AS BALTIKA

Consolidated interim report for the first quarter of 2019

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 2019 – 31 December 2019
Reporting period	1 January 2019 – 31 March 2019

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BRIEF DESCRIPTION OF BALTIKA GROUP

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

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

As at 31 March 2019 the Group employed 946 people (31 December 2018: 975).

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

The Group consists of the following companies:

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

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

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MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FIRST QUARTER OF 2019

Baltika Group ended the first quarter with a net loss of 1,442 thousand euros. The loss for the same period last year was 982 thousand euros. The result for the first quarter of 2019 includes a negative impact of 117 thousand euros on the new accounting standard IFRS 16.

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

	1Q 2019
Decrease in rent expenses	1,605
Increase in depreciation	-1,502
Increase in operating profit	**103**
Calculated interest expense on lease liabilities	-220
Decrease in the net profit	**-117**

In addition, IFRS 16 has a significant impact on the company's various balance sheet assets and liabilities. As at 31.03.19, fixed assets (i.e all lease payments at their present value, up to the end of the contract term) are increasing by 16,577 thousand euros and at the same time short-term lease liabilities increasing by 6,815 thousand euros and long-term lease liabilities by 9,879 thousand euros.

The Group's sales revenue decreased by 10% in the first quarter compared to the same period last year and amounted to 9,270 thousand euros. The largest sales channel, retail, sales decreased by 2% and totalled 7,975 thousand euros. Revenue decreased by 5% in both the Estonian and Latvian markets, while sales revenue in Lithuania increased by 6%. For several consecutive quarters, there has been a downward trend in the sales of formal clothing and the men's segment, while demand for dresses and outerwear has increased.

The sales revenue of business customers (wholesale, franchise and consignment customers) in the first quarter was 708 thousand euros, decreasing by 58% compared with last year. The decrease in sales revenue of nearly 1 million euros is related to the termination of contracts of franchise partners of Belarus and Ukraine and the decrease in Russian franchise volumes. Another important reason for the decrease in sales revenue was the change in cooperation agreement with Peek & Cloppenburg, a chain of German and Central European department stores, in autumn 2018, and closure of Spanish franchise stores.

The sales revenue of the first quarter of the Baltika Group's online store Andmorefashion.com increased by 16% compared to the same period last year and amounted to 544 thousand euros. Monton accounted for 37% of sales in the first quarter, followed by Mosaic with 26%. The most distant countries to which Baltika's brand orders were shipped in the first quarter were Japan, Australia, USA and Canada.

The quarter's gross profit was 4,434 thousand euros, lower by 449 thousand euros compared to the same period last year (1Q 2018: 4,883 thousand euros). The decrease in gross profit is primarily due to the decreased sales revenue of business customers. The gross profit margin was 47.8%, the same level as in the first quarter of the previous year (1Q 2018: 47.2%).

In the first quarter, Group's marketing expenses were 5 029 thousand euros, decreasing by 98 thousand euros compared to the same period last year. The decrease in distribution costs is primarily related to the recognition of leases in the Group's balance sheet due to the change in accounting policies of IFRS 16 "Leases".

Equity

As of the end of the first quarter, the equity of the company is negative and the shareholders' meeting on 12 April 2019 confirmed the following resolutions in order to restore equity and comply with the requirements of the Commercial Law: to increase the nominal value of AS Baltika share to 1 euro and to change the existing shares so that for every 10 shares one new share is given, thereafter decrease the nominal value of the share to 0.10 euros and decrease share capital from 4,079 thousand euros to

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408 thousand euros to cover the losses. In addition, a decision was taken to increase the share capital by 5 million euros via public offering in August 2019.

KJK Fund, Sicav-SIF, the largest shareholder, holding 38.9% of shares of AS Baltika, has confirmed its willingness to subscribe for new shares pursuant to its proportion of holding and according to terms specified in the Prospectus, up to 5,000 thousand euros depending on usage of other participants' subscription rights. This means that KJK Fund, Sicav-SIF will also subscribe to shares which it is given additional subscription rights according to the allocation terms specified in the Prospectus and which are not subscribed by other shareholders.

The impact of the resolutions confirmed at the General Meeting of Shareholders on the Group's financial position is shown in the pro forma equity table below.

EQUITY	**31 March 2019**	**pro forma entry[1]**	**pro forma entry[2]**	**pro forma**
Share capital at par value	4,079	-3,672	5,000	5,408
Share premium	0	0	0	0
Reserves	1,107	-1,107	0	0
Retained earnings	-5,119	4,779	0	-340
Net profit (loss) for the period	-1,442	0	0	-1,442
TOTAL EQUITY	**-1,375**	**0**	**5,000**	**3,625**

[1]pro forma entry agenda number 7 of the annual general meeting of shareholders impact: "To decrease the share capital in the remaining amount of losses 4,012,972 euros after all reserves have been used to cover these losses by simplified reduction as follows: to decrease the share capital with three million six hundred seventy one thousand five hundred thirty six (3,671,536) euros.

[2] pro forma entry agenda number 8 of the annual general meeting of shareholders impact: "To increase the share capital of AS Baltika by issuing additionally fifty million (50,000,000) ordinary shares with the nominal value of 0.10 euros with the issuance price of 0.10 euros. The share capital of AS Baltika will be increased by five million (5,000,000) euros and the new amount of the share capital is 5,407,949 (five million four hundred seven thousand nine hundred and forty nine) euros."

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

- In March 2019, the Supervisory Board of AS Baltika approved the business plan for 2019 and 2020. The main parts of the operational plan are optimizing the brand portfolio and sales channels, digitalisation and changing the purchasing base. With the transition to an optimized brand portfolio, significant simplification of business processes and dissolving the production in Estonian production units, Baltika Group's fixed costs will be reduced by nearly two million euros over the next 12 months.

- In March 2019, the Supervisory Board of AS Baltika approved Mae Hansen, the third member of the management board of AS Baltika. She is responsible for implementing the company's 2019 and 2020 business plan.

- In 14 March 2019 the Supervisory Board decided to present to the general meeting of shareholders the proposal to increase the nominal value of the share to 1 euro and to exchange the existing shares so that for each 10 shares one new share is given, thereafter decrease the nominal value of the share to 0.10 euros and decrease share capital from 4,079 thousand euros to 408 thousand euros to cover the losses in order to implement the 2019–2020 operational plan and meet the net asset requirement set out in the Commercial Code.

- In 14 March 2019 Supervisory Board decided to propose to the general meeting of shareholders to increase in August 2019 the share capital by 5 million euros via public offering.

- In 14 March 2019 Supervisory Board gave the consent to the management board to take a loan of 3 million euros from KJK Fund SICAV-SIF in the next 2 months. The loan was taken into two parts - 1,500 thousand euros was taken in March 2019 and 1,500 thousand euros in April 2019. The loan bears a 6% interest and is repaid from the funds generated from the share emission in August 2019.

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- In 12 April 2019, the Annual General Meeting of AS Baltika shareholders approved the annual report for 2018 and the confirmation of losses. The General Meeting resolved to recall Valdo Kalm, member of the Supervisory Board of AS Baltika. In order to bring the equity into accordance with the requirements of the Commercial Code, the general meeting adopted a decision to increase the nominal value of AS Baltika share to 1 euros and to exchange the existing shares so that 1 new share can be received for every 10 shares, then reduce the nominal value of the share to 0.1 euros and reduce the share capital from 4,079 thousand to 408 thousand euros to cover losses. In addition, a decision was made to increase the share capital by 5 million euros via public offering in August 2019.

REVENUE

Baltika's first quarter revenue was 9,270 thousand euros, which was 10% lower compared to the same period last year. Among the channels, E-shop sales showed a strong continued growth trend by 16%. First-quarter retail sales revenue declined by 2%, and sales to business customers fell by 58%, Which was driven by the termination of the agreements of the Eastern-European franchise and changes in cooperation with Peek & Cloppenburg, a leading department store chain in Germany and Central Europe, in autumn 2018.

Sales revenue by channel

EUR thousand	1 Q 2019	1 Q 2018	+/-
Retail	7,975	8,137	-2%
Wholesale & Franchise	708	1,702	-58%
E-com sales	544	470	16%
Other	43	34	26%
Total	**9,270**	**10,343**	**-10%**

Stores and sales area

As of 31 March 2019, the Group had 101 stores, including 10 franchise stores. In the first quarter, the number of stores decreased by 16. In the first quarter, Baltika closed an outlet store in Estonia, at the Magistral Center in Tallinn, and Bastion store in Jõhvi. In Latvia, the Bastion store was closed in Riga. At the same time, 14 franchise stores were closed - 10 in Ukraine, 1 in Russia, 2 in Belarus, and 1 in Spain. One new franchise store was opened in Serbia.

Stores by market

	31 March 2019	31 March 2018	Average area change*
Estonia	39	42	-2%
Lithuania	30	30	1%
Latvia	21	22	-1%
Finland	1	1	-
Ukraine[1]	0	15	-38%
Russia[1]	8	11	-13%
Belarus[1]	0	2	0%
Spain[1]	0	2	-55%
Serbia[1]	2	1	69%
Total stores	**101**	**126**	
Total sales area, sqm	**19,019**	**23,602**	**-6%**

*Yearly average area change also takes into account the time store is closed for renovation
[1]Franchise shops are with a total sales area of 1,937 m^2.

Retail

Retail sales for the first quarter was 7,975 thousand euros, decreasing by 2% compared to the same period last year. Compared to the previous year, the first quarter of this year was characterized by the growth of retail sales of dresses and outerwear. Sales of knitwear, jackets and suits have continued to decrease due to the general decline in formal clothing trends.

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Retail sales by market

EUR thousand	1 Q 2019	1 Q 2018	+/-	Share
Estonia	3,794	3,980	-5%	48%
Lithuania	2,151	2,032	6%	27%
Latvia	1,994	2,092	-5%	25%
Finland	36	33	11%	0%
Total	**7,975**	**8,137**	**-2%**	**100%**

In the quarter total, sales revenue was lost the most in Estonian and Latvian markets, respectively by 5% and sales efficiency decreased by 3%. Lithuanian market sales revenue increased by 6% and sales efficiency by 5% compared to last year.

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

	1 Q 2019	1 Q 2018	+/-
Estonia	160	165	-3%
Lithuania	129	123	5%
Latvia	172	178	-3%
Finland	66	83	-21%
Total	**152**	**154**	**-1%**

Brands

There were no significant changes in the share of retail sales between brands. Monton is still the largest brand, with sales of 42% of retail sales in the first quarter. Monton's first-quarter revenue was 3,310 thousand euros, which is 4% lower compared with same period last year. In the first quarter, Baltika's smallest brand, Bastion`s, sales revenue decreased by 11% compared with last year due to the closure of Bastion stores. Ivo Nikkolo and Mosaic brands showed sales growth by 2% and 1%, respectively, in the first quarter compared to last year.

Retail revenue by brand

EUR thousand	1 Q 2019	1 Q 2018	+/-	Share
Monton	3,310	3,448	-4%	42%
Mosaic	2,504	2,478	1%	32%
Baltman	870	892	-2%	11%
Ivo Nikkolo	924	908	2%	12%
Bastion	367	411	-11%	5%
Other	0	0	-100%	0%
Total	**7,975**	**8,137**	**-2%**	**100%**

Sales in other channels

The sales of business customers decreased by 58% compared to the first quarter of the previous year and amounted to 708 thousand euros. The decrease in sales revenue of nearly 1 million euros is related to the termination of the contracts with Belarus and Ukraine franchise partners and the decrease in Russian franchise volumes. Another important reason for the decrease in sales revenue was the change in cooperation agreement with Peek & Cloppenburg, a chain of German and Central European department stores, in autumn 2018, and closure of Spanish franchise stores.

In business customers sales revenue Mosaic accounted for 45% and Monton for 40% of the first quarter sales. By country, the largest sales revenue was generated from Russia, which accounted for 40% of sales revenue, followed by sales revenue of 26% by Estonian wholesale partners. As of the end of the first quarter, the number of franchise stores representing Baltika's brands was 10, which is 10% of the total store portfolio.

Baltika Group's e-store Andmorefashion.com sales revenue for the first quarter increased by 16% compared to the same period last year and amounted to 544 thousand euros. The largest share of sales revenue is generated by Monton with 37%, followed by Mosaic with 26%, Ivo Nikkolo with 19%, Bastion with 12% and Baltman with 6%.

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The largest share of e-store sales revenue was generated by Estonia with 58%, followed by Latvia with 17% and Lithuania with 15%. Compared to the first quarter of last year, all Baltic countries showed strong sales growth: Lithuania + 24% Estonia + 19%, Latvia + 13%. Sales growth was facilitated by the expansion of the Click & Collect network in the Baltics and the ease of use of the e-shop especially in the purchasing process. In first quarter the most distant countries, where Baltika`s brands were shipped were Japan, Australia, USA and Canada.

OPERATING EXPENSES AND NET PROFIT

The Company's gross profit margin in the first quarter was 47.8%, 0.6 percentage points higher than in the first quarter of the previous year. The quarter's gross profit was 4,434 thousand euros, which is 449 thousand euros or 9% less than the comparable result of the previous year. The decrease in gross profit is primarily due to the decreased sales revenue of business customers.

Group's distribution expenses in first quarter were 5,029 thousand euros, decreasing by 98 thousand euros compared to the same period last year. General administrative expenses decreased by 0.5%, i.e 3 thousand euros in the first quarter and amounted to 598 thousand euros.

In the first quarter, the ratio of distribution and administrative costs to sales revenue was 60.7%, which is 5.4% higher than in the same period last year. The main reason for the decline is the decrease in sales revenue.

Other net operating income was 117 thousand euros in the first quarter and operating loss totalled 1,076 thousand euros. In the same period last year, the operating loss was 856 thousand euros.

Net financial expenses in the first quarter were 366 thousand euros, which is 240 thousand euros more than in the same period last year. The increase in financial expenses is due to the additional interest expense arising from the requirements of IFRS 16.

The net loss for the quarter was 1,442 thousand euros. The result for the comparable period last year was a net loss of 982 thousand euros.

FINANCIAL POSITION

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

Assets	**31 March 2019**
Right-of-use assets (net book value)	16,577
Liabilities	
Current lease liabilities	6,815
Non-current lease liabilities	9,879

As at 31 March 2019, Baltika Group's receivables from customers and other receivables amounted to 1,092 thousand euros, increasing by 226 thousand euros compared to the end of the last year.

As of the end of the quarter, the Group's inventories totalled 10,480 thousand euros, decreasing by 227 thousand euros compared to the end of the last year. Both finished goods and the goods purchased for sale have decreased (by 419 thousand euros) and prepayments have also decreased (by 176 thousand euros).

On March 31 2019, the total amount of debt was 26,821 thousand euros, which together with the change in overdraft results in the increase of borrowings compared to the end of the last year (31.12.2018: 8,994 thousand euros) by 17,827 thousand euros, of which 16,694 thousand euros are driven by the impact of the recognition of leases on the Group's financial position. Without the impact of IFRS 16, the Group's debt increased by 1,133 thousand euros compared to the end of the last year due to the increased use of overdraft which is impacted of the seasonality of the business.

Fixed assets were acquired in the first quarter for 72 thousand euros and depreciation was 1,745 thousand euros. The residual value of tangible and intangible fixed assets has increased by 16,396 thousand euros compared to the end of the previous year and was 18,817 thousand euros. The increase in fixed assets in the amount of 16,577 thousand euros is related with the implementation of IFRS 16 “Leases”.

Cash flow from operating activities in the first quarter was 667 thousand euros (Q1 2018: -1,792 thousand euros). Investment activities totalled 78 thousand euros in the first quarter. The portion of overdraft decreased by 278 thousand euros, bank loans were paid in the amount of 174 thousand euros and and repayment of lease liabilities was made in accordance with the accounting principles of IFRS 16 "Leases" in the amount of 1,614 thousand euros. The Group's total cash flow for the first quarter was 37 thousand euros (Q1 2018: -120 thousand euros).

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As at 31 March 2019, the Group's net debt (interest-bearing borrowings less cash and cash equivalents) was 16,477 thousand euros, which is 7,911 thousand euros higher than at the end of last year. The increase in net debt is related to the recognition of leases in the Group's balance sheet due to changes in accounting policies of IFRS 16 "Leases". The net debt to equity ratio as at 31 March 2019 was -1 198% (31.12.2018: 12,785%). Compared to the seasonally similar business cycle last year, the Group's net debt-to-equity ratio has deteriorated significantly (31 March 2018: 191%) due to increased loan liabilities, negative financial results and one-off costs. The Group's liquidity ratio has deteriorated from 1.6 to 0.55 during the 12 months (March 31, 2018 and March 31, 2019).

PEOPLE

As at 31 March 2019 Baltika Group employed 946 people, which is 29 people less than at 31 December 2018 (975), thereof 454 (31.12.2018: 467) in the retail system, 330 (31.12.2018: 339) in manufacturing and 162 (31.12.2018: 169) at the head office and logistics centre. The average number of employees in the Group in the first quarter of 2019 was 958 (Q 1 2018: 1,022).

Baltika Group employees' remuneration expense in twelve months amounted to 2,667 thousand euros (Q1 2018: 2,638 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 79 thousand euros (Q 1 2018: 62 thousand euros).

Since March 2019, Mae Hansen, Member of the Management Board of AS Baltika, is responsible for implementing the 2019–2020 Action Plan. Mae Hansen has 20 years of strategic management experience from three continents and seven countries - Estonia, United States, Denmark, Austria, China, India and Russia. With his help, changes have been made by Daimler Financial Services (Germany), Match-Maker Ventures (Austria) and WeXelrate (Austria). Hansen has worked for a long time in the financial sector - Merrill Lynch (United States), Byrne Investment Research (United States), Danske Bank (Denmark and Estonia) and FinanceEstonia (Estonia). He has been a member of the Supervisory Board of several companies. Since last year, he is a vice president of the International Advisory Board of the University of Vienna.

KEY FIGURES OF THE GROUP (I QUARTER OF 2019)

Sales activity key figures	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[1]	3M and 31 March 2015
Revenue (EUR thousand)	9,270	10,343	10,757	10,505	11,220	12,325
Retail sales (EUR thousand)	7,975	8,137	8,524	8,428	9,335	10,440
Share of retail sales in revenue	86.0%	78.7%	79.2%	80.2%	83.2%	84.7%
Share of exports in revenue	53.3%	56.6%	57.7%	58.2%	58.9%	62.6%
Number of stores in retail	91	95	95	94	91	102
Number of stores	101	126	128	130	117	128
Sales area (sqm) (end of period)	17,082	17,642	17,425	17,133	16,608	19,722
Number of employees (end of period)	946	1,022	1,047	1,103	1,123	1,216
Gross margin	47.8%	47.2%	48.8%	50.6%	45.4%	44.5%
EBITDA (EUR thousand)	672	-576	-152	-59	-389	-718
Net profit (EUR thousand)	-1,442	-982	-590	-493	-783	-1,136
EBITDA margin	7.2%	-5.6%	-1.4%	-0.6%	-3.5%	-5.8%
Operating margin	-11.6%	-8.3%	-4.4%	-3.7%	-5.9%	-8.3%
EBT margin	-15.6%	-9.5%	-5.5%	-4.7%	-7.0%	-9.2%
Net margin	-15.6%	-9.5%	-5.5%	-4.7%	-7.0%	-9.2%
Inventory turnover	1.78	2.01	1.99	1.84	1.96	2.02

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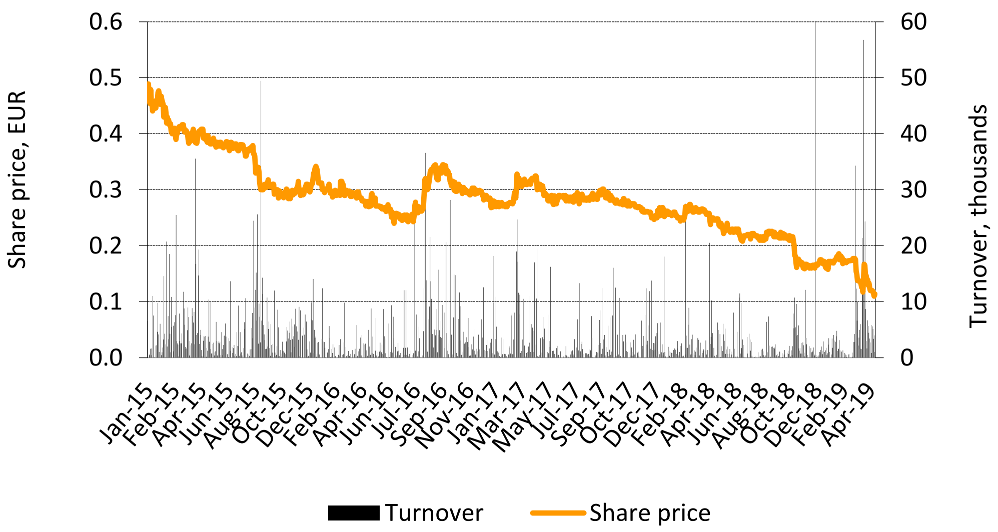
Other ratios[2]	3M and 31 March 2019	3M and 31 March 2018	3M and 31 March 2017	3M and 31 March 2016	3M and 31 March 2015[1]	3M and 31 March 2015
Current ratio	0.5	1.6	1.0	1.2	1.8	1.8
Net gearing ratio	-1198.3%	190.8%	189.0%	182.1%	98.8%	98.8%
Return on equity	-62.8%	-21.8%	-12.9%	-8.2%	-12.8%	-12.8%
Return on assets	-8.3%	-5.3%	-3.1%	-2.2%	-4.8%	-4.8%

[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.

Meelis Milder
Chairman of the Management Board
18 April 2019

Maigi Pärnik-Pernik
Member of the Management Board
18 April 2019

Mae Hansen
Member of the Management Board
18 April 2019

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the first quarter 2019 as presented on pages 12-32.

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.

Meelis Milder
Chairman of the Management Board
18 April 2019

Maigi Pärnik-Pernik
Member of the Management Board
18 April 2019

Mae Hansen
Member of the Management Board
18 April 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019	31 Dec 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	465	428
Trade and other receivables	4	1,092	866
Inventories	5	10,480	10,707
Total current assets		**12,037**	**12,001**
Non-current assets			
Deferred income tax asset		286	286
Other non-current assets	4	213	287
Property, plant and equipment	6	18,288	1,878
Intangible assets	7	529	543
Total non-current assets		**19,316**	**2,994**
TOTAL ASSETS		**31,353**	**14,995**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	8	15,957	7,829
Trade and other payables	9,10	5,907	5,934
Total current liabilities		**21,864**	**13,763**
Non-current liabilities			
Borrowings	8	10,864	1,165
Total non-current liabilities		**10,864**	**1,165**
TOTAL LIABILITIES		**32,728**	**14,928**
EQUITY			
Share capital at par value	11	4,079	4,079
Share premium		0	0
Reserves	11	1,107	1,107
Retained earnings		-5,119	0
Net profit (loss) for the period		-1,442	-5,119
TOTAL EQUITY		**-1,375**	**67**
TOTAL LIABILITIES AND EQUITY		**31,353**	**14,995**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	1Q 2019	1Q 2018
Revenue	12,13	9,270	10,343
Cost of goods sold	14	-4,836	-5,460
Gross profit		**4,434**	**4,883**
Distribution costs	15	-5,029	-5,127
Administrative and general expenses	16	-598	-595
Other operating income (-expense)	17	117	-17
Operating profit (loss)		**-1,076**	**-856**
Finance costs	18	-366	-126
Profit (loss) before income tax		**-1,442**	**-982**
Income tax expense		0	0
Net profit (loss) for the period		**-1,442**	**-982**
Total comprehensive income (loss) for the period		**-1,442**	**-982**
Basic earnings per share from net loss for the period, EUR	19	-0.04	-0.02
Diluted earnings per share from net loss for the period, EUR	19	-0.04	-0.02

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CONSOLIDATED CASH FLOW STATEMENT

	Note	1Q 2019	1Q 2018
Cash flows from operating activities			
Operating profit (loss)		-1,076	-856
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	14-16	1,745	279
Gain (loss) from sale, impairment of PPE, non-current assets, net		2	1
Other non-monetary adjustments		-351	89
Changes in working capital:			
Change in trade and other receivables	4	-31	-869
Change in inventories	5	457	372
Change in trade and other payables	9	-27	-777
Interest paid and other financial expense		-52	-31
Net cash generated from operating activities		**667**	**-1,792**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangibles	6, 7	-72	-78
Proceeds from disposal of PPE		8	0
Net cash used in investing activities		**-64**	**-78**
Cash flows from financing activities			
Received borrowings	8	1,500	0
Repayments of borrowings	8	-174	-203
Change in bank overdraft	8	-278	2,001
Repayments of lease liabilities		-1,614	-48
Net cash generated from (used in) financing activities		**-566**	**1,750**
Total cash flows		**37**	**-120**
Cash and cash equivalents at the beginning of the period	3	**428**	**605**
Cash and cash equivalents at the end of the period	3	**465**	**485**
Change in cash and cash equivalents		**37**	**-120**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
Balance as at 31 Dec 2017	**8,159**	**496**	**1,345**	**-4,814**	**5,186**
Loss for the period	0	0	0	-982	-982
Total comprehensive income	**0**	**0**	**0**	**-982**	**-982**
Balance as at 31 March 2018	**8,159**	**496**	**1,345**	**-5,796**	**4,204**
Balance as at 31 Dec 2018	**4,079**	**0**	**1,107**	**-5,119**	**67**
Loss for the period	0	0	0	-1,442	-1,442
Total comprehensive loss	**0**	**0**	**0**	**-1,442**	**-1,442**
Balance as at 31 March 2019	**4,079**	**0**	**1,107**	**-6,561**	**-1,375**

NOTES TO CONSOLIDATED INTERIM REPORT

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

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

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

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

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

Changes in significant accounting policies

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

IFRS 16, Leases

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

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

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

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

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

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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

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

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

As the result of application, the Group's total assets in the balance sheet as at 1 January 2019 increased by 18,079 thousand euros and liabilities increased by 17.079 thousand euros.

NOTE 2 Financial risks

In its daily activities, the Group is exposed to different types of risks. Risk management is an important and integral part of the business activities of the Group. The Group's ability to identify, measure and control different risks is a key variable for the Group's profitability. The Group's management defines risk as a potential negative deviation from the expected financial results. The main risk factors are market (including currency risk, interest rate risk and price risk), credit, liquidity and operational risks.

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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 2019	1 Q 2018
USD (US dollar)	-7.60%	15.44%

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

Balance-sheet date rates (31.03.2019; 31.03.2018)	
USD (US dollar)	-1.88%

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

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

Interest rate risk

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

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

Non-current borrowings in the amount of 985 thousand euros as at 31 March 2019 and 1,165 thousand euros at 31 December 2018 were subject to a floating 6 month interest rate based on Euribor. The remaining long-term borrowings as at 31 March 2019 in the amount of 9,879 thousand euros are the present value of the lease liabilities recognized under IFRS 16, discounted at an average interest rate of 5%. The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

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

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Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

As at 31 March 2019 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 553 thousand euros (31 December 2018: 397 thousand euros) on a net basis after allowances.

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

Liquidity risk

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

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, commercial bond issues, issuance of additional shares and monitors the terms of receivables and purchase contracts. The unused limit of the Group´s overdraft facilities as at 31 March 2019 was 1,944 thousand euros (31 December 2018: 1,666 thousand euros).

Financial liabilities by maturity at 31 March 2019

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 8)[2]	5,204	4,372	973	5,345
Finance lease liabilities (Note 8)	68	32	40	72
Convertible bonds (Note 8)	4,855	4,994	0	4,994
Trade payables (Note 9)	3,191	3,191	0	3,191
Lease liabilities (Note 8)	16,694	7,520	10,584	18,104
Other financial liabilities	56	56	0	56
Total	**30,068**	**20,165**	**11,597**	**31,762**

Financial liabilities by maturity at 31 December 2018

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

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

Operational risk

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

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

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

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

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

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

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

Capital management

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

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

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

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

As at 31 March 2019 and 31 December 2018, the amount of the Group's equity did not meet the requirement of the Commercial Code, which is at least 50% of the share capital. Equity deficit is the result of extraordinary allowances and impairment losses of trade receivables, inventories and non-current assets related to strategical decisions in amount of 3,583 thousand euros recorded in 2018 and negative operating result in 2018. In order to meet the net asset requirement set out in the Commercial Code, the general meeting of shareholders decided to increase the share capital by 5,000 thousand euros via public offering in August 2019. KJK Fund, Sicav-SIF, the largest shareholder of AS Baltika, has confirmed its willingness to subscribe for new shares.

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Net gearing ratio

	31 March 2019	31 Dec 2018
Interest carrying borrowings (Note 8)	16,942	8,994
Cash and bank (Note 3)	-465	-428
Net debt	16,477	8,566
Total equity	-1,375	67
Net gearing ratio	**-1198%**	**12785%**

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 2019 and 31 December 2018.

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

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

NOTE 3 Cash and cash equivalents

	31 March 2019	31 Dec 2018
Cash at hand	95	120
Cash at bank and overnight deposits	370	308
Total	**465**	**428**

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	**31 March 2019**	**31 Dec 2018**
Trade receivables, net	553	397
Other prepaid expenses	179	205
Tax prepayments and tax reclaims, thereof	332	234
Value added tax	332	234
Other current receivables	28	30
Total	**1,092**	**866**
Long-term assets		
Non-current lease prepayments	213	287
Total	**213**	**287**

All trade and other receivables are in euros.

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

31 March 2019	Baltic region	Eastern European region	Other regions	Total
Not due	253	304	6	563
Up to 1 month past due	2	0	3	5
1-3 months past due	0	0	-17	-17
3-6 months past due	0	0	0	0
Over 6 months past due	2	0	0	2
Total	**257**	**304**	**-8**	**553**

31 Dec 2018	Baltic region	Eastern European region	Other regions	Total
Not due	296	474	-9	761
Up to 1 month past due	4	0	13	17
1-3 months past due	8	0	7	15
3-6 months past due	0	0	0	0
Over 6 months past due	1	0	1	2
Total	**309**	**474**	**12**	**795**

NOTE 5 Inventories

	31 March 2019	31 Dec 2018
Fabrics and accessories	1,643	1,445
Work-in-progress	107	107
Finished goods and goods purchased for resale	8,468	8,887
Allowance for impairment of finished goods and goods purchased for resale	0	-170
Prepayments to suppliers	262	438
Total	**10,480**	**10,707**

NOTE 6 Property, plant and equipment

	Buildings and structures	Right-of-use assets	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2017						
Acquisition cost	**2,925**	**0**	**4,743**	**4,878**	**0**	**12,546**
Accumulated depreciation	-2,064	0	-4,372	-3,715	0	-10,151
Net book amount	**861**	**0**	**371**	**1,163**	**0**	**2,395**
Additions	34	0	9	16	0	59
Disposals	0	0	0	-1	0	-1
Depreciation	-94	0	-28	-131	0	-253
31 March 2018						
Acquisition cost	2,945	0	4,751	4,771	0	12,467
Accumulated depreciation	-2,144	0	-4,399	-3,724	0	-10,267
Net book amount	**801**	**0**	**352**	**1,047**	**0**	**2,200**
31 December 2018						
Acquisition cost	2,988	0	4,634	4,909	0	12,531
Accumulated depreciation	-2,241	0	-4,482	-3,930	0	-10,653
Net book amount	**747**	**0**	**152**	**979**	**0**	**1,878**

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IFRS 16 initial application (Note 1)	0	18,079	0	0	0	18,079
Net book amount as at 1 January 2019	**747**	**18,079**	**152**	**979**	**0**	**19,957**
Additions	45	0	4	15	8	72
Disposals	0	0	0	-10	0	-10
Depreciation	-85	-1,502	-30	-114	0	-1,731
31 March 2018						
Acquisition cost	3,011	18,079	4,607	4,855	8	30,560
Accumulated depreciation	-2,304	-1,502	-4,481	-3,985	0	-12,272
Net book amount	**707**	**16,577**	**126**	**870**	**8**	**18,288**

NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Pre-payments	Goodwill	Total
31 December 2017					
Acquisition cost	**2,107**	**1,243**	**0**	**509**	**3,859**
Accumulated depreciation	-1,921	-425	0	0	-2,346
Net book amount	**186**	**818**	**0**	**509**	**1,513**
Additions	2	0	17	0	19
Amortisation	-6	-20	0	0	-26
31 March 2018					
Acquisition cost	**2,109**	**1,243**	**17**	**509**	**3,878**
Accumulated depreciation	-1,927	-445	0	0	-2,372
Net book amount	**182**	**798**	**17**	**509**	**1,506**
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**

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NOTE 8 Borrowings

	31 March 2019	31 Dec 2018
Current borrowings		
Current portion of bank loans	698	697
Overdraft	2,056	2,334
Current portion of finance lease liabilities	30	35
Lease liabilities	6,815	0
Other current loans (Note 20)	1,503	0
Share options (Note 22)	4,855	4,763
Total	**15,957**	**7,829**
Non-current borrowings		
Non-current bank loans	947	1,122
Non-current finance lease liabilities	38	43
Lease liabilities	9,879	0
Total	**10,864**	**1,165**
Total borrowings	**26,821**	**8,994**

Lease agreements that form lease liabilities have been concluded for the term of December 2019 until November 2025. Lease liability recorded in the balance sheet as at 31 March 2019 is recognised as a result of adoption of IFRS 16 on 1 January 2019. The lease payments are discounted at the Group's incremental borrowing rate 5%.

During the reporting period, the Group made loan repayments in the amount of 174 thousand euros (1 quarter 2018: 203 thousand euros) and lease liabilities' (under IFRS) principals in the amount of 1,385 thousand euros. Group´s overdraft facilities with the banks were used in the amount of 2,056 thousand euros as at 31 March 2019 (31 December 2018: 2,334 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 366 thousand euros (1 quarter 2018: 126 thousand euros), including 56 thousand euros interest expense from the convertible bonds of related party (1 quarter 2018: 55 thousand euros) and interests from lease liabilities recognised under IFRS 16 in amount of 220 thousand euros.

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

Changes in 2018

In December the repayment date of the overdraft agreement (in the amount of 1,000 thousand euros) was extended until July 2019.

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

Changes in 2019

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

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR +3,7% or EONIA +3,8%	3,769
Borrowings at fixed interest rate (Note 20)	6.00%	1,500
K-Bonds (Note 11)	6.00%	4,445
Total		**9,714**

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

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

NOTE 9 Trade and other payables

	31 March 2019	31 Dec 2018
Current liabilities		
Trade payables	3,191	3,065
Tax liabilities, thereof	1,243	1,437
Personal income tax	153	148
Social security taxes and unemployment insurance premium	497	552
Value added tax	547	702
Other taxes	46	35
Payables to employees[1]	970	980
Other current payables	56	22
Other accrued expenses[2]	31	5
Customer prepayments	85	94
Total	**5,576**	**5,603**

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

Trade payables and other accrues expenses in denominated currency

	31 March 2019	31 Dec 2018
EUR (euro)	2,530	1,763
USD (US dollar)	692	1,307
Total	**3,222**	**3,070**

NOTE 10 Provisions

	31 March 2019	31 Dec 2018
Client bonus provision	331	331
Total	**331**	**331**

Short description of the provision

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

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Assumptions used

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

NOTE 11 Equity

Share capital and reserves

	31 March 2019	31 Dec 2018
Share capital	4,079	4,079
Number of shares (pcs)	40,794,850	40,794,850
Nominal value of share (EUR)	0.10	0.10
Statutory reserve	944	944
Other reserves	163	163

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

Convertible bonds and share option program

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

- K-bonds

On 8 May 2017, the Annual General Meeting of shareholders decided to issue convertible bonds with bondholder option in the total amount of 4.5 million euros. The decision was to issue 900 convertible bonds with the issuance price of 5,000 euros. Out of 900 bonds offered, 889 bonds in total amount of 4,445 thousand euros were subscribed. The convertible bonds carry an annual interest rate of 6% and the term is two years. Each bond gives its owner the right to subscribe for 15,625 Baltika's share at subscription price of 0.32 euros.

Bonds were partly issued to a related party (720 bonds in the amount of 3,600 thousand euros, Note 20).

- 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 2019

	Number of shares	Holding
1. ING Luxembourg S.A.	15,870,914	38.90%
2. Clearstream Banking Luxembourg S.A. clients	10,702,525	26.23%
3. Luksusjaht AS	855,154	2.10%
4. Svenska Handelsbanken clients	800,000	1.96%
5. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	1,000,346	2.45%
Persons related to members of Management Board	228,583	0.56%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.46%
6. Other shareholders	10,334,901	25.34%
Total	**40,794,850**	**100%**

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Shareholders as at 31 December 2018

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

The shares of the Parent company are listed on the Nasdaq Tallinn. The Parent company does not have a controlling shareholder or any shareholders jointly controlling the entity.

NOTE 12 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 wholsesale, franchise, consignation and e-commerce). The retail segments are countries which have been aggregated to reportable segments by regions which share similar economic characteristics and meet other aggregation criteria provided in IFRS 8.

Description of segments and principal activities:

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

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

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

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

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

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

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

	Retail	All other segments[1]	Total
1 Quarter and as at 31 March 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 Quarter and as at 31 March 2018			
Revenue (from external customers)	8,104	2,240	10,344
Segment profit (loss)[2]	304	448	752
Incl. depreciation and amortisation	-225	-17	-242
Inventories of segments	4,501	0	4,501

[1]All other segments include sale of goods to wholesale and franchise 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 2019	1 Q 2018
Total segment profit	311	752
Unallocated expenses[1]:		
Costs of goods sold and distribution costs	-1,013	-996
Administrative and general expenses	-594	-595
Impact of the rent accounting principles	103	0
Other operating income (expenses), net	117	-17
Operating profit (loss)	**-1,076**	**-856**

[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 2019	31 Dec 2018
Total inventories of segments	4,751	4,273
Inventories in Parent company and production company	5,729	6,434
Inventories on statement of financial position	**10,480**	**10,707**

NOTE 13 Revenue

	1 Q 2019	1 Q 2018
Sale of goods in retail channel	7,975	8,137
Sale of goods in wholesale and franchise channel	708	1,702
Sale of goods in e-commerce channel	544	470
Other sales	43	34
Total	**9,270**	**10,343**

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Sales by geographical (client location) areas

	1 Q 2019	1 Q 2018
Estonia	4,331	4,487
Lithuania	2,244	2,105
Latvia	2,123	2,242
Russia	309	590
Serbia	119	50
Austria	56	132
Finland	38	121
Germany	12	126
Ukraine	6	228
Cyprus	1	107
Spain	0	93
Other countries	31	62
Total	**9,270**	**10,343**

NOTE 14 Cost of goods sold

	1 Q 2019	1 Q 2018
Materials and supplies	3,979	4,492
Payroll costs in production	752	884
Operating lease expenses[1]	1	171
Other production costs	100	105
Depreciation of assets used in production (Note 6,7)	174	18
Changes in inventories	-170	-210
Total	**4,836**	**5,460**

[1]Due to application of IFRS 16 from 1 January 2019, Group's rental expenses in production costs in the amount of 175 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

NOTE 15 Distribution costs

	1 Q 2019	1 Q 2018
Payroll costs	2,296	2,299
Operating lease expenses[1]	457	1,685
Advertising expenses	278	298
Depreciation and amortisation (Note 6,7)	1,463	253
Fuel, heating and electricity costs	124	134
Municipal services and security expenses	95	96
Fees for card payments	43	47
Travel expenses	29	40
Information technology expenses	68	42
Consultation and management fees	5	44
Communication expenses	23	25
Other sales expenses[2]	148	164
Total	**5,029**	**5,059**

[1]Due to application of IFRS 16 from 1 January 2019, Group's rental expenses in distribution costs in the amount of 1,320 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).
[2]Other sales expenses consist mostly of insurance and customs expenses, bank fees, expenses for uniforms, packaging, transportation and renovation expenses of stores, and service fees connected to administration of market organisations.

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NOTE 16 Administrative and general expenses

	1 Q 2019	1 Q 2018
Payroll costs	311	309
Operating lease expenses[1]	13	102
Information technology expenses	45	48
Bank fees	27	26
Depreciation and amortisation (Note 6,7)	108	8
Fuel, heating and electricity expenses	20	20
Management, juridical-, auditor´s and other consulting fees	24	26
Other administrative expenses[2]	50	56
Total	**598**	**595**

[1]Due to application of IFRS 16 from 1 January 2019, Group's rental expenses in administrative and general expenses in the amount of 110 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

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

NOTE 17 Other operating income and expenses

	1 Q 2019	1 Q 2018
Gain (loss) from sale, impairment of PPE	-2	-1
Other operating income[1]	122	1
Foreign exchange gain (-loss)	-1	-15
Other operating expenses	-2	-2
Total	**117**	**-17**

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

NOTE 18 Finance costs

	1 Q 2019	1 Q 2018
Interest cost	-366	-126
Total	**-366**	**-126**

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

NOTE 19 Earnings per share

Basic earnings per share		**1 Q 2019**	**1 Q 2018**
Weighted average number of shares (thousand)	pcs	40,795	40,795
Net loss from continuing operations		-1,442	-982
Basic earnings per share	**EUR**	**-0.04**	**-0.02**
Diluted earnings per share	**EUR**	**-0.04**	**-0.02**

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

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Nasdaq Tallinn Stock Exchange in the reporting period was 0.16 euros (2018: 0.26 euros).

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NOTE 20 Related parties

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

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

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

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

Transactions with related parties

	1 Q 2019	1 Q 2018
Services purchased	6	6
Total	**6**	**6**

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

Balances with related parties

	31 March 2019	31 Dec 2018
Other current loans and interests (Note 8, 9)	5,461	3,902
Payables to related parties total	**5,461**	**3,902**

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

All transactions in 2019 as well as in 2018 reporting periods and balances with related parties as at 31 March 2019 and 31 December 2018 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 2019	1 Q 2018
Salaries of the members of the Management Board	75	58
Remuneration of the members of the Supervisory Council	4	4
Total	**79**	**62**

As at 31 March 2019 and 31 December 2018 there were five Supervisory Board Members.

Changes in the Management Board in 2019

By the decision of the Supervisory Board made on 14 March 2019, Mae Hansen will be the third member of the Management Board of AS Baltika as of 22 March 2019. 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.

Changes in the Management Board in 2018

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

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

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

AS BALTIKA SUPERVISORY BOARD

JAAKKO SAKARI MIKAEL SALMELIN
Chairman of the Supervisory Board since 23 May 2012, Member of the Supervisory Board since 21.06.2010
Partner, KJK Capital Oy
Master of Science in Finance, Helsinki School of Economics
Other assignments:
Member of the Management Board of KJK Fund SICAV-SIF,
Member of the Board of Directors, KJK Management SA,
Member of the Board of Directors, KJK Capital Oy,
Member of the Management Board, KJK Invest Oy,
Member of the Management Board of Amiraali Invest Oy,
Member of the Management Board of UAB D Investiciju Valdymas.
Baltika shares held on 31 March 2019: 0

TIINA MÕIS
Member of the Supervisory Board since 03.05.2006
Chairman of the Management Board of AS Genteel
Degree in Economical Engineering, Tallinn University of Technology
Other assignments:
Member of the Supervisory Board of AS LHV Pank and AS LHV Group,
Member of the Supervisory Board of Rocca al Mare Kool
Baltika shares held on 31 March 2019: 977,837 shares (on AS Genteel account)

REET SAKS
Member of the Supervisory Board since 25.03.1997
Attorney at Raidla Ellex Law Office
Degree in Law, University of Tartu
Other assignments
Member of the Management board of Non-profit organization AIPPI Estonian workgroup
Baltika shares held on 31 March 2019: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Board since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Other assignments:
Member of the Supervisory Board of AS Tallink Grupp,
Member of the Board of Oy Tallink Silja Ab,
Member of the Board of KJK Invest Oy,
Member of the Board of Kaima Capital Eesti OÜ,
Member of the Board of Aurejärvi Varainhoito Oy,
Member of the Board of UAB Malsena Plius,
Member of the Board of UAB D Investiciju Valdymas,
Member of the Board of Bostads AB Blåklinten Oy,
Member of the Board of KJK Serbian Holdings BV,
Member of the Board of AS Baltic Mill,
Member of the Board of KJK Investicije d.o.o,
Vice-chairman of the Board of AAS BAN,
Vice-chairman of the Management Board of Amber Trust Management SA,
Chairman of the Management Board of Amber Trust II Management SA,
Chairman of the Management Board of KJK Fund SICAV-SIF,
Chairman of the Management Board of KJK Fund II SICAV-SIF,
Chairman of the Supervisory Board of Salva Kindlustuse AS,
Chairman of the Supervisory Board of AS PRFoods,
Member of the Supervisory Board of Managetrade OÜ,
Member of the Supervisory Board of Toode AS,
Chairman of the Supervisory Board of JSC Rigas Dzirnavnieks,
Chairman of the Board of Directors, KJK Management SA,
Chairman of the Board of Directors, KJK Capital Oy,
Member of the Supervisory Board of AS Saaremere Kala,
Member of the Supervisory Board of Eurohold Bulgaria AD,
Member of the Board of Leader Group 2016 AD,
Director of KJK Bulgaria Holding EOOD,
Director of Amber Trust SCA,
Director of Amber Trust II SCA,
Member of Supervisory Board of AAS Baltijas Apdrosianas.
Baltika shares held on 31 March 2019: 24 590 shares (on Kaima Capital Eesti OÜ account)

AS BALTIKA MANAGEMENT BOARD

MEELIS MILDER
Chairman of the Management Board, Group CEO
Chairman of the Board since 1991, in the Group since 1984
Degree in Economic Cybernetics, University of Tartu
Baltika shares held on 31 March 2019: 1,000,346 shares

MAIGI PÄRNIK-PERNIK
Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika shares 31 March 2019: 0

MAE HANSEN
Member of the Management Board, Chief Transformation Officer
Member of the Board since 2019, in the Group since 2019
Global Executive MBA, University of Vienna (Austria) and Carlson School of Management (USA)
Belonging to other management bodies: New Seven OÜ, Member of the Board
Baltika shares 31 March 2019: 0