



## **AS BALTIKA**

### **Consolidated interim report for the first quarter of 2021**

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Valukoja 10, Tallinn 11415, Estonia
Phone	+372 630 2700
E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2021 – 31 December 2021
Reporting period	1 January 2021 – 31 March 2021

**BALTMAN**

**monton**

**Ivo Nikkolo**

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## BRIEF DESCRIPTION OF BALTICA GROUP

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

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

As at 31<sup>st</sup> March 2021 the Group employed 247 people (31 December 2020: 277).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 31 March 2021	Holding as at 31 December 2020
OÜ Baltika Retail	Estonia	Dormant	100%	100%
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija <sup>1</sup>	Latvia	Retail	100%	100%
UAB Baltika Lietuva <sup>1</sup>	Lithuania	Retail	100%	100%

<sup>1</sup>Interest through a subsidiary.

## MANAGEMENT REPORT

### BALTIKA'S UNAUDITED FINANCIAL RESULTS, FIRST QUARTER OF 2021

Baltika Group ended the first quarter with a net loss of 1,655 thousand euros. The loss for the same period last year was 2,603 thousand euros. This signifies an improvement of 958 thousand euros despite the fact that 2020 first quarter was impacted from COVID-19 pandemia for less than one month opposed to current year.

The Group's sales revenue for the first quarter was 2,132 thousand euros, decreasing by 65% compared to the same period last year. Retail sales revenue in the first quarter decreased by 78%. The main reason for the decrease in retail sales was the second wave of COVID-19 and the restrictions in place in Latvia and Lithuania for full period and in Estonia fully from 11<sup>th</sup> March. Meanwhile e-com performance was very strong, and sales increased 89%.

The gross profit for the quarter was 873 thousand euros, decreasing by 1,874 thousand euros compared to the same period of the previous year (Q1 2020: 2,747 thousand euros) in line with the sales decrease. The company's gross profit margin was 40.9% in the first quarter, which is 3.7 percentage points lower than the margin of the first quarter of the previous year (Q1 2020: 44.6%). The decrease in gross profit margin is mainly because Estonian market was open and sales higher in January and February, which is sales period for all retails and the target set was to reduce prior year collections related inventory and increase Group's cashflow with higher sales discounts.

The Group's distribution and administrative expenses in the first quarter were 2,636 thousand euros, decreasing by 47% i.e., 2,356 thousand euros compared to the same period last year. Over 70% of the decrease in expense relates to reduction in retail costs. The head-office distribution and administrative expense decreased a further 396 thousand euros compared to same period last year as main changes in head-office took place after first quarter 2020.

Last year pandemic that saw the closing of stores for only a few weeks in the first quarter seems now nothing compared to what happened this year when half of market (Latvia and Lithuania) have been closed since mid of December 2020. Additionally, all our Estonian offline store were completely closed from 11<sup>th</sup> of March while different restrictions were already in place earlier. However, despite this unpredictability and difficult business scenario, Baltika managed to reach financial stability just in time and be proactive with stock management to remain in good financial position (only 66 thousand euros withdrawn from 3 000 thousand euros limit) to look forward for opening of offline stores to show the Ivo Nikkolo clothing collection and accessories.

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

- On January 19, 2021, the extraordinary General Meeting of the shareholders of AS Baltika resolved to approve AS Baltika's Management Board member Flavio Perini's share option, to preclude the pre-emptive right of the shareholders to subscribe the shares issued in the course of performance of the option agreement, and to amend Articles of Association to allow increase of share capital up to 5% for the option agreement.
- In February 2021 Kalaport OÜ filed action against Baltman OÜ, claiming 70 thousand euros as rental debt together with late payment penalties. Baltman OÜ is of the opinion that the claim for rent is at the amount filed by Kalaport OÜ unjustified and also remains at the position in the court proceeding that the rental agreement is terminated and the rental debt claimed by Kalaport OÜ does not exist in specified extent.
- With second wave of COVID-19 Estonian government announced further restrictions and closed all Baltika Group's stores in the weekend from March 6, 2021 and fully from March 11, 2021.
- AS Baltika signed in April an agreement to sell „Monton“ trademarks in Europe to Shenzhen Maiteng International Apparel Co.Ltd operating Monton Sports sportswear brand. All the proceeds from the sale will be used to repay a loan to the bank which holds the pledge to the trademark. Baltika Group will have the license to sell under the „Monton“ brand for free until the end of 2023.
- AS Baltika signed on 13<sup>th</sup> April warehouse service agreement with Logistika Pluss OÜ. Rent agreement for current warehouse will end 30 June 2021. The last important step from restructuring plan will hence be done from 1st July 2021 - Baltika will start using service that is effective and corresponding to volumes and achieve significant cost savings.

## REVENUE

Baltika's first quarter revenue was 2,132 thousand euros, which was 65% lower compared to the same period last year. Retail sales decreased by 78%, as the second wave of COVID-19 continued in the Baltic countries. Latvian stores were closed throughout the period. Lithuanian stores were closed throughout the period except for one small store having separate entrance that was open from 15<sup>th</sup> February. Estonian stores were closed for the weekend on 6<sup>th</sup> and 7<sup>th</sup> March and then completely from 11<sup>th</sup> March. E-com sales meanwhile increased 89% as Latvia and Lithuania had very limited off-line competitors during the period.

### Sales revenue by channel

EUR thousand	1 Q 2021	1 Q 2020	+/-
Retail	1,168	5,385	-78%
E-com sales	956	505	89%
Other	8	247	-97%
<b>Total</b>	<b>2,132</b>	<b>6,137</b>	<b>-65%</b>

### Stores and sales area

As of 31<sup>st</sup> March 2021, the Group had 48 stores. During the first quarter, the number of stores decreased by 13. Baltika Group closed in Estonia 2, Latvia 3 and in Lithuania 8 stores.

### Stores by market

	31 March 2021	31 March 2020	Average area change*
Estonia	23	32	-11%
Lithuania	12	28	-34%
Latvia	13	17	-5%
Finland	0	1	-100%
<b>Total stores</b>	<b>48</b>	<b>78</b>	
<b>Total sales area, sqm</b>	<b>11,649</b>	<b>15,580</b>	<b>-25%</b>

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

### Retail

Retail sales for the first quarter was 1,167 thousand euros, decreasing by 78% compared to the same period last year.

### Retail sales by market

EUR thousand	1 Q 2021	1 Q 2020	+/-	Share
Estonia	1,115	2,550	-56%	95%
Lithuania	51	1,540	-97%	4%
Latvia	2	1,265	-100%	0%
Finland	0	30	-100%	0%
<b>Total</b>	<b>1,168</b>	<b>5,385</b>	<b>-78%</b>	<b>100%</b>

Estonia, as the country where stores were not closed before March (from 6<sup>th</sup> March for weekends and 11<sup>th</sup> fully), the decrease amounted to 56%.

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

	1 Q 2021	1 Q 2020	+/-
Estonia	81	127	-36%
Lithuania	134	116	16%
Latvia	0	136	-100%
Finland	0	54	-100%
<b>Total</b>	<b>83</b>	<b>125</b>	<b>-34%</b>

### Brands

Monton's sales revenue for the first quarter was 767 thousand euros, decreasing by 76% compared to the same period last year in line with general decrease in sales.

In the first quarter the largest brand remained Monton with 66%, as the first two months was still sales period of previous years collection. In March when the focus was on new collection then although spring-summer is still transitional period meaning there is also new collection under Monton, Ivo Nikkolo share from total sales rose to 39%.

Baltman's first quarter sales fell by 75%. Mosaic and Bastion's sales disappearance relates to the decision to discontinue these brands, which is a part of Baltika Group's ongoing restructuring plan.

### Retail revenue by brand

EUR thousand	1 Q 2021	1 Q 2020	+/-	Share
Monton	767	3,162	-76%	66%
Mosaic	0	897	-100%	0%
Baltman	167	677	-75%	14%
Ivo Nikkolo	234	644	-64%	20%
Bastion	0	5	-100%	0%
<b>Total</b>	<b>1,168</b>	<b>5,385</b>	<b>-78%</b>	<b>100%</b>

### Sales in e-com

The sales revenue of Baltika Group's e-store in the first quarter increased by 89% compared to the same period last year and was 956 thousand euros. Considering that Baltika's e-commerce is operating with less brands than it did during the same period in 2020, it is important to compare same brands numbers—when comparing the overall sales of Baltman, Monton & Ivo Nikkolo to those of 2020 first quarter, the growth percentage of e-commerce is 114%, indicating that all existing and remaining brands were in good growth during 2021 first quarter, only brands that have since been discontinued showed decrease in sales and affected the overall growth percentage. First quarter 2021 also saw a different approach being used in digital marketing activities in Latvia and Lithuania, with the aim of increasing the brand visibility in those markets – initial results show promise, as – although all markets grew – Latvia and Lithuania grew by 206% and 153% respectively, whilst Estonia grew by 45%. Regarding brands, all brands except the discontinued ones saw growth – as a very promising sign, Ivo Nikkolo performed the best in regard to womenswear, surpassing Monton by 55 p.p. (Monton grew by 87%, whilst Ivo Nikkolo grew by 142%). First quarter also saw our cooperation with Glami and Pigu continue, with Glami being the dominant marketplace. Although total sales numbers were low in first quarter due to developmental issues (Pigu producing approximately 20,000 sales, Glami 55,000), return on investment metrics in both Glami and Pigu are equal, hence both channels are proving to be effective. Second quarter will see both an increase in our presence in the existing marketplaces as well as further cooperation's with new partners.

First quarter 2021 was significant for Baltika's e-business, as it saw the discontinuation of Baltika's e-commerce umbrella brand Andmorefashion. Starting from 2021, Baltika will continue operating with separate Monton & Ivo Nikkolo e-stores, with Baltman products being sold from Monton's e-store. Work

will continue improving the e-channel further by replacing the existing e-store platform with a new alternative.

## OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 873 thousand euros, decreasing by 1,874 thousand euros compared to the same period of the previous year (Q1 2020: 2,747 thousand euros) in line sales decrease. The company's gross profit margin was 40.9% in the first quarter, which is 3.9 percentage points lower than the margin of the first quarter of the previous year (Q1 2020: 44.8%). The decrease in gross profit margin is mainly because Estonian market was open and sales higher in January and February, which is sales period.

The Group's distribution and administrative expenses in the first quarter were 2,636 thousand euros, decreasing by 47% i.e., 2,356 thousand euros compared to the same period last year. Over 70% of the decrease in expense relates to reduction in retail costs. These are reduced due to closure of Baltika brands stores and salary support received for the store staff. The head-office distribution and administrative expense decreased a further 396 thousand euros compared to same period last year as main changes in head-office took place after first quarter.

Other net operating income was 234 thousand euros in the first quarter. Majority of this income in the amount of 250 thousand euros relates to government support for December to February working capital. Operating loss in the first quarter was 1,655 thousand euros, in the same period of the previous year the operating loss was 2,603 thousand euros.

Net financial expenses were 126 thousand euros in the quarter, which is 140 thousand euros less than in the same period last year. The decrease in financial expenses is related to the restructuring of interest-bearing debt obligations of creditors in accordance with the reorganization plan and agreement to restructure the related party loans as subordinated loans.

The net loss for the quarter was 1,655 thousand euros, the result for the comparable period was a net loss of 2,603 thousand euros. This signifies an improvement of 958 thousand euros even though 2020 first quarter was impacted from COVID-19 pandemic only in one month opposed to current year.

## FINANCIAL POSITION

As at 31 March 2021, Baltika Group's cash and cash equivalents amounted to 356 thousand euros (1,427 thousand euros as at 31 December 2020). The decrease in cash and cash-equivalents relates to financing the first quarter operating expenses.

At the end of the quarter, the Group's inventories totalled 3,651 thousand euros, increasing by 184 thousand euros, i.e., 5% compared to the end of the previous year. The amount remained relatively stable as there was limited buying done and hence the stock level remains optimal despite the long, unexpected closure of offline stores.

Fixed assets were acquired in the first quarter for 61 thousand euros and depreciation was 171 thousand euros. The residual value of fixed assets has decreased by 124 thousand euros compared to the end of the previous year and was 1,691 thousand euros.

Right of use assets as at 31 March 2021 amounted to 8,079 thousand euros. The assets have decreased by 1,120 thousand euros compared to year end, whereby 951 thousand euros relates to depreciation, 290 thousand euros is finished contracts and new contracts in the amount of 121 thousand euros.

As at 31 March 2021, the total debt was 10,407 thousand euros, which together with the change in overdraft means a similar level compared to the end of the previous year (31.12.2020: 10,341 thousand euros).

As at 31 March 2021 the Group equity was 1,057 thousand euros due to the loss in the first quarter. With this Baltika Group is not compliant with Commercial Code requirement of equity being 50% from share capital. As the first quarter is always difficult in retail, Baltika Management Board will continue to monitor the situation in these unpredictable times and if needed decide in time for action when the situation is clearer and does not improve.



Cash flow from operating activities in the first quarter was -29 thousand euros (Q1 2020: -120 thousand euros) as the rents to shopping centres in the markets which were closed were not fully paid. In the first quarter, 61 thousand euros were put into investment activities. Financing activities shows 981 thousand euros expense (stores rent). The Group's total cash flow for the first quarter was -1 071 thousand euros (Q1 2020: 52 thousand euros).

As at 31 March 2021, Group's net debt (interest-bearing debt less cash and cash equivalents) was 10,051 thousand euros, which is 1,137 thousand euros more than at the end of the previous year. The increase in net debt is mainly related to decrease in cash and cash equivalents due to first quarter loss. The net debt to equity ratio as of 31 March 2020 was 951% (31 December 2020: 329%). The Group's liquidity ratio has gone down over the quarter (31 March 2021 and 31 December 2020) from 0.86 to 0.61 due to a decrease in current assets.

## PEOPLE

As at 31 March 2020 Baltika Group employed 247 people, which is 30 people less than at 31 December 2020 (277), thereof 195 (31.12.2020: 225) in the retail system, and 52 (31.12.2020: 52) at the head office and logistics centre.

Baltika Group employees' remuneration expense in 3 months of the year amounted to 880 thousand euros (Q1 of 2020: 1,684 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 203 thousand euros (Q1 of 2020: 70 thousand euros).

## KEY FIGURES OF THE GROUP (I QUARTER OF 2021)

<b>Sales activity key figures</b>	<b>3M and 31 March 2021</b>	<b>3M and 31 March 2020</b>	<b>3M and 31 March 2019</b>	<b>3M and 31 March 2018</b>	<b>3M and 31 March 2017</b>
Revenue (EUR thousand)	2,132	6,137	9,270	10,343	10,757
Retail sales (EUR thousand)	1,168	5,385	7,975	8,137	8,524
Share of retail sales in revenue	54.8%	87.7%	86.0%	78.7%	79.2%
Share of exports in revenue	50.2%	50.2%	53.3%	56.6%	57.7%
Number of stores in retail	48	78	91	95	95
Number of stores	48	78	101	126	128
Sales area (sqm) (end of period)	11,649	15,580	17,082	17,642	17,425
Number of employees (end of period)	247	495	946	1 022	1 047
Gross margin	40.9%	44.8%	47.8%	47.2%	48.8%
EBITDA (EUR thousand)	-402	-525	672	-576	-152
Net profit (EUR thousand)	-1 655	-2 474	-1 442	-982	-590
EBITDA margin	-18.9%	-8.5%	7.2%	-5.6%	-1.4%
Operating margin	-71.8%	-36.0%	-11.6%	-8.3%	-4.4%
EBT margin	-77.7%	-40.3%	-15.6%	-9.5%	-5.5%
Net margin	-77.7%	-40.3%	-15.6%	-9.5%	-5.5%
Inventory turnover	0.94	1.37	1.78	2.01	1.99
<b>Other ratios</b>					
Current ratio	0.6	0.8	0.5	1.6	1.0
Net gearing ratio	9509.0%	2823.9%	-1198.3%	190.8%	189.0%
Return on equity	-311.6%	-444.7%	-62.8%	-21.8%	-12.9%
Return on assets	-8.3%	-9.1%	-8.3%	-5.3%	-3.1%

### Definitions of key ratios

EBITDA = Operating profit-amortisation depreciation and loss from disposal of fixed assets

EBITDA margin =  $\text{EBITDA} \div \text{Revenue}$

Gross margin =  $(\text{Revenue} - \text{Cost of goods sold}) \div \text{Revenue}$

Operating margin =  $\text{Operating profit} \div \text{Revenue}$

EBT margin =  $\text{Profit before income tax} \div \text{Revenue}$

Net margin =  $\text{Net profit (attributable to parent)} \div \text{Revenue}$

Current ratio =  $\text{Current assets} \div \text{Current liabilities}$

Inventory turnover =  $\text{Cost of goods sold} \div \text{Average inventories}^*$

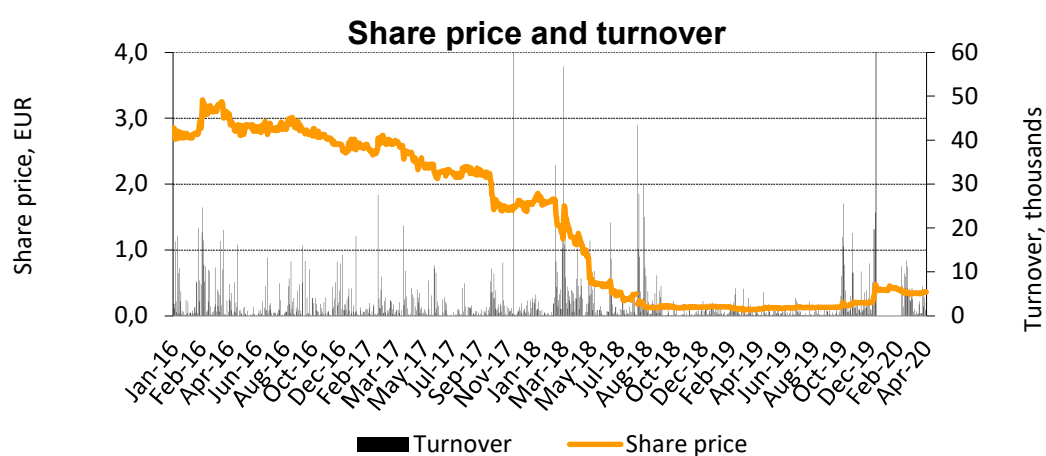
Net gearing ratio =  $(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) \div \text{Equity}$

Return on equity (ROE) =  $\text{Net profit} \div \text{Average equity}^*$

Return on assets (ROA) =  $\text{Net profit} \div \text{Average total assets}^*$

\*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.



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Flavio Perini  
Chairman of Management Board, CEO  
16 April 2021



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Triinu Tarkin  
Member of Management Board, CFO  
16 April 2021

## INTERIM FINANCIAL STATEMENTS

### MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the first quarter of 2021 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.



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Flavio Perini  
Chairman of Management Board, CEO  
16 April 2021



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Triinu Tarkin  
Member of Management Board, CFO  
16 April 2021

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	356	1,427
Trade and other receivables	4	205	318
Inventories	5	3,651	3,467
<b>Total current assets</b>		<b>4,212</b>	<b>5,212</b>
<b>Non-current assets</b>			
Deferred income tax asset		140	140
Other non-current assets	4	124	111
Property, plant and equipment	6	1,082	1,218
Right-of-use assets	8	8,079	9,199
Intangible assets	7	609	597
<b>Total non-current assets</b>		<b>10,034</b>	<b>11,255</b>
<b>TOTAL ASSETS</b>		<b>14,246</b>	<b>16,477</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	9	347	252
Lease liabilities	8	3,139	3,127
Trade and other payables	10,11	3,479	3,019
<b>Total current liabilities</b>		<b>6,959</b>	<b>6,398</b>
<b>Non-current liabilities</b>			
Borrowings	9	883	874
Lease liabilities	8	5,341	6,493
<b>Total non-current liabilities</b>		<b>6,224</b>	<b>7,367</b>
<b>TOTAL LIABILITIES</b>		<b>13,189</b>	<b>13,765</b>
<b>EQUITY</b>			
Share capital at par value	12	5,408	5,408
Reserves	12	3,931	3,931
Retained earnings		-6,627	-6,250
Net profit (loss) for the period		-1,655	-377
<b>TOTAL EQUITY</b>		<b>1,057</b>	<b>2,712</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,246</b>	<b>16,477</b>

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	1Q 2021	1Q 2020
Revenue	13,14	2,132	6,137
Cost of goods sold	15	-1,259	-3,390
<b>Gross profit</b>		<b>873</b>	<b>2,747</b>
Distribution costs	16	-2,141	-4,200
Administrative and general expenses	17	-495	-792
Other operating income (-expense)	18	234	37
<b>Operating profit (loss)</b>		<b>-1,529</b>	<b>-2,474</b>
Finance costs	19	-126	-266
<b>Profit (loss) before income tax</b>		<b>-1,655</b>	<b>-2,603</b>
Income tax expense		0	0
<b>Net profit (loss) for the period</b>		<b>-1,655</b>	<b>-2,603</b>
Basic earnings per share from net profit (loss) for the period, EUR	20	-0.03	-0.05
Diluted earnings per share from net profit (loss) for the period, EUR	20	-0.03	-0.05

## CONSOLIDATED CASH FLOW STATEMENT

	Note	1Q 2021	1Q 2020
<b>Cash flows from operating activities</b>			
Operating profit (loss)		-1,529	-2,208
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	15-17	1,101	1,682
Gain (loss) from sale, impairment of PPE, non-current assets, net		28	31
Other non-monetary adjustments*		0	165
Changes in working capital:			
Change in trade and other receivables	4	100	-132
Change in inventories	5	-184	-391
Change in trade and other payables	10	460	796
Interest paid and other financial expense		-5	-63
<b>Net cash generated from operating activities</b>		<b>-29</b>	<b>-120</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment, intangibles	6, 7	-61	84
Proceeds from disposal of PPE		0	33
<b>Net cash used in investing activities</b>		<b>-61</b>	<b>117</b>
<b>Cash flows from financing activities</b>			
Received borrowings	9	0	1,000
Repayments of borrowings	9	0	-116
Change in bank overdraft	9	66	1,094
Repayments of finance lease	8	-2	0
Repayments of lease liabilities, principle	8	-932	-1,731
Repayments of lease liabilities, interest	8	-113	-195
<b>Net cash generated from (used in) financing activities</b>		<b>-981</b>	<b>52</b>
<b>Total cash flows</b>		<b>-1,071</b>	<b>49</b>
<b>Cash and cash equivalents at the beginning of the period</b>	3	<b>1,427</b>	<b>215</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>356</b>	<b>264</b>
<b>Change in cash and cash equivalents</b>		<b>-1,071</b>	<b>49</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 31 Dec 2019</b>	<b>5,408</b>	<b>4,045</b>	<b>-6,250</b>	<b>3,203</b>
Loss for the period	0	0	-2,474	-2,474
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-2,474</b>	<b>-2,474</b>
<b>Balance as at 31 March 2020</b>	<b>5,408</b>	<b>4,045</b>	<b>-8,724</b>	<b>729</b>
 <b>Balance as at 31 Dec 2020</b>	 <b>5,408</b>	 <b>3,931</b>	 <b>-6,627</b>	 <b>2,712</b>
Loss for the period	0	0	-1,655	-1,655
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-1,655</b>	<b>-1,655</b>
<b>Balance as at 31 March 2021</b>	<b>5,408</b>	<b>3,931</b>	<b>-8,282</b>	<b>1,057</b>



## NOTES TO CONSOLIDATED INTERIM REPORT

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

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer that develops and operates fashion brands: Monton, Baltman and Ivo Nikkolo. The Group employs a business model that controls the following stages of the fashion process: design, supply chain management, logistics and whole-, franchise- and retail sales. AS Baltika's shares are listed on the Nasdaq Tallinn Stock Exchange. The largest shareholder and the only company holding more than 20% of shares (Note 12) of AS Baltika is KJK Fund Sicav-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the first quarter ended 31 March 2021 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 2020, 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 2020.

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

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

### NOTE 2 Financial risks

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

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

#### Market risk

##### *Foreign exchange risk*

In 2021 and 2020 all sales were made in euros. The Group's foreign exchange risk is related to purchases done in foreign currencies. Most raw materials used in production are acquired from the European Union and goods purchased for resale are acquired outside of the European Union. The main currencies used for purchases are EUR (euro) and USD (US dollar).

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

<b>Average currencies</b>	<b>I Q 2021</b>	<b>I Q 2020</b>
USD (US dollar)	9.26%	-2.91%

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

<b>Balance-sheet date rates (31.03.2021; 31.12.2020)</b>	
USD (US dollar)	-3.56%

Cash and cash equivalents (Note 3), trade receivables (Note 4) and borrowings (Note 9) are in euro and thereof not open to foreign exchange risk. Trade payables (Note 10) are also in foreign currency and therefore open to foreign exchange risk.

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

#### *Interest rate risk*

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

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

Non-current borrowings in the amount of 747 thousand euros at 31 March 2021 and 778 thousand euros at 31 December 2020 were subject to a floating 6-month interest rate based on Euribor. The remaining non-current borrowings at 31 March 2021 in the amount of 8,079 thousand euros and 9,199 thousand euros at 31 December 2020 are the present value of the lease liabilities recognized under IFRS 16, discounted at an average interest rate of 5%. The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

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

#### *Price risk*

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

#### **Credit risk**

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

#### *Cash and cash equivalents*

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

#### *Trade receivables*

As at 31 March 2021 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 93 thousand euros (31 December 2020: 230 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.

The Group's working capital is negative as at the end of the year as a result of the lease accounting. Due to IFRS 16 the next twelve months' lease payments are recorded as short-term liabilities as of 31 December 2020 while the leased assets are non-current assets by the nature.

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 2021 was 2,934 thousand euros (31 December 2020: 3,000 thousand euros). Management is on the opinion that negative working capital does not pose a risk for Group in meeting its obligations in 2021.

### Financial liabilities by maturity at 31 March 2021

	Carrying amount	Undiscounted cash flows <sup>1</sup>		
		1-12 months	1-5 years	Total
Loans (Note 9) <sup>2</sup>	1,207	342	892	1,234
Finance lease liabilities (Note 8)	8,480	3,574	6,744	10,318
Trade payables (Note 10)	1,621	1,621	0	1,621
Other financial liabilities	128	128	0	128
<b>Total</b>	<b>11,436</b>	<b>5,665</b>	<b>7,636</b>	<b>13,301</b>

### Financial liabilities by maturity at 31 December 2020

	Carrying amount	Undiscounted cash flows <sup>1</sup>		
		1-12 months	1-5 years	Total
Loans (Note 9) <sup>2</sup>	1,101	246	869	1,115
Lease liabilities (Note 8)	9,620	3,761	6,650	10,411
Trade payables (Note 10)	1,044	999	45	1,044
Other financial liabilities	60	60	0	60
<b>Total</b>	<b>11,825</b>	<b>5,066</b>	<b>7,564</b>	<b>12,630</b>

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

<sup>2</sup>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. Group's business model was expensive and the share of fixed costs was high, which made it difficult to respond to external factors and demand. Therefore, Group started implementing changes in business model, management structure, procedures and information systems. Group is changing its supplier base, closed production units and reduced fixed costs which will be continued.

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. 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.

### **Effects of the coronavirus**

The spread of COVID-19 had the greatest impact on the economic environment of Baltic States and the world, and thus on the Group's financial results. Various measures to prevent the spread of the virus were implemented on a large scale in the Baltic States in March 2020 and they brought about drastic changes in the current way of life and the economic environment, therefore affecting the daily work of the Group's companies.

Another new risk from 2020 related to COVID-19 is the risk of having stores closed due to restrictions in the country. In 2020 spring the stores were closed in the weekends for nearly 2 months in Latvia and fully for one and a half months in Lithuania and close to two months in Estonia. In the beginning of winter the stores were fully closed in Latvia and Lithuania from mid December and they remain closed when writing this report. In Estonia the stores were closed for the second time only in mid March 2021. As at the date of issuance the report the restrictions regarding closing stores is in place till 31<sup>st</sup> March 2021 in Lithuania, 6<sup>th</sup> April 2021 in Latvia and 11<sup>th</sup> April 2021 in Estonia. E-com has remained operational all the time. This risk has further variability of different conditions that might effect the results for the Group: whether any stores have direct entrances from street, whether subsidiary and/or Group is applicable for government support. This risk has implications for stock management, cost management etc. The increase in the sales of the e-commerce did not compensate for the decrease in sales of the Baltika Group's physical stores. Coronavirus has had a part in decrease in sales (see Note 17), reduction of rent expense through government support (see Note 19) and reduction of payroll through government support (see Note 19 and 20).

In 2020, the spread of coronavirus (COVID-19) and uncertainty of supply from China, one of the largest procurement countries, has become an important risk. This risk is significantly reduced for going forward in 2021 with material shift in more procurement coming from closer countries.

Baltika Group is consistently monitoring changing risk assessments and analysing the effects of the virus on an ongoing basis. Management is on the opinion that the risks will not materialise in 2021 to such extent to endanger the Group's ability to continue as a going concern.

### **Capital management**

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

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

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

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

### **Net gearing ratio**

**31 March 2021   31 Dec 2020**

Interest carrying borrowings (Note 8, 9)	10,407	10,341
Cash and bank (Note 3)	-356	-1,427
Net debt	10,051	8,914
Total equity	1,057	2,712
<b>Net gearing ratio</b>	<b>951%</b>	<b>329%</b>

### 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 2021 and 31 December 2020.

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 2021	31 Dec 2020
Cash at hand	35	34
Cash at bank and overnight deposits	321	1,393
<b>Total</b>	<b>356</b>	<b>1,427</b>

All cash and cash equivalents are denominated in euros.

### NOTE 4 Trade and other receivables

Short-term trade and other receivables	31 March 2021	31 Dec 2020
Trade receivables, net	93	230
Other prepaid expenses	82	79
Tax prepayments and tax reclaims, thereof	24	1
Value added tax	24	1
Other current receivables	6	8
<b>Total</b>	<b>205</b>	<b>318</b>
<b>Long-term assets</b>		
Non-current lease prepayments	124	111
<b>Total</b>	<b>124</b>	<b>111</b>

All trade and other receivables are in euros.

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

31 March 2021	Baltic region	Eastern European region	Total

Not due	91	0	91
Up to 1 month past due	0	0	0
1-3 months past due	0	0	0
3-6 months past due	0	0	0
Over 6 months past due	2	0	2
<b>Total</b>	<b>93</b>	<b>0</b>	<b>93</b>

		<b>Eastern European region</b>	
<b>31 December 2020</b>	<b>Baltic region</b>		<b>Total</b>
Not due	213	0	213
Up to 1 month past due	0	0	0
1-3 months past due	6	0	6
3-6 months past due	0	0	0
Over 6 months past due	9	2	11
<b>Total</b>	<b>228</b>	<b>2</b>	<b>230</b>

## NOTE 5 Inventories

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
Fabrics and accessories	50	53
Allowance for fabrics and accessories	-50	-53
Finished goods and goods purchased for resale	3,657	3,587
Allowance for impairment of finished goods and goods purchased for resale	-130	-250
Prepayments to suppliers	124	130
<b>Total</b>	<b>3,651</b>	<b>3,467</b>

## NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
<b>31 December 2019</b>					
Acquisition cost	2,746	1,004	4,235	5	7,990
Accumulated depreciation	-1,987	-856	-3,464	0	-6,307
<b>Net book amount</b>	<b>759</b>	<b>148</b>	<b>771</b>	<b>5</b>	<b>1,683</b>
Additions	6	2	3	35	46
Disposals	0	0	-3	0	-3
Depreciation	-86	-15	-87	0	-188
<b>31 March 2020</b>					
Acquisition cost	2,618	975	4,064	40	7,697
Accumulated depreciation	-1,939	-840	-3,380	0	-6,159
<b>Net book amount</b>	<b>679</b>	<b>135</b>	<b>684</b>	<b>40</b>	<b>1,538</b>
<b>31 December 2020</b>					
Acquisition cost	2,384	937	3,703	0	7,024
Accumulated depreciation	-1,794	-843	-3,169	0	-5,806
<b>Net book amount</b>	<b>590</b>	<b>94</b>	<b>534</b>	<b>0</b>	<b>1,218</b>
Additions	15	0	14	0	29
Disposals	-6	-2	-5	0	-13
Depreciation	-65	-31	-55	0	-151
<b>31 March 2021</b>					
Acquisition cost	2,206	927	3,438	0	6,571
Accumulated depreciation	-1,672	-866	-2,951	0	-5,489
<b>Net book amount</b>	<b>534</b>	<b>61</b>	<b>487</b>	<b>0</b>	<b>1,082</b>

## NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
<b>31 December 2019</b>					
Acquisition cost	885	643	46	154	1,728
Accumulated depreciation	-763	-429	0	0	-1,192
<b>Net book amount</b>	<b>122</b>	<b>214</b>	<b>46</b>	<b>154</b>	<b>536</b>
Additions	28	0	10	0	38
Disposal	0	0	-5	0	-5
Amortisation	-4	-8	0	0	-12
<b>31 March 2020</b>					
Acquisition cost	913	643	51	154	1,761
Accumulated depreciation	-767	-437	0	0	-1,204

<b>Net book amount</b>	<b>146</b>	<b>206</b>	<b>51</b>	<b>154</b>	<b>557</b>
<b>31 December 2020</b>					
<b>Acquisition cost</b>	<b>974</b>	<b>643</b>	<b>73</b>	<b>154</b>	<b>1,844</b>
Accumulated depreciation	-786	-461	0	0	-1,247
<b>Net book amount</b>	<b>188</b>	<b>182</b>	<b>73</b>	<b>154</b>	<b>597</b>
Additions	0	0	32	0	32
Amortisation	-12	-8	0	0	-20
<b>31 March 2021</b>					
<b>Acquisition cost</b>	<b>974</b>	<b>643</b>	<b>105</b>	<b>154</b>	<b>1,876</b>
Accumulated depreciation	-798	-469	0	0	-1,267
<b>Net book amount</b>	<b>176</b>	<b>174</b>	<b>105</b>	<b>154</b>	<b>609</b>

## NOTE 8 Finance lease

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

*Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

	<b>Right-of-use assets</b>
<b>Net assets 31.12.2019</b>	<b>16,040</b>
Depreciation	366
Additions	0
Discount	-1,481
<b>Net assets 31.03.2020</b>	<b>14,925</b>
<b>Net assets 31.12.2020</b>	<b>9,199</b>
Additions	121
Terminations	-290
Depreciation	-951
<b>Net assets 31.03.2021</b>	<b>8,079</b>

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

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
<b>Lease liabilities</b>		
Current	3,139	3,127
Non-current	5,341	6,493
<b>Total lease liabilities</b>	<b>8,480</b>	<b>9,620</b>

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

*Amounts recognised in the statement of profit or loss*

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

	<b>1Q 2021</b>	<b>1Q 2020</b>
Interest expense (under finance cost, Note 19)	113	195
Depreciation (under operating expenses, Notes 15-17)	951	1 481
<b>Total</b>	<b>1,064</b>	<b>1,676</b>



The total cash outflow for long-term leases in I quarter of 2021 was 1,084 thousand euros (I quarter 2020: 1,665 thousand euros).

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

## NOTE 9 Borrowings

	31 March 2021	31 Dec 2020
<b>Current borrowings</b>		
Current portion of bank loans	324	227
Current portion of finance lease liabilities	23	25
<b>Total</b>	<b>347</b>	<b>252</b>
<b>Non-current borrowings</b>		
Non-current bank loans	681	778
Non-current overraft	66	0
Other non-current liabilities	136	96
<b>Total</b>	<b>883</b>	<b>874</b>
<b>Total borrowings</b>	<b>1,230</b>	<b>1,126</b>

During the reporting period, the Group made bank loan repayments in the amount of 0 euros (3 months 2020: 116 thousand euros). Group's overdraft facilities with the banks were used in the amount of 66 thousand euros as at 31 March 2021 (31 December 2020: 0 euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 126 thousand euros (3 months 2020: 266 thousand euros), 3 months interests from lease liabilities recognised under IFRS 16 in the amount of 113 thousand euros (3 months 2020: 196 thousand euros).

### Changes in 2020

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

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

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

An amendment to the loan agreement was signed in December, according to which, as of December 2020, the above-mentioned loan of 2,550 thousand euros is non-interest bearing and the repayment date is not fixed and is therefore classified as subordinated loan that is recorded in equity.

### Interest carrying loans and bonds of the Group as at 31 March 2021

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	1,071

<b>Total</b>	<b>1,071</b>
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**Interest carrying loans and bonds of the Group as at 31 December 2020**

	<b>Average risk premium</b>	<b>Carrying amount</b>
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	1,006
<b>Total</b>		<b>1,006</b>

**NOTE 10 Trade and other payables**

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
<b>Current liabilities</b>		
Trade payables	1,621	1,044
Tax liabilities, thereof	908	1,203
Personal income tax	173	164
Social security taxes and unemployment insurance premium	405	406
Value added tax	330	633
Payables to employees <sup>1</sup>	589	391
Other current payables	105	35
Other accrued expenses	115	18
Customer prepayments	70	98
<b>Total</b>	<b>3,408</b>	<b>2,789</b>

<sup>1</sup>Payables to employees consist of accrued wages, salaries and vacation reserve.

**Trade payables and other accrues expenses in denominated currency**

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
EUR (euro)	1,587	940
USD (US dollar)	149	122
<b>Total</b>	<b>1,736</b>	<b>1,062</b>

**NOTE 11 Provisions**

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
Other provision <sup>1</sup>	71	230
<b>Total</b>	<b>71</b>	<b>230</b>

**Short description of the provision**

Other provision<sup>1</sup> includes store closure in 2021 expense reserve.

**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 2020.

**NOTE 12 Equity**
**Share capital and reserves**

	<b>31 March 2021</b>	<b>31 Dec 2020</b>
Share capital	5,408	5,408
Number of shares (pcs)	54,079,485	54,079,485
Nominal value of share (EUR)	0.10	0.10
Other reserves	3,931	3,931

As at 31 March 2021, 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 2020, under the Articles of Association, the company's minimum share capital was 2,000 thousand euros and the maximum share capital was 8,000 thousand euros. As at 31 March 2021 and 31 December 2020 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 2020

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

On 30 December, amendments to loan agreements with KJK Fund SICAV-SIF and its holding company were signed and in amount of 3,931 thousand euros was recorded as subordinated loans.

Other reserves in the amount of 3 931 thousand euros at 31 December 2020 and 4,045 thousand euros as of 31 December 2019 represents the non-interest-bearing loan with no fixed repayment date from KJK Sicav-SIF.

### Shareholders as at 31 March 2021

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

### Shareholders as at 31 December 2020

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

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

### NOTE 13 Segments

Description of segments and principal activities:

- Retail segment - consists of retail operations in Estonia, Latvia and Lithuania. 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.
- E-commerce segment – includes web sales. The largest sales are done in the Baltics. E-store and retail shops feature the same items. The E-POS system allows the consumer to make a purchase in a retail store even if the corresponding product or a suitable number is not available in the store. After the purchase, the product is delivered to the parcel machine

chosen by the customer, similar to the order made in the e-store, thereby improving the availability of the products.

- All other segments – consists of sale of goods to wholesale, franchise and consignment clients, materials and sewing services. 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 profit or loss, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements, except for IFRS 16 measurement and recognition of right of use assets and lease liabilities.

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 segment	E-com segments	All other segments <sup>1</sup>	Total
<b>3M 2021 and as at 31 March 2021</b>				
Revenue (from external customers)	1,168	956	8	2,132
Segment profit (loss) <sup>2</sup>	-930	113		-817
Incl. depreciation and amortisation	-124	-6		-130
Inventories of segments	2,158			2,158
<b>3M 2020 and as at 31 March 2020</b>				
Revenue (from external customers)	5,385	505	247	6,137
Segment profit (loss) <sup>2</sup>	-864	40	57	-767
Incl. depreciation and amortisation	-180			-180
Inventories of segments	3,814			3,814

<sup>1</sup>All other segments include sale of goods to wholesale, franchise and consignment clients, materials and sewing services.

<sup>2</sup>The segment profit is the segment operating profit.

**Reconciliation of segment profit to consolidated operating profit**

	1 Q 2021	1 Q 2020
Total segment profit	-817	-767
Unallocated expenses <sup>1</sup> :		
Costs of goods sold and distribution costs	-451	-987
Administrative and general expenses	-495	-594
Impact of the rent accounting principles	0	103
Other operating income (expenses), net	234	37
<b>Operating profit (loss)</b>	<b>-1,529</b>	<b>-2,208</b>

<sup>1</sup>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 2021	31 Dec 2020
Total inventories of segments	2,158	2,643
Inventories in Parent company and production company	1,493	824
<b>Inventories on statement of financial position</b>	<b>3,651</b>	<b>3,467</b>

**NOTE 14 Revenue**

	1 Q 2021	1 Q 2020
Sale of goods in retail channel	1,168	5,385
Sale of goods in wholesale and franchise channel	3	200
Sale of goods in e-commerce channel	956	505
Other sales	5	47
<b>Total</b>	<b>2,132</b>	<b>6,137</b>

**Sales by geographical (client location) areas**

	1 Q 2021	1 Q 2020
Estonia	1,535	3,054
Lithuania	281	1,643
Latvia	280	1,371
Russia	12	13
Ukraine	8	9
Finland	5	35
Germany	2	2
Austria	0	1
Other countries	9	9
<b>Total</b>	<b>2,132</b>	<b>6,137</b>

**NOTE 15 Cost of goods sold**

	1 Q 2021	1 Q 2020
Materials and supplies	1,379	3,520
Changes in inventories	-120	-130
<b>Total</b>	<b>1,259</b>	<b>3,390</b>

**NOTE 16 Distribution costs**

	1 Q 2021	1 Q 2020
Payroll costs <sup>1</sup>	819	1,848
Operating lease expenses <sup>2</sup>	-97	191

Advertising expenses	117	254
Depreciation and amortisation (Note 6,7,8)	1,074	1,458
Fuel, heating and electricity costs	49	96
Municipal services and security expenses	54	90
Fees for card payments	31	30
Information technology expenses	38	50
Travel expenses	0	22
Consultation and management fees	8	29
Communication expenses	23	18
Other sales expenses <sup>3</sup>	25	114
<b>Total</b>	<b>2,141</b>	<b>4,200</b>

<sup>1</sup>Payroll costs include reduction of expense as governments' subsidies have been received either directly by group companies or indirectly by paying less due to employees receiving income directly from government.

<sup>2</sup>Operating lease (rent) expense is negative as rent discounts (reduction of the lease payments) related to the stores was recognised and government's subsidies to cover lease payments were received.

<sup>3</sup>Other sales expenses consist mostly of insurance and customs expenses, bank fees, expenses for uniforms, packaging, transportation and renovation expenses of stores, and service fees connected to administration of market organisations.

#### NOTE 17 Administrative and general expenses

	1 Q 2021	1 Q 2020
Payroll costs <sup>1</sup>	382	317
Operating lease expenses	1	9
Information technology expenses	44	48
Bank fees	11	21
Depreciation and amortisation (Note 6,7)	27	224
Fuel, heating and electricity expenses	2	28
Management, juridical-, auditor's and other consulting fees	13	93
Other administrative expenses <sup>2</sup>	15	52
<b>Total</b>	<b>495</b>	<b>792</b>

<sup>1</sup>Payroll costs include reduction of expense as governments' subsidies have been received either directly by group companies or indirectly by paying less due to employees receiving income directly from government.

<sup>2</sup>Other administrative expenses consist of insurance, communication, travel, training, municipal and security expenses, and other services.

#### NOTE 18 Other operating income and expenses

	1 Q 2021	1 Q 2020
Gain (loss) from sale, impairment of PPE	-28	30
Other operating income, expenses	270	9
Foreign exchange gain (-loss)	-5	3
Fines, penalties and tax interest	0	-2
Other operating expenses <sup>1</sup>	-3	-3
<b>Total</b>	<b>234</b>	<b>37</b>

<sup>1</sup>Other operating income includes government subsidy for working capital.

## NOTE 19 Finance costs

	1 Q 2021	1 Q 2020
Interest cost	-126	-266
<b>Total</b>	<b>-126</b>	<b>-266</b>

In 3 months of 2021, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 113 thousand euros (3 months 2020: 195 thousand euros).

## NOTE 20 Earnings per share

Basic earnings per share		1 Q 2021	1 Q 2020
Weighted average number of shares (thousand)	pcs	54,079	54,079
Net loss from continuing operations		-1,655	-2,474
<b>Basic earnings per share</b>	<b>EUR</b>	<b>-0.03</b>	<b>-0.05</b>
<b>Diluted earnings per share</b>	<b>EUR</b>	<b>-0.03</b>	<b>-0.05</b>

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 0.35 euros (2020: 0.12 euros).

## NOTE 21 Related parties

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

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

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 12);
- members of the Management Board and the Supervisory Board<sup>1</sup>;
- 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.

<sup>1</sup>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 2021	1 Q 2020
Services purchased	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

In 2021 and 2020, AS Baltika bought mostly management services from the related parties.

### Balances with related parties

	31 March 2021	31 Dec 2020
Other loans and interests (Note 9, 12)	3,992	3,992
<b>Payables to related parties total</b>	<b>3,992</b>	<b>3,992</b>

All transactions in 2021 as well as in 2020 reporting periods and balances with related parties as at 31 March 2021 and 31 December 2020 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 2021	1 Q 2020
Salaries of the members of the Management Board	201	66
Remuneration of the members of the Supervisory Council	2	4
<b>Total</b>	<b>203</b>	<b>70</b>

As at 31 March 2021 was two Management Board Member and four Supervisory Board Members. 31 December 2020 were two Management Board Members and five Supervisory Board Members.

### *Changes in the Supervisory Board in 2020*

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

### *Changes in the Management Board in 2020*

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

Since December 1, 2020, Triinu Tarkin, Chief Financial Manager of AS Baltika Group, is a member of the Management Board.



## AS BALTIKA SUPERVISORY BOARD



### **JAAKKO SAKARI MIKAEL SALMELIN**

Chairman of the Supervisory Board since 23 May 2012, Member of the Supervisory Board since 21.06.2010

Partner, KJK Capital Oy

Master of Science in Finance, Helsinki School of Economics

Baltika shares held on 31 March 2021: 0



### **REET SAKS**

Member of the Supervisory Board since 25.03.1997

Legal Advisor at Farmi Piimatööstus

Degree in Law, University of Tartu

Baltika shares held on 31 March 2021: 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

Baltika shares held on 31 March 2021: 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

Baltika shares held on 31 March 2021: 0

**AS BALTIKA MANAGEMENT BOARD****FLAVIO PERINI**

Member of the Management Board, CEO since May 1<sup>st</sup> 2020

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

Law Degree (Università degli Studi di Parma)

Baltika shares held on 31 March 2021: 0

**TRIINU TARKIN**

Member of the Management Board, CFO

Member of the Board since December 1<sup>st</sup> 2020, in the Group since 2011

Master of Science in Finance and Economic analysis (Tallinn University of Technology)

Baltika shares held on 31 March 2021: 0