AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months 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 December 2019

BALTMAN monton MOSAIC IvoNikkolo BASTION

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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 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 December 2019 the Group employed 529 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 Dec 2019	Holding as at 31 Dec 2018
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman[1]	Estonia	Retail	100%	100%
SIA Baltika Latvija[2]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[2]	Lithuania	Retail	100%	100%
OY Baltinia AB	Finland	Retail	100%	100%
Baltika Sweden AB	Sweden	Dormant	100%	100%
OÜ Baltika Tailor	Estonia	In liquidation	100%	100%

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

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FOURTH QUARTER AND 12 MONTHS OF 2019

Baltika Group ended the fourth quarter with the loss of 2,609 thousand euros which includes extraordinary impairment loss of 2,400 thousand euros related to Group's lease contract for production units and restructuring plan and a negative impact of 119 thousand euros on the new accounting standard IFRS 16. Last year's same period result was net loss in the amount of 3,450 thousand euros, including non-recurring costs in amount of 3,600 thousand euros (allowance for impairment, particularly for Eastern European franchise partners and non-recurring costs related with restructuring plan). Fourth-quarter regular net results (excluding non-recurring costs and IFRS 16 impact) remained at last year's level, which was strongly driven by the decrease of sales which was offset by significant decrease in recurring fixed costs.

In the fourth quarter, Group's sales revenue decreased 17% compared with the last year same period and was 10,139 thousand euros. Channel, with the biggest share (91%), retail, decreased 17% and was 9,294 thousand euros. Sales revenue decreased in all three Baltics market which was mainly driven by the sharp decrease of outerwear and knitwear sales due to warm winter and also due to the closure of Bastion brand.

The fourth quarter sales revenue of Baltika Group e-store Andmorefashion.com increased by 15% compared to the same period last year and was 542 thousand euros. The sales revenue of business customers decreased by 62% compared to the fourth quarter of last year and was 228 thousand euros. The sharp decline in business customers` sales was expected, as the gradual exit from business customer sales channel is part of Baltika Group's ongoing restructuring plan.

The Group's distribution expenses in the fourth quarter were 4,745 thousand euros decreasing by 22%, i.e 1 330 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.

2019 12 months

Company ended the twelve months with the loss of 5,909 thousand euros, including non-recurring costs related to Baltika's ongoing restructuring plan in the amount of 2,700 thousand euros and negative impact of IFRS 16 in the amount of 408 thousand euros. Last year loss was 5,119 thousand euros.

In twelve months total, Baltika's sales decreased by 11% and was 39,630 thousand euros. E-commerce showed a 21% increase in sales, retail decreased by 7% and business customers sales decreased by 62%. The gross profit of the company was 19,191 thousand eurot, which is 2,345 thousand euros less than in 2018. The decline in gross profit in 2019 was due to the decrease in retail sales in the Baltics, especially in the fourth quarter, which was affected by the sharp decrease in demand for outerwear and knitwear due to the warmer winter. Gross profit was also negatively affected by the closure of Baltika's production company Baltika Tailor OÜ, which liquidation costs totalled to 675 thousand euros in 2019.

Baltika's distribution and administrative expenses (excluding non-recurring costs and the impact of IFRS 16) decreased for the twelve months by 1,708 thousand euros, of which majority i.e 900 thousand euros was driven by the decrease of recurring fixed costs in Baltika's head office. Baltika Group`s restructuring plan which was disclosed in March 2019 set out as one of its goals to reduce Baltika Group's fixed costs by 2 million euros by the end of 2020. The activities related with restructuring started in April-May and by the end of 2019 about 50% of the target was met. In 2020, fixed costs of 2 million euros will continue to be reduced according to the plan.

Non-recurring costs and IFRS 16 impact

The Group's non-recurring costs in 2019 were approximately 2,700 thousand euros, of which 1,363 thousand euros were non-recurring costs related to the implementation of the restructuring plan. During the termination of Baltika Tailor OÜ operations the number of employees was reduced by 336 and the non-recurring costs related with liquidation amounted to 675 thousand euros in 2019. In addition, operations at both headquarter and retail markets were restructured, resulting in a non-recurring costs of 688 thousand euros in 2019. During the year, the number of Group employees decreased by 446 people.

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In addition, in the fourth quarter the extraordinary impairment loss of 1,330 thousand euros related to Group's lease contract for production unit was made related to the discontinuation of production in the Group's Estonian units. As of 31 December 2019, the assets right of use and lease liabilities in the statement of financial position are recognized from 1st of January 2019 when IFRS 16 standard was first applied. Due to the closure of the production units, the Group no longer uses these assets for its own business activities, therefore the value of the assets has been estimated in accordance to the possible future uses.

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. As at 31.12.19, fixed assets (i.e all lease payments at their present value, up to the end of the contract term) increased by 16,040 thousand euros and at the same time short-term lease liabilities increased by 5,383 thousand euros and long-term lease liabilities by 12,396 thousand euros.

The impact of the mandatory new accounting standard IFRS 16 on the income statement is shown in the table below.

	4Q 2019	**2019**
Decrease in rent expenses	1,702	6,578
Increase in depreciation	-1,601	-6,149
Increase in operating profit	**101**	**429**
Calculated interest expense on lease liabilities	-220	-837
Decrease in the net profit	**-119**	**-408**

Equity

As of the end of the fourth quarter, the equity of the company does not comply with the requirements of the Commercial Code. At the end of the reporting period, the Group's equity was 1,203 thousand euros. In order to comply with the law, the equity should be at least 2,704 thousand euros. The Management of the Group is working on meeting the net asset requirement set out in the Commercial Code.

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

- On 1st of November 2019 AS Baltika, as the sole shareholder of OÜ Baltika Tailor, decided to dissolve the company and to start with the liquidation proceedings.
- On 16th of December 2019, an amendment to the loan agreement of AS Baltika and KJK Fund SICAV-SIF (under liquidation) was signed, according to which the loan in the amount of 2,045 thousand euros is non-interest bearing and has no fixed maturity date. The repayment date will be agreed by the parties but will not be earlier than May 2022.
- On January 2020 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.

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REVENUE

Baltika's fourth quarter revenue was 10,139 thousand euros, decreasing by 17% compared to the same period last year. In terms of sales channels, e-commerce showed a positive result, increasing sales by 15%, retail sales decreased by 17% and business customers by 62%. Sales of other services increased by approximately 30 thousand euros, which includes increase in sales of sewing services and packaging materials compared to the previous year.

Sales revenue by channel

EUR thousand	4 Q 2019	4 Q 2018	+/-	12M 2019	12M 2018	+/-
Retail	9,294	11,159	-17%	35,566	38,416	-7%
Business Customers	228	605	-62%	1,656	4,353	-62%
E-com sales	542	472	15%	2,067	1,707	21%
Other	75	45	67%	341	215	59%
Total	**10,139**	**12,281**	**-17%**	**39,630**	**44,691**	**-11%**

Stores and sales area

As at 31 December 2019, Group had 82 stores. In the fourth quarter, the number of stores decreased by two – two stores in Latvia were closed.

Stores by market

	31 December 2019	31 December 2018	Average area change*
Estonia	33	41	-2%
Lithuania	29	30	-1%
Latvia	19	22	-1%
Finland	1	1	41%
Ukraine[1]	0	10	-100%
Russia[1]	0	9	-100%
Belarus[1]	0	2	-100%
Spain[1]	0	1	-100%
Serbia[1]	0	1	-100%
Total stores	**82**	**117**	
Total sales area, sqm	**16,467**	**22,082**	**-25%**

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

Retail

Fourth quarter retail sales were 9,294 thousand euros, decreasing by 17% compared to the previous year. Compared to previous years, retail sales in the fourth quarter of this year were characterized by a decrease in sales of outerwear, knitwear and dresses. In the first twelve months of the year, retail sales decreased 7% to 35,566 thousand euros.

Retail sales by market

EUR thousand	4 Q 2019	4 Q 2018	+/-	Share	12M 2019	12M 2018	+/-	Share
Estonia	4,159	5,085	-18%	45%	16,704	18,209	-8%	47%
Lithuania	2,722	3,006	-9%	29%	9,711	10,011	-3%	27%
Latvia	2,368	3,013	-21%	25%	8,948	10,036	-11%	25%
Finland	44	55	-20%	0%	203	161	26%	1%
Total	**9,294**	**11,159**	**-17%**	**100%**	**35,566**	**38,416**	**-7%**	**100%**

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In the fourth quarter, sales efficiency declined in all three Baltic markets: in Latvia -13%, Lithuania -9% and in Estonia -8%. Sales efficiency for the entire retail channel decreased in fourth quarter and in twelve months total respectively -10% and -5%.

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

	4 Q 2019	4 Q 2018	+/-	12M 2019	12M 2018	+/-
Estonia	199	216	-8%	187	195	-4%
Lithuania	167	182	-9%	148	150	-2%
Latvia	217	250	-13%	194	210	-8%
Finland	79	100	-21%	92	92	-1%
Total	**191**	**212**	**-10%**	**175**	**183**	**-5%**

Brands

Monton brand accounts for the biggest share, accounting for 52% of retail sales in the fourth quarter. Monton's fourth quarter sales were 4,843 thousand euros, decreasing by 6% compared with last year. Sales decreased in women's collections and the biggest decline was in the outerwear and dresses category. At the same time, sales of hats, scarves and bags 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. Mosaic's fourth quarter sales were 2,343 thousand euros, decreasing by 26% and in twelve months total the decrease was -9%. Total sales for the two mainstream brands fell 14% in the fourth quarter and 5% for the twelve months compared to last year.

Sales of suits and jackets have declined as a result of a general decline in the trend in formal clothing, which is also reflected in Baltman sales - 10% in quarter comparison and -8% in twelve months sales. Ivo Nikkolo's revenue declined 8% in the fourth quarter and 3% in the twelve months. The main reason for the decrease in sales is the decline in sales of jackets and knitwear and accessories. At the same time, sales of outerwear, jersey and dresses 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	4 Q 2019	4 Q 2018	+/-	Share	12M 2019	12M 2018	+/-	Share
Monton	4,843	5,161	-6%	52%	16,554	16,983	-3%	47%
Mosaic	2,343	3,182	-26%	25%	10,396	11,467	-9%	29%
Baltman	1,025	1,133	-10%	11%	3,823	4,173	-8%	11%
Ivo Nikkolo	1,066	1,158	-8%	11%	3,794	3,895	-3%	11%
Bastion	17	521	-97%	0%	999	1,878	-47%	3%
Other	0	4	-100%	0	0	20	-100%	0
Total	**9,294**	**11,159**	**-17%**	**100%**	**35,566**	**38,416**	**-7%**	**100%**

Sales in other channels

The fourth quarter sales revenue of Baltika Group e-store Andmorefashion.com increased by 15% compared to the same period last year and was 542 thousand euros. The brand with the highest share of sales is Monton, which accounts for 44% of online sales, followed by Mosaic with 30%, Ivo Nikkolo with 25%, Bastion with 4% and Baltman with 4%. 87% and 13%, respectively, of the fourth quarter sales revenue was generated by women and men. The share of the latter has increased by 2 percentage points year-on-year comparison, indicating that the Andmorefashion.com sales channel is increasingly used to buy men's products.

The sales of our biggest brands grew as following: Monton 42%, Mosaic 17%, Ivo Nikkolo 4% and Baltman 67%. Sales share continued to be highest in Estonia, accounting for about 56% of total e-store sales, followed by Latvia and Lithuania with 17%. Compared to the fourth quarter of the previous year, Estonia grew the most (+21%), followed by Lithuania (+17%) and Latvia (+15%). The most distant countries to where Baltika's brand orders were shipped in the fourth quarter were Cyprus, Israel, Japan, Australia and the US.

The sales revenue of business customers decreased by 62% compared to the fourth quarter of last year and was 228 thousand euros. By countries, the biggest sales revenue was generated from wholesale customers in Estonia, accounting for 43% of total sales, followed by Russia with 16% and Latvia with 14%. 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 fourth quarter was 44.6% that is lower by 0.9 percentage points than the margin in the fourth quarter of last year. Gross profit margin decreased in fourth quarter mainly due to the deeper year-end discounts.

Gross profit for the quarter was 4,526 thousand euros, decreasing by 1,062 thousand euros compared to the same period last year (4Q 2018: 5,588 thousand euros). Twelve months in total, company's gross profit amounted to 19,191 thousand euros, that is less by 2,345 thousand euros than in comparable period in 2018.

Group's distribution expenses in the fourth quarter was 4,745 thousand euros, decreasing by 1,330 thousand euros compared to the same period last year. Administrative and general expenses remained in fourth quarter in last year`s level and was 644 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 1,267 thousand euros, including on-off costs in amount of 1,330 thousand euros. Operating loss was 2,282 thousand euros, operating loss for the same period last year was 3,398 thousand euros.

Net financial expense in the quarter was 321 thousand euros, which is 172 thousand euros higher 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 quarter resulted in a net loss of 2,609 thousand euros including impairment loss of 1,330 thousand euros for right-of-use assets related to lease contracts for production units. Comparable period result was loss 3,450 thousand euros. Year in total results is a net loss of 5,909 thousand euros, 2018 result was net loss 5,119 thousand euros.

FINANCIAL POSITION

As at 31 December 2019, Baltika Group trade and other receivables amounted to 621 thousand euros, decreasing by 245 thousand euros compared to last year-end.

As at the end of the quarter, Group's inventories totalled 7,644 thousand euros, decreasing by 3,063 thousand euros compared to last year-end. Finished goods and goods purchased for resale has decreased by 1,853 thousand euros and the amount of fabric and accessories has decreased by 1,196 thousand euros. The change in inventory structure is related to Baltika Group's ongoing restructuring plan, according to which production operations in Estonia were discontinued at the end of 2019, and in the future sewing services will be purchased mainly from partners in the European region.

In the fourth quarter, purchases of fixed assets were made in the amount of 190 thousand euros and deprecation and the decrease of value was 3,046 thousand euros. Non-current assets residual value increased by 15,768 thousand euros compared to last year-end and was 18,762 thousand euros. The increase in fixed assets in the amount of 16,040 thousand euros is related to the implementation of IFRS 16 "Leases".

As at 31 December 2019 the total borrowings amounted to 21,998 thousand euros, which together with the use of overdraft facility signifies an increase of 13,004 thousand euros compared to last year-end (31 December 2018: 8,994 thousand euros), of which 17,779 thousand euros represents the impact of the recognition of lease agreements on the financial position of the Group due to the change in accounting policy. Excluding the impact of IFRS 16, the Group's borrowings decreased by 4,775 thousand euros compared with the end of last year due to the redemption of K-bonds and lower use of overdraft.

The fourth quarter operating activities cash-flow was 3,541 thousand euros (4Q 2018 1,573 thousand euros). In the fourth quarter, investments were made in the amount of 67 thousand euros. Overdraft in use decreased by quarter 1,665 thousand euros, loan repayments were made in the amount of 180 thousand euros. Group's fourth quarter total cash flow was 62 thousand euros (4Q 2018: -126 thousand euros).

As at 31 December 2019 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 21,734 thousand euros, which is 13,168 thousand euros more than at the end of last year. The increase in net debt is related to the recognition of leases due to a change in accounting policy in IFRS 16 "Leases" in the Group's statement of financial position. The gearing ratio was at December 31, 2019 1807% (December 31, 2018: 12,785%). Compared to the year-end, the net debt-to-equity ratio has improved as a result of the decrease in loan liabilities and the increase in equity. The Group's liquidity ratio has decreased from 0.9 to 0.8 during 12 months (31 December 2018 and 31 December 2019) due to the recognition of IFRS 16 leases as current liabilities.

PEOPLE

As at 31 December 2019 Baltika Group employed 529 people, which is 446 people less than at 31 December 2018 (975), thereof 408 (31.12.2018: 467) in the retail system, 2 (31.12.2018: 339) in manufacturing and 119 (31.12.2018: 169) at the head office and logistics centre.

Baltika Group employees' remuneration expense in twelve months amounted to 10,555 thousand euros (12 months 2018: 10,728 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 497 thousand euros (12 months 2018: 251 thousand euros). The remuneration of the members of the Management Board for the twelve months of 2019 includes a severance payment of 198 thousand euros to Meelis Milder.

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KEY FIGURES OF THE GROUP (IV QUARTER AND 12 MONTHS 2019)

	Q4 2019	Q4 2018	Q4 2017	Q4 2016	Q3 2015[1]	Q4 2015
Revenue (EUR thousand)	10,139	12,281	12,969	12,704	13,505	14,643
Retail sales (EUR thousand)	9,294	11,159	11,626	11,413	12,413	13,551
Share of retail sales in revenue	91.7%	90.9%	89.6%	89.8%	91.9%	92.5%
Gross margin	44.6%	51.9%	54.9%	51.8%	48.0%	48.8%
EBITDA (EUR thousand)	786	-1,151	1,418	1,123	864	-3,049
Net profit (EUR thousand)	-2,609	-1,472	920	620	333	-4,641
EBITDA margin	7.7%	-9.4%	10.9%	8.8%	6.4%	-20.8%
Operating margin	-22.5%	-11.6%	8.6%	6.3%	3.9%	-29.4%
EBT margin	-25.7%	-12.8%	7.4%	4.9%	2.8%	-30.4%
Net margin	-25.7%	-12.0%	7.1%	4.9%	2.5%	-31.7%

Sales activity key figures	**12M and 31 December 2019**	**12M anc 31 December 2018**	**12M and 31 December 2017**	**12M and 31 December 2016**	**12M and 31 December 2015[1]**	**12M and 31 December 2015**
Revenue (EUR thousand)	39,630	44,691	47,459	46,993	48,806	53,298
Retail sales (EUR thousand)	35,566	38,416	39,476	39,678	42,730	47,222
Share of retail sales in revenue	89.70%	86.00%	83.20%	84.40%	87.60%	88.60%
Share of exports in revenue	54.25%	55.13%	56.10%	56.40%	56.60%	60.20%
Number of stores in retail	82	94	95	95	95	105
Number of stores	82	117	128	128	123	133
Sales area (sqm) (end of period)	16,467	17,758	17,741	17,161	17,046	19,883
Number of employees (end of period)	529	975	1,018	1,049	1,095	1,174
Gross margin	48.40%	49.90%	49.90%	50.00%	47.30%	47.70%
EBITDA (EUR thousand)	3,806	-1,609	1,875	2,004	944	-3,425
Net profit (EUR thousand)	-5,909	-5,119	58	177	-844	-6,359
EBITDA margin	9.60%	-3.60%	4.00%	4.30%	1.90%	-6.40%
Operating margin	-11.40%	-6.00%	1.30%	1.50%	-0.60%	-10.60%
EBT margin	-14.90%	-7.20%	0.20%	0.40%	-1.60%	-11.60%
Net margin	-14.90%	-7.00%	0.10%	0.40%	-1.70%	-11.90%
Inventory turnover	4.05	2.07	2.15	2.17	2.16	2.21

Other ratios[2]	**12M and 31 December 2019**	**12M anc 31 December 2018**	**12M and 31 December 2017**	**12M and 31 December 2016**	**12M and 31 December 2015[1]**	**12M and 31 December 2015**
Current ratio	0.8	0.9	1.8	1.1	1.3	1.3
Net gearing ratio	1807.00%	12785.00%	115.10%	133.20%	123.20%	123.20%
Return on equity	1737.66%	-138.00%	1.30%	3.80%	-92.80%	-92.80%
Return on assets	-21.39%	-28.20%	0.30%	0.90%	-28.10%	-28.10%

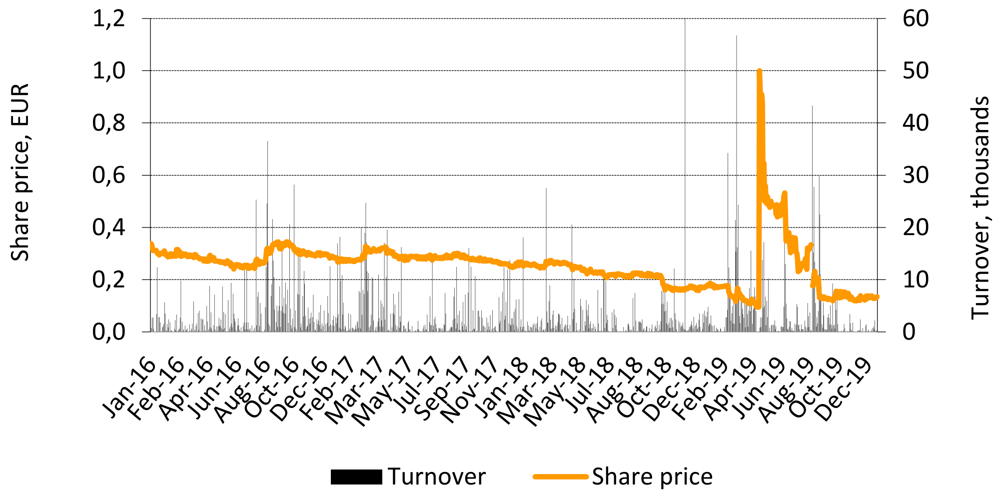
[1]In connection with Baltika’s exit from the Russian retail business at the beginning of the year 2016, the sales activity key figures of 2015 presents only results of continued operations.
[2]Other ratios include impact of continued and discontinued operations.

Definitions of key ratios

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

*Based on 12-month average

SHARE PRICE AND TURNOVER



MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

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

Mae Leyrer
Member of the Management Board
28 February 2020

Maigi Pärnik-Pernik
Member of the Management Board
28 February 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 fourth quarter and 12 months of 2019 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.

Mae Leyrer
Member of the Management Board
28 February 2020

Maigi Pärnik-Pernik
Member of the Management Board
28 February 2020

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2019 (in thousands euros, unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	264	428
Trade and other receivables	4	621	866
Inventories	5	7,644	10,707
Assets classified as held for sale		28	0
Total current assets		**8,557**	**12,001**
Non-current assets			
Deferred income tax asset		281	286
Other non-current assets	4	222	287
Property, plant and equipment	6	1,683	1,878
Right-of-use assets	6	16,040	0
Intangible assets	7	536	543
Total non-current assets		**18,762**	**2,994**
TOTAL ASSETS		**27,319**	**14,995**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	8	1,731	7,829
Lease liabilities	8	5,383	0
Trade and other payables	9,10	4,118	5,934
Total current liabilities		**11,232**	**13,763**
Non-current liabilities			
Borrowings	8	2,488	1,165
Lease liabilities	8	12,396	0
Total non-current liabilities		**14,884**	**1,165**
TOTAL LIABILITIES		**26,116**	**14,928**
EQUITY			
Share capital at par value	11	5,408	4,079
Reserves	11	2,045	1,107
Retained earnings		-341	0
Net loss for the period		-5,909	-5,119
TOTAL EQUITY		**1,203**	**67**
TOTAL LIABILITIES AND EQUITY		**27,319**	**14,995**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	4Q 2019	4Q 2018	2019	2018
Revenue	12,13	10,139	12,281	39,630	44,691
Client bonus provision	10	81	0	81	0
Revenue after client bonus provision		10,220	12,281	39,711	44,691
Cost of goods sold	14	-5,694	-6,693	-20,520	-23,155
Gross profit		**4,526**	**5,588**	**19,191**	**21,536**
Distribution costs	15	-4,745	-6,075	-19,588	-21,579
Administrative and general expenses	16	-644	-642	-2,672	-2,375
Impairment loss of trade receivables	4	-152	-2,229	-31	-2,229
Other operating income (-expense)	17	-1,267	-40	-1,412	-16
Operating loss		**-2,282**	**-3,398**	**-4,512**	**-4,663**
Finance costs	18	-321	-149	-1,391	-553
Loss before income tax		**-2,603**	**-3,547**	**-5,903**	**-5,216**
Income tax expense		-6	97	-6	97
Net loss for the period		**-2,609**	**-3,450**	**-5,909**	**-5,119**
Total comprehensive loss for the period		**-2,609**	**-3,450**	**-5,909**	**-5,119**
Basic earnings per share from net loss for the period, EUR	19	-0.05	-0.08	-0.16	-0.13
Diluted earnings per share from net loss for the period, EUR	19	-0.05	-0.08	-0.16	-0.13

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CONSOLIDATED CASH FLOW STATEMENT

	Note	4Q 2019	4Q 2018	2019	2018
Cash flows from operating activities					
Operating loss		-2,282	-3,398	-4,512	-4,663
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-17	3,046	949	8,289	1,756
Gain (loss) from sale, impairment of PPE, non-current assets, net		-157	359	-153	363
Other non-monetary adjustments		106	2,570	-184	2,570
Changes in working capital:					
Change in trade and other receivables	4	272	667	264	-872
Change in inventories	5	3,015	235	3,292	-517
Change in trade and other payables	9	-359	245	-1,833	-50
Interest paid and other financial expense		-100	-54	-346	-198
Net cash generated from operating activities		**3,541**	**1,573**	**4,817**	**-1,611**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	6, 7	-190	-279	-749	-635
Proceeds from disposal of PPE		257	5	267	5
Net cash used in investing activities		**67**	**-274**	**-482**	**-630**
Cash flows from financing activities					
Received borrowings	8	0	0	3,000	1,000
Repayments of borrowings	8	-180	-177	-3,732	-632
Change in bank overdraft	8	-1,665	-1,235	-1,344	1,697
Repayments of lease liabilities, principle (2018 – Repayments of finance lease)		-1,481	-13	-5,741	-100
Repayments of lease liabilities, interest		-220	0	-837	0
Repayments of convertible bonds	11	0	0	-845	0
Proceeds from issues of shares		0	0	5,000	0
Net cash generated from (used in) financing activities		**-3,546**	**-1,425**	**-4,499**	**1,965**
Total cash flows		**62**	**-126**	**-164**	**-276**
Cash and cash equivalents at the beginning of the period	3	**202**	**554**	**428**	**704**
Cash and cash equivalents at the end of the period	3	**264**	**428**	**264**	**428**
Change in cash and cash equivalents		**62**	**-126**	**-164**	**-276**

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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	-5,119	-5,119
Total comprehensive income	**0**	**0**	**0**	**-5,119**	**-5,119**
Value of conversion feature on convertible notes	-4,080	-496	-238	4,814	0
Balance as at 31 Dec 2018	**4,079**	**0**	**1,107**	**-5,119**	**67**
Loss for the period	0	0	0	-5,909	-5,909
Total comprehensive loss	**0**	**0**	**0**	**-5,909**	**-5,909**
Reduction of the nominal value of the share	-3,671	0	-1,107	4,778	0
Issue of ordinary shares	5,000	0	0	0	5,000
Other reserve	0	0	2,045	,0	2,045
Balance as at 31 Dec 2019	**5,408**	**0**	**2,045**	**-6,250**	**1,203**

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 vertically integrated business model which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, logistics and whole-, franchise- and retail sales. AS Baltika's shares are listed on the Nasdaq Tallinn Stock Exchange. The largest shareholder and the only company holding more than 20% of shares (Note 11) of AS Baltika is KJK Fund Sicav-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the fourth quarter ended 31 December 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 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.

Changes in significant accounting policies

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

IFRS 16, Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As the result of application, the Group's total assets in the balance sheet as at 1 January 2019 increased by 18,554 thousand euros and liabilities increased by 18,554 thousand euros.

NOTE 2 Financial risks

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

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

Market risk

Foreign exchange risk

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

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

Average currencies	2019	2018
USD (US dollar)	-5.21%	4.54%

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

Balance-sheet date rates (31.12.2019; 31.12.2018)	
USD (US dollar)	-1.89%

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 424 thousand euros at 31 December 2019 and 1,165 thousand euros at 31 December 2018 were subject to a floating 6-month interest rate based on Euribor. Non-current borrowings in the amount of 2,000 thousand euros at 31 December 2019 (31 December 2018: 0) were subject to a fixed interest rate. The remaining long-term borrowings at 31 December 2019 in the amount of 12,396 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 December 2019 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 240 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 December 2019 was 2,010 thousand euros (31 December 2018: 1,666 thousand euros).

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**

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.

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.

At the end of the reporting period Group's total equity was 1,203 thousand euros, which is lower than the requirement stipulated in Commercial Code. In order to comply with the law as at 31 December 2019, equity has to be at least 2,704 thousand euros. Equity deficit is the result of extraordinary allowances and impairment losses of trade receivables, inventories and non-current assets made in 2018 related to the strategical decisions in the amount of 3,583 thousand euros and 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 2018 and 2019. The Management of the Group is actively working on meeting the net asset requirement set out in the Commercial Code.

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Net gearing ratio

	31 Dec 2019	31 Dec 2018
Interest carrying borrowings (Note 8)	21,998	8,994
Cash and bank (Note 3)	-264	-428
Net debt	21,734	8,566
Total equity	1,203	67
Net gearing ratio	**1,807%**	**12,785%**

Fair value

The Group estimates that the fair values of the financial assets and liabilities denominated in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 31 December 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 Dec 2019	31 Dec 2018
Cash at hand	70	120
Cash at bank and overnight deposits	194	308
Total	**264**	**428**

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	31 Dec 2019	31 Dec 2018
Trade receivables, net	240	397
Other prepaid expenses	185	205
Tax prepayments and tax reclaims, thereof	121	234
Value added tax	121	234
Other current receivables	75	30
Total	**621**	**866**

Long-term assets		
Non-current lease prepayments	222	287
Total	**222**	**287**

All trade and other receivables are in euros.

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Trade receivable allowance expense in 2019 was 31 thousand euros (2018: 2,229 thousand euros), which was recognised in the statement of profit and loss within "Impairment loss of trade receivables". In both years the expense was mainly related to overdue balances from Eastern European region.

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

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**

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

NOTE 5 Inventories

	31 Dec 2019	31 Dec 2018
Fabrics and accessories	369	1,754
Allowance for impairment of fabrics and accessories	-120	-309
Work-in-progress	0	107
Finished goods and goods purchased for resale	6,995	8,887
Allowance for impairment of finished goods and goods purchased for resale	-130	-170
Prepayments to suppliers	530	438
Total	**7,644**	**10,707**

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NOTE 6 Property, plant and equipment

	Buildings and structures	Right-of-use assets	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31.12.2017						
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	256	0	60	259	0	**575**
Disposals	-10	0	0	-3	0	**-13**
Allowance of impairment of PPE[1]	0	0	-105	-3		**-108**
Depreciation	-360	0	-121	-490	0	**-971**
31.12.2018						
Acquisition cost	**2,988**	**0**	**4,688**	**4,855**	**0**	**12,531**
Accumulated depreciation	-2,242	0	-4,483	-3,928	0	-10,653
Net book amount	**746**	**0**	**205**	**927**	**0**	**1,878**
IFRS 16 initial application (Note 1)	0	18,554	0	0	0	18,554
Net book amount as at 1 January 2019	**746**	**18,554**	**205**	**927**	**0**	**20,432**
Additions	380	5,876	37	277	9	**6,579**
Disposals	-20	0	-2	-29	0	**-51**
Assets classified as held for sale and other reclassifications	2	0	-82	0	-4	**-84**
Allowance of impairment[2]	0	-1,330	0	0	0	**-1,330**
Depreciation	-349	-6,150	-10	-404	0	**-6,913**
Termination of lease contracts	0	-910	0	0	0	**-910**
31.12.2019						
Acquisition cost	**2,746**	**23,520**	**1,004**	**4,235**	**5**	**31,510**
Accumulated depreciation	-1,987	-7,480	-856	-3,464	0	-13,787
Net book amount	**759**	**16,040**	**148**	**771**	**5**	**17,723**

[1]In relation to closing the production units in 2019, Group recorded an impairment allowance for assets used in production in the amount of 108 thousand euros. Cost was recognised in the statement of profit and loss on line “Cost of goods sold” (Note 14).

[2]In relation to closing the production units in 2019, Group recorded an impairment allowance of 1,330 thousand euros for right-of-use assets related to lease contracts for production units. Asset recognized under a lease for one production facility was written down to its market value at which it could be sold to third parties. Asset recognized under a lease for the second production unit was written down to the extent of possible sublease to third parties for the remaining lease term. The write down is based on the estimated 6 month period to find a new sublease or subleases and the potential difference in the market price and contractual price for the remaining lease term. The impairment allowance was recognised in the statement of profit and loss on line “Other operating income (-expense)” (Note 17).

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NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Pre-payments	Goodwill	Total
31.12.2017					
Acquisition cost	**2,107**	**1,243**	**0**	**509**	**3,859**
Accumulated depreciation	-1,921	-425	0	0	-2,346
Net book amount	**186**	**818**	**0**	**509**	**1,513**
Additions	62	0	0	0	**62**
Disposals	-65	-517	0	-355	**-937**
Amortisation	-41	-54	0	0	**-95**
31.12.2018					
Acquisition cost	**2,037**	**1,298**	**0**	**154**	**3,489**
Accumulated depreciation	-1,895	-1,051	0	0	**-2,946**
Net book amount	**142**	**247**	**0**	**154**	**543**
Additions	0	0	46	0	**46**
Assets classified as held for sale	-7	0	0	0	**-7**
Amortisation	-13	-32	0	0	**-45**
31.12.2019					
Acquisition cost	**885**	**643**	**46**	**154**	**1,728**
Accumulated depreciation	-763	-429	0	0	-1,192
Net book amount	**122**	**214**	**46**	**154**	**536**

In accordance to the new operating plan set in 2018, Group’s production units were closed during 2019 and impairment of intangible assets used in production was recognised in 2018 in the amount of 8 thousand euros. Impairment loss was recognised in statement of profit and loss on line “Cost of goods sold” (Note 14).

NOTE 8 Borrowings

	31 Dec 2019	31 Dec 2018
Current borrowings		
Current portion of bank loans	698	697
Overdraft	990	2,334
Lease liabilities	5,383	0
Other current loans	43	35
Convertible bonds, share options (Note 11)	0	4,763
Total	**7,114**	**7,829**
Non-current borrowings		
Non-current bank loans	424	1,122
Lease liabilities	12,396	0
Other non-current loans	2,064	43
Total	**14,884**	**1,165**
Total borrowings	**21,998**	**8,994**

Lease liabilities include lease agreements that are valid in the period of December 2019 until November 2025. Lease liability recorded in the balance sheet as at 31 December 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%. In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of other loans.

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During the reporting period, the Group made bank loan repayments in the amount of 697 thousand euros (2018: 632 thousand euros) and lease liabilities (under IFRS) principal payments in the amount of 5,741 thousand euros. Group´s overdraft facilities with the banks were used in the amount of 990 thousand euros as at 31 December 2019 (31 December 2018: 2,334 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 1,391 thousand euros (2018: 553 thousand euros), including 143 thousand euros from the convertible bonds of related party and 64 thousand euros from loans from related party (2018: 221 thousand euros thousand euros from convertible bonds of related party); and interests from lease liabilities recognised under IFRS 16 in the amount of 837 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 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 (2,045 thousand euros) is non-interest bearing and the repayment date is not fixed. The repayment date will be agreed by the parties but will not be earlier than May 2022.

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

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. As at 31 December 2019, the loan had not been drawn down.

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
Borrowings at fixed interest rate	6.00%	2,000
Total		**4,155**

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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 Dec 2019	31 Dec 2018
Current liabilities		
Trade payables	1,959	3,065
Tax liabilities, thereof	1,036	1,437
Personal income tax	123	148
Social security taxes and unemployment insurance premium	338	552
Value added tax	568	702
Other taxes	7	35
Payables to employees[1]	719	980
Customer prepayments	77	94
Other accrued expenses	48	5
Other current payables	23	22
Total	**3,862**	**5,603**

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

Trade payables and other accrues expenses in denominated currency

	31 Dec 2019	31 Dec 2018
EUR (euro)	1,064	1,763
USD (US dollar)	943	1,308
Total	**2,007**	**3,071**

NOTE 10 Provisions

	31 Dec 2019	31 Dec 2018
Client bonus provision	250	331
Other provision	6	0
Total	**256**	**331**

Short description of the provision

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

Assumptions used

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

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NOTE 11 Equity

Share capital and reserves

	31 Dec 2019	31 Dec 2018
Share capital	5,408	4,079
Number of shares (pcs)	54,079,485	40,794,850
Nominal value of share (EUR)	0.10	0.10
Statutory reserve	0	944
Other reserves	2,045	163

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

Changes in year 2018

On 16 May 2018, the annual general meeting of shareholders decided to decrease the nominal value of the share from 0.2 euros to 0.1 euros. Share capital was decreased to 4,079 thousand euros. With the use of reserves and decrease of the nominal value of the share retained earnings increased by 4 814 euros, share premium decreased by 496 euros and statutory reserve decreased by 238 thousand euros.

Changes in year 2019

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

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

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

Other reserves in the amount of 2,045 thousand euros at 31 December 2019 represents the non-interest bearing loan with no fixed repayment date from KJK Sicav-SIF (Note 8). Other reserves of 163 thousand euros as at 31 December 2018 covered the equity component of the issued K-bonds.

Convertible bonds and share option program

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

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- K-bonds

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

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

- Share option programs

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

Shareholders as at 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%**

Shareholders as at 31 December 2018

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

The shares of the Parent company are listed on the Nasdaq Tallinn. After registering the increase of AS Baltika share capital in Commercial Register on August 13, 2019, KJK Fund Sicav-SIF (ING Luxembourg S.A. AIF ACCOUNT account) shareholding in AS Baltika increased and made the entity a controlling shareholder (shareholding of 89.73%).

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

Description of segments and principal activities:

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

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

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

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

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:

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

	Retail	All other segments[1]	Total
4 Q 2019			
Revenue (from external customers)	9,294	845	10,139
Segment profit[2]	1,318	195	1,513
Incl. depreciation and amortisation	-185	0	-185
4 Q 2018			
Revenue (from external customers)	11,160	1,121	12,281
Segment profit[2]	2,345	167	2,512
Incl. depreciation and amortisation	-218	0	-218
12M 2019 and as at 31 Dec 2019			
Revenue (from external customers)	35,566	4,064	39,630
Segment profit[2]	3,468	824	4,292
Incl. depreciation and amortisation	-774	0	-774
Inventories of segments	4,051	0	4,051
12M 2018 and as at 31 Dec 2018			
Revenue (from external customers)	38,416	6,275	44,691
Segment profit[2]	5,416	1,155	6,571
Incl. depreciation and amortisation	-865	-1	-866
Inventories of segments	4,273	0	4,273

[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

	4Q 2019	4Q 2018	2019	2018
Total segment profit	1,513	2,512	4,292	6,571
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-503	-2,999	-3,788	-6,614
Administrative and general expenses	-644	-642	-2,672	-2,375
Impact of the lease accounting principles	-1,229	0	-901	0
Other operating income (expenses), net	-1,419	-2,269	-1,443	-2,245
Operating profit (loss)	**-2,282**	**-3,398**	**-4,512**	**-4,663**

[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 Dec 2019	31 Dec 2018
Total inventories of segments	4,051	4,273
Inventories in Parent company	3,593	6,434
Inventories on statement of financial position	**7,644**	**10,707**

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NOTE 13 Revenue

	4Q 2019	4Q 2018	2019	2018
Sale of goods in retail channel	9,294	11,159	35,566	38,416
Sale of goods in wholesale and franchise channel	228	605	1,656	4,353
Sale of goods in e-commerce channel	542	472	2,067	1,707
Other sales	75	45	341	215
Total	**10,139**	**12,281**	**39,630**	**44,691**

Sales by geographical (client location) areas

	4Q 2019	4Q 2018	2019	2018
Estonia	4,639	5,510	18,875	20,054
Lithuania	2,828	3,093	10,081	10,299
Latvia	2,489	3,115	9,430	10,486
Russia	50	180	488	1,506
Finland	81	76	326	378
Serbia	0	19	119	130
Slovenia	39	23	104	25
Austria	-22	72	79	422
Ukraine	11	147	33	758
Germany	2	2	24	220
Spain	0	4	1	79
Belarus	0	53	0	162
Other countries	22	-13	70	172
Total	**10,139**	**12,281**	**39,630**	**44,691**

NOTE 14 Cost of goods sold

	4Q 2019	4Q 2018	2019	2018
Materials and supplies	4,997	4,619	16,871	17,751
Payroll costs in production	559	834	2,919	3,525
Depreciation of assets used in production (Note 6,7)	829	17	659	71
Other production costs	40	98	298	380
Lease expense[1]	7	175	2	688
Changes in inventories[3]	-738	479	-229	269
Impairment loss of assets used in production[2]	0	471	0	471
Total	**5,694**	**6,693**	**20,520**	**23,155**

[1]Due to application of IFRS 16 from 1 January 2019, Group's lease expenses in production costs in the amount of 705 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

[2]In 2018, impairment loss of assets used in production includes the following impairment losses: of fixed assets in the amount of 116 thousand euros, intangible assets in the amount of 8 thousand euros and goodwill of production entity in the amount of 355 thousand euros.

[3]In 2018, changes in allowance of inventories includes allowance of fabric and accessories in the amount of 309 thousand euros that relates to the closing the production units in 2019.

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NOTE 15 Distribution costs

	4Q 2019	4Q 2018	2019	2018
Payroll costs	2,238	2,481	8,990	9,494
Depreciation and amortisation (Note 6,7)	1,455	235	5,864	965
Lease expenses[1]	239	1,755	1,536	6,845
Advertising expenses	300	368	1,104	1,274
Fuel, heating and electricity costs	106	119	436	464
Municipal services and security expenses	95	111	393	389
Information technology expenses	49	97	254	239
Fees for card payments	51	60	196	216
Travel expenses	35	35	92	156
Communication expenses	19	24	85	96
Consultation and management fees	23	25	62	126
Other sales expenses[3]	135	191	576	741
Impairment loss of assets[2]	0	574	0	574
Total	**4,745**	**6,075**	**19,588**	**21,579**

[1]Due to application of IFRS 16 from 1 January 2019, Group's lease expenses in distribution costs in the amount of 5,432 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 8).

[2]In 2018, impairment loss of assets related to Bastion trademark was recognised in the amount of 574 thousand euros.

[3]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 16 Administrative and general expenses

	4Q 2019	4Q 2018	2019	2018
Payroll costs	351	311	1,523	1,200
Depreciation and amortisation (Note 6,7)	108	7	434	30
Information technology expenses	50	50	198	209
Management, juridical-, auditor´s and other consulting fees	45	46	124	98
Bank fees	22	29	88	111
Fuel, heating and electricity expenses	17	18	66	64
Lease expenses[1]	4	119	32	444
Other administrative expenses[2]	47	62	207	219
Total	**644**	**642**	**2,672**	**2,375**

[1]Due to application of IFRS 16 from 1 January 2019, Group's lease expenses in administrative and general expenses in the amount of 441 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.

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NOTE 17 Other operating income and expenses

	4Q 2019	4Q 2018	2019	2018
Gain (loss) from sale, impairment of PPE	156	-9	152	-8
Other operating income	41	16	44	61
Foreign exchange gain (-loss)	-14	-11	-20	-22
Other operating expenses[1]	-1,450	-36	-1,588	-47
Total	**-1,267**	**-40**	**-1,412**	**-16**

[1]In relation to closing the production units in 2019, Group recorded an impairment allowance of 1,330 thousand euros for right-of-use assets related to lease contracts for production units (Note 6).

NOTE 18 Finance costs

	4Q 2019	4Q 2018	2019	2018
Interest cost	-321	-149	-1 391	-553
Total	**-321**	**-149**	**-1 391**	**-553**

In 2019, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 837 thousand euros.

NOTE 19 Earnings per share

		4Q 2019	4Q 2018	2019	2018
Weighted average number of shares (thousand)	pcs	54,079	40,795	36,069	40,795
Net loss from continuing operations		-2,609	-3,450	-5,909	-5,119
Basic earnings per share	**EUR**	**-0.05**	**-0.08**	**-0.16**	**-0.13**
Diluted earnings per share	**EUR**	**-0.05**	**-0.08**	**-0.16**	**-0.13**

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 0.23 euros (2018: 0.22 euros).

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.

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Transactions with related parties

	4Q 2019 Purchases	4Q 2018 Purchases	2019 Purchases	2018 Purchases
Services	6	6	24	24
Total	**6**	**6**	**24**	**24**

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

Balances with related parties

	31 Dec 2019	31 Dec 2018
Borrowings and interests (Note 8, 11)	4,109	3,902
Payables to related parties total	**4,109**	**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 December 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

	4Q 2019	4Q 2018	2019	2018
Salaries of the members of the Management Board[1]	57	61	485	237
Remuneration of the members of the Supervisory Board	3	3	12	14
Total	**60**	**64**	**497**	**251**

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

As at 31 December 2019 and 31 December 2018 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 2018

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

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

In 2018 share option program was issued among others to the Management Board members.

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 December 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 December 2019: 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 December 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:
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 December 2019: 231,578 shares (on Kaima Capital Eesti OÜ account)

KRISTJAN KOTKAS
Member of the Supervisory Board since 08.10.2019
General Counsel at KJK Capital Oy
Master’s degree in Law, University of Tartu
Master’s degree in Law, University of Cape Town
Other assignments:
Member of the Management Board of KJK III Participations S.a.r.l,
Member of the Management Board of Rondebosch OÜ,
Member of the Management Board of Protea Invest OÜ,
President of Non-profit organization Tallinn Kalev RFC,
Member of the Management Board of Non-profit organization Estonian Rugby Union.
Baltika shares held on 31 December 2019: 0

AS BALTIKA MANAGEMENT BOARD

MAE LEYRER
Member of the Management Board, CEO
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 December 2019: 0

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