-7.0%
Net margin	-40.3%	-15.6%	-9.5%	-5.5%	-4.7%	-7.0%
Inventory turnover	1.37	1.78	2.01	1.99	1.84	1.96

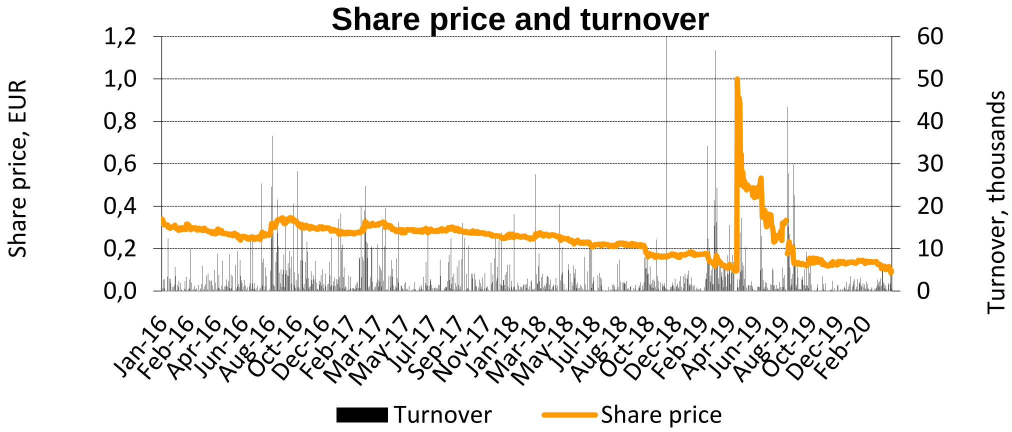
Other ratios	**3M and 31 March 2020**	**3M and 31 March 2019**	**3M and 31 March 2018**	**3M and 31 March 2017**	**3M and 31 March 2016**	**3M and 31 March 2015**
Current ratio	0.8	0.5	1.6	1.0	1.2	1.8
Net gearing ratio	2823.87%	-1198.30%	190.80%	189.00%	182.10%	98.80%
Return on equity	-444.75%	-62.80%	-21.80%	-12.90%	-8.20%	-12.80%
Return on assets	-9.09%	-8.30%	-5.30%	-3.10%	-2.20%	-4.80%

[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.

Flavio Perini
Member of Management Board, CEO
26 May 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 first quarter of 2020 as presented on pages 13-36.

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
26 May 2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2020	31 Dec 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	215	264
Trade and other receivables	4	753	621
Inventories	5	8,035	7,644
Assets classified as held for sale		28	28
Total current assets		**9,031**	**8,557**
Non-current assets			
Deferred income tax asset		281	281
Other non-current assets	4	222	222
Property, plant and equipment	6	1 538	1,683
Right-of-use assets	8	14,925	16,040
Intangible assets	7	557	536
Total non-current assets		**17,523**	**18,762**
TOTAL ASSETS		**26,554**	**27,319**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	9	2,819	1,731
Lease liabilities	8	6,237	5,383
Trade and other payables	10,11	4,920	4,118
Total current liabilities		**13,976**	**11,232**
Non-current liabilities			
Borrowings	9	1,412	488
Lease liabilities	8	10,437	12,396
Total non-current liabilities		**11,849**	**12,884**
TOTAL LIABILITIES		**25,825**	**24,116**
EQUITY			
Share capital at par value	12	5,408	5,408
Share premium		0	0
Reserves	12	4,045	4,045
Retained earnings		-6,250	-341
Net profit (loss) for the period		-2,474	-5,909
TOTAL EQUITY		**729**	**3,203**
TOTAL LIABILITIES AND EQUITY		**26,554**	**27,319**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	1Q 2020	1Q 2019
Revenue	13,14	6,137	9,270
Cost of goods sold	15	-3,390	-4,836
Gross profit		**2,747**	**4,434**
Distribution costs	16	-4,200	-5,029
Administrative and general expenses	17	-792	-598
Other operating income (-expense)	18	37	117
Operating profit (loss)		**-2,208**	**-1,076**
Finance costs	19	-266	-366
Profit (loss) before income tax		**-2,474**	**-1,442**
Income tax expense		0	0
Net profit (loss) for the period		**-2,474**	**-1,442**
Total comprehensive income (loss) for the period		**-2,474**	**-1,442**
Basic earnings per share from net loss for the period, EUR	20	-0.05	-0.04
Diluted earnings per share from net loss for the period, EUR	20	-0.05	-0.04

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CONSOLIDATED CASH FLOW STATEMENT

	Note	1Q 2020	1Q 2019
Cash flows from operating activities			
Operating profit (loss)		-2,208	-1,076
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	15-17	1,682	1,745
Gain (loss) from sale, impairment of PPE, non-current assets, net		31	2
Other non-monetary adjustments		165	-130
Changes in working capital:			
Change in trade and other receivables	4	-132	-31
Change in inventories	5	-391	457
Change in trade and other payables	10	796	-27
Interest paid and other financial expense		-63	-52
Net cash generated from operating activities		**-120**	**888**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangibles	6, 7	84	-72
Proceeds from disposal of PPE		33	8
Net cash used in investing activities		**117**	**-64**
Cash flows from financing activities			
Received borrowings	9	1,000	1,500
Repayments of borrowings	9	-116	-174
Change in bank overdraft	9	1,094	-278
Repayments of lease liabilities, principle	8	-1,731	-1,614
Repayments of lease liabilities, interest		-195	-221
Net cash generated from (used in) financing activities		**52**	**-787**
Total cash flows		**49**	**37**
Cash and cash equivalents at the beginning of the period	3	**215**	**428**
Cash and cash equivalents at the end of the period	3	**264**	**465**
Change in cash and cash equivalents		**49**	**37**

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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	-1,442	-1,442
Total comprehensive loss	**0**	**0**	**-1,442**	**-1,442**
Balance as at 31 March 2019	**4,079**	**1,107**	**-6,561**	**-1,375**
Balance as at 31 Dec 2019	**5,408**	**4,045**	**-6,250**	**3,203**
Loss for the period	0	0	-2,474	-2,474
Total comprehensive loss	**0**	**0**	**-2,474**	**-2,474**
Balance as at 31 March 2020	**5,408**	**4,045**	**-8,724**	**729**

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 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 first quarter ended 31 March 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 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	1 Q 2020	1 Q 2019
USD (US dollar)	-2.91%	-7.60%

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

Balance-sheet date rates (31.03.2020; 31.12.2019)	
USD (US dollar)	-2.47%

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 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 308 thousand euros at 31 March 2020 and 424 thousand euros at 31 December 2019 were subject to a floating 6-month interest rate based on Euribor. Non-current borrowings in the amount of 1,000 thousand euros at 31 March 2020 (31 December 2019: 0) were subject to a fixed interest rate. The remaining long-term borrowings at 31 March 2020 in the amount of 10,437 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 31 March 2020 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 170 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 31 March 2020 was 916 thousand euros (31 December 2019: 2,010 thousand euros).

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Financial liabilities by maturity at 31 March 2020

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 9)[2]	4,194	2,763	1,623	4,386
Lease liabilities (Note 8)	16,674	6,917	11,149	18,066
Trade payables (Note 10)	3,068	3,068	0	3,068
Other financial liabilities	68	68	0	68
Total	**24,004**	**12,816**	**12,772**	**25,588**

Financial liabilities by maturity at 31 December 2019

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 8)[2]	4,219	1,803	2,781	4,584
Lease liabilities (Note 8)	17,779	7,328	11,815	19,143
Trade payables (Note 9)	1,959	1,959	0	1,959
Other financial liabilities	23	23	0	23
Total	**23,980**	**11,113**	**14,596**	**25,709**

[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.

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.

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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 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.

At the end of the reporting period Group's total equity was 729 thousand euros, which is lower than the requirement stipulated in Commercial Code. In order to comply with the law as at 31 March 2020, equity has to be at least 2,704 thousand euros. Equity deficit is the result of extraordinary impairment loss related to Group's lease contract for production units in the amount of 1,330 thousand euros in 2019; and negative operating result in 2019 and first quarter of 2020. The Management of the Group is actively working on meeting the net asset requirement set out in the Commercial Code.

Net gearing ratio

	31 March 2020	31 Dec 2019
Interest carrying borrowings (Note 9)	20,801	19,998
Cash and bank (Note 3)	-215	-264
Net debt	20,586	19,734
Total equity	729	3,203
Net gearing ratio	**2,824%**	**616%**

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 31 March 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.

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NOTE 3 Cash and cash equivalents

	31 March 2020	31 Dec 2019
Cash at hand	25	70
Cash at bank and overnight deposits	190	194
Total	**215**	**264**

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	**31 March 2020**	**31 Dec 2019**
Trade receivables, net	170	240
Other prepaid expenses	217	185
Tax prepayments and tax reclaims, thereof	364	121
Value added tax	364	121
Other current receivables	2	75
Total	**753**	**621**

Long-term assets		
Non-current lease prepayments	222	222
Other long-term receivables	0	0
Total	**222**	**222**

All trade and other receivables are in euros.

Trade receivable allowance expense in 2020 first quarter was 0 thousand euros (2019: 31 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

31 March 2020	**Baltic region**	**Eastern European region**	**Other regions**	**Total**
Not due	96	0	5	101
Up to 1 month past due	19	0	17	36
1-3 months past due	24	0	2	26
3-6 months past due	0	0	0	0
Over 6 months past due	7	0	0	7
Total	**146**	**0**	**24**	**170**

31 Dec 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**

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NOTE 5 Inventories

	31 March 2020	31 Dec 2019
Fabrics and accessories	293	369
Allowance for impairment of fabrics and accessories	-120	-120
Work-in-progress	0	0
Finished goods and goods purchased for resale	7,541	6,995
Allowance for impairment of finished goods and goods purchased for resale	0	-130
Prepayments to suppliers	321	530
Total	**8,035**	**7,644**

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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	45	4	15	8	72
Disposals	0	0	-10	0	-10
Depreciation	-85	-30	-114	0	-229
31 March 2019					
Acquisition cost	3,011	4,607	4,855	8	12,481
Accumulated depreciation	-2,304	-4,481	-3,985	0	-10,770
Net book amount	**707**	**126**	**870**	**8**	**1,711**
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	6	2	3	35	46
Disposals	0	0	-3	0	-3
Depreciation	-86	-15	-87	0	-188
31 March 2020					
Acquisition cost	2,618	975	4,064	40	7,697
Accumulated depreciation	-1,939	-840	-3,380	0	-6,159
Net book amount	**679**	**135**	**684**	**40**	**1538**

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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**
Amortisation	-6	-8	0	0	-14
31 March 2019					
Acquisition cost	**2,091**	**1,243**	**0**	**154**	**3,488**
Accumulated depreciation	-1,910	-1,049	0	0	-2,959
Net book amount	**181**	**194**	**0**	**154**	**529**
31 Dec 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	10	0	**38**
Disposals	0	0	-5	0	**-5**
Amortisation	-4	-8	0	0	**-12**
31 March 2020					
Acquisition cost	**913**	**643**	**51**	**154**	**1,761**
Accumulated depreciation	-767	-437	0	0	-1,204
Net book amount	**146**	**206**	**51**	**154**	**557**

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	-1,502
Net assets 31.03.2019	**16,577**
Net assets 31.12.2019	**16,040**
Additions	366
Terminations	0
Depreciation	-1,481
Net assets 31.03.2020	**14,925**

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

	31.03.2020	31.12.2019
Lease liabilities		
Current	6,237	5,383
Non-current	10,437	12,396
Total lease liabilities	**16,674**	**17,779**

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

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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.

	1 Q 2019	1 Q 2020
Interest expense (under finance cost, Note 19)	195	220
Depreciation (under operating expenses, Notes 15-17)	1,481	1,502
Total	**1,676**	**1,722**

The total cash outflow for long-term leases in first quarter of 2020 was 1,665 thousand euros (1 Q 2019: 1,616 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.s

NOTE 9 Borrowings

	31 March 2020	31 Dec 2019
Current borrowings		
Current portion of bank loans	698	698
Overdraft	2,084	990
Other short term borrowings	37	43
Total	**2,819**	**1 731**
Non-current borrowings		
Non-current bank loans	308	424
Other non-current liabilities	1,104	64
Total	**1,412**	**488**
Total borrowings	**4,231**	**2,219**

During the reporting period, the Group made bank loan repayments in the amount of 116 thousand euros (1 Q 2019: 174 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 2,084 thousand euros as at 31 March 2020 (31 December 2019: 990 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 266 thousand euros (1 Q 2019: 195 thousand euros), including 56 thousand euros from the convertible bonds of related party in first quarter of 2019 and); and interests from lease liabilities recognised under IFRS 16 in the amount of 195 thousand euros (1 Q 2019: 220 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 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. 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.

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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.

Interest carrying loans and bonds of the Group as at 31 March 2020

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +3.7%	3,127
Borrowings at fixed interest rate	6.00%	1,000
Total		**4 127**

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

	31 March 2020	31 Dec 2019
Current liabilities		
Trade payables	3,068	1,959
Tax liabilities, thereof	724	1,036
Personal income tax	120	123
Social security taxes and unemployment insurance premium	316	338
Value added tax	288	568
Corporate income tax liability	0	0
Other taxes	0	7
Payables to employees[1]	726	719
Other current payables	31	23
Other accrued expenses	33	48
Customer prepayments	88	77
Total	**4,670**	**3,862**

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

Trade payables and other accrues expenses in denominated currency

	31 March 2020	31 Dec 2019
EUR (euro)	2,704	1,064
USD (US dollar)	397	943
Total	**3,101**	**2,007**

NOTE 11 Provisions

	31 March 2020	31 Dec 2019
Client bonus provision	250	250

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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

	31 March 2019	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	4,045	4,045*

As at 31 March 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 31 March 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.

*other reserves (as at 31.12.2019 4,045 thousand euros) amount differs by 2,000 thousand euros from the amount reported in Baltika's fourth quarter and 12 months 2019 report (2,045 thousand euros) disclosed on 28.02.2020 due to the fact that although the agreement between AS Baltika and KJK AS was made as of 31.12.2019, there was no formal confirmation of the amendment to the loan agreement with Fund Sicav-SIF and based on the principle of conservatism, the amount of 2,000 thousand euros was reported in the fourth quarter and 12 months report as a debt and not as other reserves in equity.

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

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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

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

- 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 31 March 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	1,529,219	2.83%
4. Other shareholders	2,953,266	5.46%
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, 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.

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- 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.

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
1 Quarter and as at 31 Mar 2020			
Revenue (from external customers)	5,385	752	6,137
Segment profit (loss)[2]	-864	97	-767
Incl. depreciation and amortisation	-180	0	-180
Inventories of segments	3,814	0	3,814
1 Quarter and as at 31 Mar 2019			
Revenue (from external customers)	7,993	1,277	9,270
Segment profit (loss)[2]	100	211	311
Incl. depreciation and amortisation	-204	0	-204
Inventories of segments	4,501	0	4,501

[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

	1 Q 2020	1 Q 2019
Total segment profit	-767	752
Unallocated expenses[1]:		
Costs of goods sold and distribution costs	-987	-1,347
Administrative and general expenses	-594	-598
Impact of the rent accounting principles	103	0
Other operating income (expenses), net	37	117
Operating profit (loss)	**-2,208**	**-1,076**

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[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

	31 March 2020	31 Dec 2019
Total inventories of segments	4,751	4,051
Inventories in Parent company and production company	3,284	3,593
Inventories on statement of financial position	**8,035**	**7,644**

NOTE 14 Revenue

	1 Q 2020	1 Q 2019
Sale of goods in retail channel	5,385	7,975
Sale of goods in wholesale and franchise channel	200	708
Sale of goods in e-commerce channel	505	544
Other sales	47	43
Total	**6,137**	**9,270**

Sales by geographical (client location) areas

	1 Q 2020	1 Q 2019
Estonia	3,054	4,331
Lithuania	1,643	2,244
Latvia	1,371	2,123
Russia	13	309
Serbia	0	119
Austria	1	56
Finland	35	38
Germany	2	12
Ukraine	9	6
Other countries	9	32
Total	**6,137**	**9,270**

NOTE 15 Cost of goods sold

	1 Q 2020	1 Q 2019
Materials and supplies	3,520	3,979
Payroll costs in production	0	752
Operating lease expenses*	0	1
Other production costs	0	100
Depreciation of assets used in production (Note 6,7,8)	0	174
Changes in inventories	-130	-170
Total	**3,390**	**4,836**

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NOTE 16 Distribution costs

	1 Q 2020	1 Q 2019
Payroll costs	1,848	2,296
Operating lease expenses*	191	457
Advertising expenses	254	278
Depreciation and amortisation (Note 6,7,8)	1,458	1,463
Fuel, heating and electricity costs	96	124
Municipal services and security expenses	90	95
Fees for card payments	30	43
Travel expenses	22	29
Information technology expenses	50	68
Consultation and management fees	29	5
Communication expenses	18	23
Other sales expenses[1]	114	148
Total	**4,200**	**5,059**

[1]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 17 Administrative and general expenses

	1 Q 2020	1 Q 2019
Payroll costs	317	311
Operating lease expenses*	9	13
Information technology expenses	48	45
Bank fees	21	27
Depreciation and amortisation (Note 6,7,8)	224	108
Fuel, heating and electricity expenses	28	20
Management, juridical-, auditor´s and other consulting fees	93	24
Other administrative expenses1	52	50
Total	**792**	**598**

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

NOTE 18 Other operating income and expenses

	1 Q 2020	1 Q 2019
Gain (loss) from sale, impairment of PPE	30	-2
Other operating income	9	122
Foreign exchange gain (-loss)	3	-1
Fines, penalties and tax interest	-2	0
Other operating expenses	-3	-2
Total	**37**	**117**

NOTE 19 Finance costs

	1 Q 2020	1 Q 2019
Interest cost	-266	-366
Total	**-266**	**-366**

In first quarter of 2020, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 195 thousand euros (1 Q 2019: 220 thousand euros).

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NOTE 20 Earnings per share

Basic earnings per share		**1 Q 2020**	**1 Q 2019**
Weighted average number of shares (thousand)	pcs	54,079	40,795
Net loss from continuing operations		-2,474	-1,442
Basic earnings per share	**EUR**	**-0.05**	**-0.04**
Diluted earnings per share	**EUR**	**-0.05**	**-0.04**

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 0.12 euros (1 Q 2019: 0.16 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 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

	1 Q 2020 Purchases	**1 Q 2019 Purchases**
Services	6	6
Total	**6**	**6**

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

Balances with related parties

	31 March 2020	**31 Dec 2019**
Other loans and interests (Note 9)	1,104	5,461
Payables to related parties total	**1,104**	**5,461**

All transactions in 2020 as well as in 2019 reporting periods and balances with related parties as at 31 March 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

	1 Q 2020	**1 Q 2019**
Salaries of the members of the Management Board	66	75
Remuneration of the members of the Supervisory Council	4	4
Total	**70**	**79**

As at 31 March 2020 and 31 December 2019 there 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 will be the new CEO and Member of Management Board of AS Baltika since 1 April 2020. Mae Leyrer, Member of the Management Board of AS Baltika 14-months contract expires on 22 May 2020. The contract of Maigi Pärnik-Pernik, Member of the Management Board, expires in March 2020 and will be extended by 22 May 2020 according to the decision made on 11 March by Supervisory Board. Until the end of the contracts, both Leyrer and Pärnik-Pernik, as members of the management board, will continue to actively implement company's restructuring plan, while gradually transferring management to the new Management Board.

NOTE 22 Events after the balance sheet date

Baltika submitted an application for the commencement of reorganisation proceedings to Harju County Court on March 25, 2020 and on March 26, 2020 the court decided to initiate reorganisation proceedings. The court has set a date to present the reorganisation plan to the court for approval by May 25, 2020. On April 30, 2020 AS Baltika presented reorganization plan to creditor's for their approval.

On April 25, 2020, all retail stores of the Baltika Group located in Lithuania were reopened and on May 11, 2020, all retail stores located in Estonia were reopened by government decision.

On May 20, 2020 Baltika`s reorganization plan was accepted by the creditors. Baltika submitted the reorganization plan accepted by the creditors to the court for approval on 22 May 2020.

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 31 March 2020: 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 31 March 2020: 1,297,641 shares (on AS Genteel account)

REET SAKS
Member of the Supervisory Board since 25.03.1997
Attorney at Ellex Raidla 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 31 March 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 Dzirnavnieks
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 31 March 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 31 March 2020: 0

AS BALTIKA MANAGEMENT BOARD

FLAVIO PERINI
Member of 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 31 March 2020: 0

MAE LEYRER
Member of the Management Board until May 22, 2020, CEO until April 30, 2020
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 31 March 2020: 0

MAIGI PÄRNIK-PERNIK
Member of the Management Board until May 22, 2020, 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 31 March 2020: 0