



AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2021

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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 – 30 September 2021

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BRIEF DESCRIPTION OF BALTIKA 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 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 30st September 2021 the Group employed 198 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 30 September 2021	Holding as at 30 June 2021
OÜ Baltika Retail	Estonia	In liquidation	100%	100%
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija ¹	Latvia	Retail	100%	100%
UAB Baltika Lietuva ¹	Lithuania	Retail	100%	100%

¹Interest through a subsidiary.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS OF 2021

Baltika Group ended the third quarter with a net loss of 392 thousand euros, which included one-off costs of 310 thousand euros mostly due to 8 store closures done during Q3 2021. The loss for the same period last year was 516 thousand euros.

The Group's sales revenue for the third quarter was 3,817 thousand euros, decreasing by 33% compared to the same period last year. The main reasons of the decrease in retail sales were represented by the closures of 37 unprofitable stores done in the meantime all over Baltics as well as a delay in the arrival of goods in stores due to global supply problems, which had a negative impact on our sales results particularly during August and September.

E-com sales revenue in the third quarter 2021 decreased by 21% for approximately 84 thousand euro, mostly driven by the logical shift towards off-line stores due to the easing of all restrictions during third quarter. However, the 9 month results still show strong sales growth of 6% and 22% increase in gross profit compared to the same period last year, despite the company's strategic decision to discontinue the Monton and Baltman brands.

The gross profit for the quarter was 1,920 thousand euros, decreasing by 963 thousand euros compared to the same period of the previous year (Q3 2020: 2,884 thousand euros) in line with the sales decrease as logic consequence of lower number of stores managed in our Group portfolio. The company's gross profit margin was 50,3% in the third quarter, which is 0,6 percentage points lower than the margin of the third quarter of the previous year (Q3 2020: 50,9%). The decrease in gross profit is mostly due to the sale of residual Baltman stock in our existing stores all over Baltics and in particular in the Estonian market.

The Group's distribution and administrative expenses in the third quarter were 2,590 thousand euros, decreasing by 16% i.e., 498 thousand euros compared to the same period last year. More than 60% of the decrease in expense were related to cost reductions in retail business, in particular with decrease in payroll costs by 24% compared to the same period last year.

In the first 9 months of the year, the group's revenue decreased by 41% compared to the same period last year to 9,156 thousand euros. Retail sales revenue decreased by 46%, while e-store sales revenue increased by 6%. The Group's 9 month result shows a loss, mainly caused by a negative impact of one costs due to 26 store closures executed during last 9 months and also by COVID-19 restrictions in all Baltic countries which have affected our business already from 1 January 2021 until the end of May 2021. During third quarter our Omnichannel (on-line and off-line stores) has been affected also by well known global supply issues, which meant that seasonal autumn goods did not reach the our retail network and e-store on time as originally planned.

Baltika Group focus during third quarter 2021 was to optimise even further the whole store network with some important unprofitable store closures across the Baltics and to keep under strict control all operating expenses as well as on the renewed Ivo Nikkolo brand launch.

REVENUE

Baltika's third quarter revenue was 3,817 thousand euros, which was 33% lower compared to the same period last year. The decline in retail sales was mostly caused firstly by the smaller number of stores managed by our Group (72 stores at 30th September 2020 vs 35 stores at 30th September 2021), secondly by some relevant global supply issues which have caused delay with new Autumn Winter arrival in-stores and thirdly by the largely expected decline in the share of men's clothing due to the strategic Group decision to discontinue with Monton and Baltman. At the same time, e-commerce sales were decreased by 21% in the third quarter compared to the same period last year, as restrictions were eased, and more shopping interest was directed back towards off-line stores.

Sales revenue by channel

EUR thousand	3 Q 2021	3 Q 2020	+/-	9M 2021	9M 2020	+/-
Retail	3,492	5,204	-33%	7,390	13,595	-46%
E-com sales	310	395	-21%	1,658	1,561	6%
Other	15	59	-75%	108	346	-69%
Total	3,817	5,658	-33%	9,156	15,502	-41%

Stores and sales area

As at 30th of September 2021, the Group had 35 stores. During the third quarter, the number of stores decreased by 8. Baltika Group closed in Estonia 4, in Latvia 1 and in Lithuania 3 stores. Group average selling area decreased by 36% compared to third quarter 2020.

Stores by market

	30 Sept 2021	30 Sept 2020	Average area change*
Estonia	17	30	-28%
Lithuania	9	26	-52%
Latvia	9	16	-30%
Total stores	35	72	-51%
Total sales area, sqm	9,547	15,004	-36%

*Yearly average area change also considered the time store is closed for renovation or closings due to COVID-19 restrictions.

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

	3 Q 2021	3 Q 2020	+/-	9M 2021	9M 2020	+/-
Estonia	105	125	-16%	108	127	-15%
Lithuania	102	98	4%	106	97	9%
Latvia	98	122	-19%	100	120	-16%
Total	103	116	-11%	106	115	-8%

Retail

Retail sales for the third quarter were 3,492 thousand euros, decreasing by 33% compared to the same period last year with 37 less stores.

Retail sales by market

EUR thousand	3 Q 2021	3 Q 2020	+/-	Share	9M 2021	9M 2020	+/-	Share
Estonia	1,775	2,496	-29%	50%	4,600	6,485	-29%	62%
Lithuania	858	1 435	-40%	25%	1,622	3,841	-58%	22%
Latvia	860	1 273	-32%	25%	1,168	3,231	-64%	16%
Total	3,492	5,204	-33%	100%	7,390	13,595	-46%	100%

Brands

Ivo Nikkolo sales revenue in the third quarter was 2,404 thousand euros, increasing by 288% compared to same period last year. Ivo Nikkolo brand accounts for the largest share, with the sales revenue representing 69% of retail sales in the third quarter. Ivo Nikkolo sales increase is in correlation with the Baltika Group's strategy to continue only with one Womenswear Ivo Nikkolo brand

Monton's sales revenue for the third quarter was 913 thousand euros, decreasing by 77% compared to the same period last year in line with the strategic decision to discontinue with this brand.

Baltman's third quarter sales decreased by 73% compared to the same period last year. Baltman brand sales decrease relates to the Baltika Group's strategy to discontinue with this brand.

Retail revenue by brand

EUR thousand	3 Q 2021	3 Q 2020	+/-	Share	9M 2021	9M 2020	+/-	Share
Monton	913	3,944	-77%	26%	2,853	9,438	-70%	39%
Mosaic	0	0	0%	0%	28	941	-97%	0%
Baltman	175	640	-73%	5%	692	1,681	-59%	9%
Ivo Nikkolo	2,404	619	288%	69%	3,817	1,530	149%	52%
Bastion	0	0	0%	0%	0	6	-100%	0%
Total	3,492	5,204	-33%	100%	7,390	13,595	-46%	100%

Sales in e-com

The sales revenue of Baltika Group's e-store in the third quarter decreased by 21% compared to the same period last year and was 395 thousand euros. E-store sales revenue in third quarter was influenced by important shift towards Baltika Group's e-commerce omni-channel strategy. Baltika Group's e-store is turned to mono-brand store with focus on full price sales of Ivo Nikkolo collection. As a result, Ivo Nikkolo brand sales increased by 149% in third quarter and by 80% in the first nine months compared same period last year.

OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 1,920 thousand euros, decreasing by 963 thousand euros compared to the same period of the previous year (Q3 2020: 2,884 thousand euros) in line with the sales decrease. The company's gross profit margin was 50.3% in the third quarter, which is 0,6 percentage points lower than the margin of the third quarter of the previous year (Q3 2020: 50.9%).

The Group's distribution and administrative expenses in the third quarter were 2,590 thousand euros, decreasing by 17% i.e., 498 thousand euros compared to the same period last year. Over 60% of the decrease in expense relates to reduction in retail costs, majority due to closure of Baltika brands stores.

Net financial expenses were 91 thousand euros in the quarter, which is 103 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 392 thousand euros which compared to the same period last year (Q3 2020: 516 thousand euros) shows an improvements of 124 thousand euros (including all one-off cost impact).

FINANCIAL POSITION

As at 30th of September 2021, Baltika Group's cash and cash equivalents amounted to 773 thousand euros (1,427 thousand euros as at 31st of December 2020). The decrease in cash and cash-equivalents relates to financing operating expenses.

At the end of the quarter, the Group's inventories totalled 2,954 thousand euros, decreasing by 513 thousand euros, i.e., 15% 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 third quarter for 81 thousand euros and depreciation was 119 thousand euros. The residual value of fixed assets has decreased by 321 thousand euros compared to the end of the previous year and was 1,494 thousand euros.

Right of use assets as at 30th of September 2021 amounted to 6,484 thousand euros. The assets have decreased by 2,716 thousand euros compared to year end, whereby 2,475 thousand euros relates to depreciation, 975 thousand euros is finished contracts and new contracts in the amount of 735 thousand euros.

As at 30th of September 2021, the total debt was 10,856 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 30th of September 2021 the Group equity was 703 thousand euros due to the loss accumulated in particular during the first and third quarter. With this Baltika Group is not compliant with Commercial Code requirement of equity being 50% from share capital. Baltika Management Board is already working on a very specific and detailed plan to ensure the equity gap will be fully filled by the end of this year.

Cash flow from operating activities in the third quarter was 974 thousand euros (Q3 2020: 171 thousand euros) as majority of trade payables outstanding from the second quarter were paid off. In the third quarter, 92 thousand euros were put into investment activities. Financing activities shows 881 thousand euros. The Group's total cash flow for the third quarter was 1 thousand euros which despite COVID-19 negative impacts on the business, shows again an improvement of more than 316 thousand euro compared to same period last year (Q3 2020: -315 thousand euros).

As at 30th of September 2021, Group's net debt (interest-bearing debt less cash and cash equivalents) was 10,083 thousand euros, which is 1,169 euros more than at the end of the previous year. The increase in net debt is mainly related to use of overdraft due to first quarter loss. The net debt to equity

ratio as of 30th of September 2021 was 1,436% (31st of December 2020: 329%). The Group's liquidity ratio has gone down over the quarter (30th of September 2021 and 31 December 2020) from 0.96 to 0.70 due to a decrease in current assets.

PEOPLE

As at 30th of September 2021 Baltika Group employed 198 people, which is 79 people less than at 31st of December 2020 (277), there of 157 (31.12.2020: 225) in the retail system, and 41 (31.12.2020: 52) at the head office and logistics centre.

Baltika Group employees' remuneration expense in 9 months of the year amounted to 2,369 thousand euros (Q3 of 2020: 3,910 thousand euros).

KEY FIGURES OF THE GROUP (III QUARTER OF 2021)

	Q3 2021	Q3 2020	Q3 2019	Q3 2018	Q3 2017
Revenue (EUR thousand)	3,817	5,658	9,758	11,026	12,001
Retail sales (EUR thousand)	3,492	5,204	8,835	9,404	9,435
Share of retail sales in revenue	91.5%	92.0%	90.5%	85.3%	78.6%
Gross margin	50.3%	51.0%	45.9%	45.6%	4.0%
EBITDA (EUR thousand)	534	803	845	-407	-36
Net profit (EUR thousand)	-392	-516	-1 242	-814	-471
EBITDA margin	14.0%	14.2%	8.7%	-3.7%	-0.3%
Operating margin	-7.9%	-5.7%	-9.4%	-6.1%	-2.9%
EBT margin	-10.3%	-9.1%	-12.7%	-7.4%	-3.9%
Net margin	-10.3%	-9.1%	-12.7%	-7.4%	-3.9%

	9M and 30 Sept 2021	9M and 30 Sept 2020	9M and 30 Sept 2019	9M and 30 Sept 2018	9M and 30 Sept 2017
Sales activity key figures					
Revenue (EUR thousand)	9,156	15,502	29,491	32,410	34,490
Retail sales (EUR thousand)	7,390	13,595	26,272	27,257	27,850
Share of retail sales in revenue	80.7%	87.7%	89.1%	84.1%	80.7%
Share of exports in revenue	48.3%	50.3%	53.4%	55.1%	56.3%
Number of stores in retail	35	72	84	93	93
Number of stores	35	72	84	120	125
Sales area (sqm) (end of period)	9,547	15,004	16,321	17,416	17,299
Number of employees (end of period)	198	381	841	991	1,025
Gross margin	48.6%	48.1%	49.7%	49.2%	48.0%
EBITDA (EUR thousand)	1,152	6,090	3,021	-457	457
Net profit (EUR thousand)	-2,011	975	-3,300	-1,669	-862
EBITDA margin	12.6%	39.3%	10.2%	-1.4%	1.3%
Operating margin	-19.2%	10.4%	-7.6%	-3.9%	-1.4%
EBT margin	-22.0%	6.3%	-11.2%	-5.1%	-2.5%
Net margin	-22.0%	6.3%	-11.2%	-5.1%	-2.5%
Inventory turnover	3,78	1,99	2,78	2,05	2,14

Other ratios					
Current ratio	0,7	0.96	0,88	1,1	1,5
Net gearing ratio	1,436.0%	1,466.0%	1,359.0%	266.7%	215.3%

Return on equity	-139.5%	80.9%	384.3%	-38.3%	-19.1%
Return on assets	-12.9%	3.8%	-12.1%	-9.1%	-4.5%

Definitions of key ratios

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

EBITDA margin = EBITDA÷Revenue

Gross margin = (Revenue-Cost of goods sold)÷Revenue

Operating margin = Operating profit÷Revenue

EBT margin = Profit before income tax÷Revenue

Net margin = Net profit (attributable to parent)÷Revenue

Current ratio = Current assets÷Current liabilities

Inventory turnover = Cost of goods sold÷Average inventories*

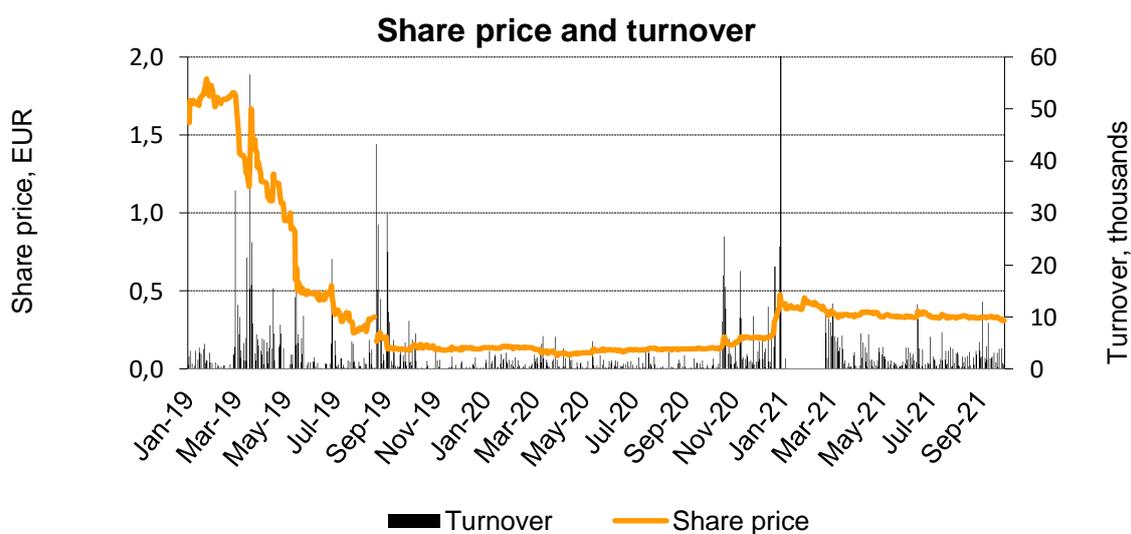
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)÷Equity

Return on equity (ROE) = Net profit÷Average equity*

Return on assets (ROA) = Net profit÷Average total assets*

*Based on 12-month average

SHARE PRICE AND TURNOVER



MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

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



Flavio Perini
Chairman of Management Board, CEO
18 October 2021



Brigitta Kippak
Member of Management Board, COO
18 October 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 third quarter and 9 months of 2021 as presented on pages 11-31.

The Management Board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;
2. the financial statements give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of the operations and the cash flows of the Group; and its cash flows;
3. the Group is going concern.



Flavio Perini
Chairman of Management Board, CEO
18 October 2021



Brigitta Kippak
Member of Management Board, COO
18 October 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sept 2021	31 Dec 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	773	1,427
Trade and other receivables	4	190	318
Inventories	5	2,954	3,467
Total current assets		3,917	5,212
Non-current assets			
Deferred income tax asset		140	140
Other non-current assets	4	149	111
Property, plant and equipment	6	919	1,218
Right-of-use assets	8	6,484	9,199
Intangible assets	7	572	597
Total non-current assets		8,264	11,255
TOTAL ASSETS		12,181	16,477
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	9	358	252
Lease liabilities	8	1,955	3,127
Trade and other payables	10,11	3,083	3,019
Total current liabilities		5,396	6,398
Non-current liabilities			
Borrowings	9	1,259	874
Lease liabilities	8	4,824	6,493
Total non-current liabilities		6,083	7,367
TOTAL LIABILITIES		11,479	13,765
EQUITY			
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		-2,010	- 377
TOTAL EQUITY		702	2,712
TOTAL LIABILITIES AND EQUITY		12,181	16,477

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	3Q 2021	3Q 2020	9m 2021	9m 2020
Revenue	13,14	3,817	5,658	9,156	15,502
Cost of goods sold	15	-1,896	-2,774	-4,707	-8,048
Gross profit		1,921	2,884	4,449	7,454
Distribution costs	16	-2,287	-2,806	-3,837	-7,006
Administrative and general expenses	17	-303	-718	-835	-1,510
Other operating income (-expense)	18	369	5,841	685	5,878
Operating profit (loss)		-300	4,139	-1,459	1,931
Finance costs	19	-92	-194	-251	-635
Profit (loss) before income tax		-392	-516	-2,010	975
Income tax expense		0	0	0	0
Net profit (loss) for the period		-392	-516	-2,010	975
Total comprehensive income (loss) for the period		-392	-516	-2,010	975
Basic earnings per share from net profit (loss) for the period, EUR	20	-0.01	-0.01	-0.04	0.02
Diluted earnings per share from net profit (loss) for the period, EUR	20	-0.01	-0.01	-0.04	0.02

CONSOLIDATED CASH FLOW STATEMENT

	Note	3Q 2021	3Q 2020	9m 2021	9m 2020
Cash flows from operating activities					
Operating profit (loss)		-300	-322	-1,759	1,610
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	15-17	810	1,122	2,883	3,109
Gain (loss) from sale, impairment of PPE, non-current assets, net		28	17	15	48
Other non-monetary adjustments		0	0	0	-3,444*
Changes in working capital:					
Change in trade and other receivables	4	-41	147	90	441
Change in inventories	5	172	1,898	513	2,289
Change in trade and other payables	10	308	-2,667	64	-735
Interest paid and other financial expense		-3	-24	-6	-104
Net cash generated from operating activities		974	171	1 828	3,214
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	6, 7	-92	-64	-169	-289
Proceeds from disposal of PPE		0	0	0	33
Net cash used in investing activities		-92	-64	-169	-256
Cash flows from financing activities					
Received borrowings	9	0	2,550	0	3,550
Repayments of borrowings	9	-89	0	-204	-116
Change in bank overdraft	9	33	-1,714	718	-957
Finance lease payments	8	0	0	-4	0
Repayments of lease liabilities, principle	8	-747	-1,092	-2,613	-4,069
Repayments of lease liabilities, interest		-78	-166	-210	-544
Net cash generated from (used in) financing activities		-881	-422	-2,313	-2,136
Total cash flows		1	-315	-654	822
Cash and cash equivalents at the beginning of the period	3	772	1,400	1 427	263
Cash and cash equivalents at the end of the period	3	773	1,085	773	1,085
Change in cash and cash equivalents		1	-315	-654	822

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total
Balance as at 31 December 2019	5,408	4,045	-6,250	3,203
Loss for the period	0	0	975	975
Total comprehensive income	0	0	975	975
Reduction of the nominal value of a share	0	-3,225	0	-3,225
Balance as at 30 September 2020	5,408	820	-5,275	953
Balance as at 31 December 2020	5,408	3,931	-6,627	2,712
Loss for the period	0	0	-2,010	-2,010
Total comprehensive income	0	0	-2,010	-2,010
Balance as at 30 September 2021	5,408	3,931	-8,637	702

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 brand Ivo Nikkolo. As a strategic decision, we stopped developing the Monton and Baltman brands.

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 30 September 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:

Average currencies	III Q 2021	III Q 2020
USD (US dollar)	9.85%	3.76%

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

Balance-sheet date rates (30.09.2021; 31.12.2020)	
USD (US dollar)	-3.70%

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 1 164 thousand euros at 30 September 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 30 September 2021 in the amount of 6,484 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 30 September 2021 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 75 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 30 September 2021 was 2,282 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 30 September 2021

	Carrying amount	Undiscounted cash flows ¹		Total
		1-12 months	1-5 years	
Loans (Note 9) ²	1,615	371	1,304	1,675
Finance lease liabilities (Note 8)	6,779	2,607	4,670	7,277
Trade payables (Note 10)	1,531	1,531	0	1,531
Other financial liabilities	135	135	0	135
Total	10,060	4,644	5,974	10,618

Financial liabilities by maturity at 31 December 2020

	Carrying amount	Undiscounted cash flows ¹		Total
		1-12 months	1-5 years	
Loans (Note 9) ²	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
Total	11,825	5,066	7,564	12,630

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

²Used overdraft facilities are shown under loans based on the contractual date of payment.

Operational risk

The Group's operations are mostly affected by the cyclical nature of economies in target markets and changes in competitive positions, as well as risks related to specific markets.

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

Improvement of flexibility plays an important role in increasing the Group's competitiveness. Continuous efforts are being made to shorten the cycles of business processes and minimise potential deviations. This also helps to improve the relative level and structure of inventories and the fashion collections' meeting consumer expectations. 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 already arisen during 2020 was related to COVID-19 of having stores closed due to restrictions in the countries. Baltika Group's 9-month results will be affected by the fully closed Latvian and Lithuanian stores from the beginning of 2021 until the spring, and the Estonian stores closed for almost two months. The stores were fully opened in Lithuania on 19 April 2021, in Estonia on 3 May and in Latvia on 3 June. In the third year of 2021, all the group's stores were open.

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 subsidiary and/or Group is applicable for government support. This risk has implications also related to stock management and also on the cost management side. 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, was become an important risk.

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

	30 Sept 2021	31 Dec 2020
Interest carrying borrowings (Note 8, 9)	10,856	10,341
Cash and bank (Note 3)	-773	-1,427
Net debt	10,083	8,914
Total equity	702	2,712
Net gearing ratio	1,436%	329%

Fair value

The Group estimates that the fair values of the financial assets and liabilities denominated in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 30 September 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

	30 Sept 2021	31 Dec 2020
Cash at hand	31	34
Cash at bank and overnight deposits	742	1,393
Total	773	1,427

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	30 Sept 2021	31 Dec 2020
Trade receivables, net	75	230
Other prepaid expenses	86	79
Tax prepayments and tax reclaims, thereof	23	1
Value added tax	23	1
Other current receivables	6	8
Total	190	318
Long-term assets		
Non-current lease prepayments	149	111
Total	149	111

All trade and other receivables are in euros.

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

	Baltic region	Eastern European region	Total
30 September 2021			
Not due	69	0	69
Up to 1 month past due	0	0	0
1-3 months past due	4	0	4
3-6 months past due	0	0	0
Over 6 months past due	0	2	2
Total	73	2	75

	Baltic region	Eastern European region	Total
31 December 2020			
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
Total	228	2	230

NOTE 5 Inventories

	30 Sept 2021	31 Dec 2020
Fabrics and accessories	1	53
Allowance for fabrics and accessories	-1	-53
Finished goods and goods purchased for resale	2,932	3,587
Allowance for impairment of finished goods and goods purchased for resale	0	-250
Prepayments to suppliers	22	130
Total	2,954	3,467

NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2019					
Acquisition cost	2,746	1,004	4,235	5	7,990
Accumulated depreciation	-1,987	-856	-3,464	0	-6,307
Net book amount	759	148	771	5	1,683
Additions	110	18	39	66	233
Disposals	-9	-60	-37	0	-106
Reclassification	40	0	0	-40	0
Depreciation	-246	-39	-234	0	-519
30 September 2020					
Acquisition cost	2,439	915	3,813	31	7,198
Accumulated depreciation	-1,785	-848	-3,274	0	-5,907
Net book amount	654	67	539	31	1,291
31 December 2020					
Acquisition cost	2,384	937	3,703	0	7,024
Accumulated depreciation	-1,794	-843	-3,169	0	-5,806
Net book amount	590	94	534	0	1,218
Additions	28	19	80	0	127
Disposals	-14	-10	-44	0	-68
Depreciation	-205	-25	-128	0	-358
30 September 2021					
Acquisition cost	1,977	927	3,246	0	6,150
Accumulated depreciation	-1,578	-849	-2,804	0	-5,231
Net book amount	399	78	442	0	919

NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
31 December 2019					
Acquisition cost	885	643	46	154	1,728
Accumulated depreciation	-763	-429	0	0	-1,192
Net book amount	122	214	46	154	536
Additions	28	0	27	0	55
Disposal	-1	0	-5	0	-6
Amortisation	-14	-24	0	0	-38
30 September 2020					
Acquisition cost	913	643	68	154	1,778

Accumulated depreciation	-777	-453	0	0	-1,230
Net book amount	136	190	68	154	548
31 December 2020					
Acquisition cost	974	643	73	154	1,844
Accumulated depreciation	-786	-461	0	0	-1,247
Net book amount	188	182	73	154	597
Additions	0	0	42	0	42
Amortisation	-42	-24	0	0	-66
30 September 2021					
Acquisition cost	974	643	115	154	1,885
Accumulated depreciation	-828	-477	0	0	-1,313
Net book amount	146	158	115	154	572

NOTE 8 Finance lease

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

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Right-of-use assets
Net assets 31.12.2019	16,040
Additions	1,048
Terminations	-2,581
Depreciation	-4,116
Net assets 30.09.2020	10,391
Net assets 31.12.2020	9,199
Additions	735
Terminations	-975
Depreciation	-2,475
Net assets 30.09.2021	6,484

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

	30 Sept 2021	31 Dec 2020
Lease liabilities		
Current	1,955	3,127
Non-current	4,824	6,493
Total lease liabilities	6,779	9,620

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

Amounts recognised in the statement of profit or loss

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

	3Q 2021	3Q 2020	9k 2021	9k 2020
Interest expense (under finance cost, Note 19)	78	165	210	545
Depreciation (under operating expenses, Notes 15-17)	684	957	2,475	3,882
Total	762	1,122	2,685	4,427

The total cash outflow for long-term leases in 9 months of 2021 was 2,613 thousand euros (9 months 2020: 4,069 thousand euros).

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

NOTE 9 Borrowings

	30 Sept 2021	31 Dec 2020
Current borrowings		
Current portion of bank loans	356	227
Current portion of finance lease liabilities	2	25
Total	358	252
Non-current borrowings		
Non-current bank loans	446	778
Non-current overdraft	718	0
Other non-current liabilities	95	96
Total	1,259	874
Total borrowings	1,617	1,126

During the reporting period, the Group made bank loan repayments in the amount of 204 thousand euros (9 months 2020: 116 thousand euros). Group's overdraft facilities with the banks were used in the amount of 718 thousand euros as at 30 September 2021 (31 December 2020: 0 euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 251 thousand euros (9 months 2020: 634 thousand euros), 6 months interests from lease liabilities recognised under IFRS 16 in the amount of 210 thousand euros (9 months 2020: 544 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 30 September 2021

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	1,520
Total		1,520

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

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

NOTE 10 Trade and other payables

	30 Sept 2021	31 Dec 2020
Current liabilities		
Trade payables	1,531	1,044
Tax liabilities, thereof	913	1,203
Personal income tax	78	164
Social security taxes and unemployment insurance premium	423	406
Value added tax	412	633
Payables to employees ¹	401	391
Other current payables	133	35
Other accrued expenses	47	18
Customer prepayments	57	98
Total	3,082	2,789

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

Trade payables and other accrues expenses in denominated currency

	30 Sept 2021	31 Dec 2020
EUR (euro)	1,554	940
USD (US dollar)	24	122
Total	1,578	1,062

NOTE 11 Provisions

	30 Sept 2021	31 Dec 2020
Other provision ¹	0	230
Total	0	230

Short description of the provision

Other provision¹ 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

	30 September 2021	31 Dec 2020
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 30 September 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 30 September 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 30 September 2021 and 3,931 thousand euros as of 31 December 2020 represents the non-interest-bearing loan with no fixed repayment date from KJK Sicav-SIF.

Shareholders as at 30 September 2021

	Number of shares	Holding
1. ING Luxembourg S.A.	48,526,500	89.73%
2. Clearstream Banking AG	1,069,624	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	4,251,783	7.86%
Total	54,079,485	100%

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%
Total	54,079,485	100%

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

NOTE 13 Segments

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 ¹	Total
3 Q 2021				
Revenue (from external customers)	3,492	310	15	3,817
Segment profit (loss) ²	312	5	-2	315
Incl. depreciation and amortisation	-97	-6	0	-103
3 Q 2020				
Revenue (from external customers)	5,204	395	59	5,658
Segment profit (loss) ²	430	60	23	513
Incl. depreciation and amortisation	-148	0	0	-148
9M 2021 and as at 30 September 2021				
Revenue (from external customers)	7,390	1,657	109	9,156
Segment profit (loss) ²	-57	108	31	82
Incl. depreciation and amortisation	-324	-17	0	-341

Inventories of segments	1,746			1,746
9M 2020 and as at 30 September 2020				
Revenue (from external customers)	13,595	1,560	346	15,502
Segment profit (loss) ²	-1,266	247	84	-935
Incl. depreciation and amortisation	-487	0	0	-487
Inventories of segments	3,444			3,444

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

²The segment profit is the segment operating profit.

Reconciliation of segment profit to consolidated operating profit

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Total segment profit	315	513	82	-1,597
Unallocated expenses ¹ :				
Costs of goods sold and distribution costs	-266	-282	-1,757	-608
Administrative and general expenses	-718	-435	-1,138	-1,945
Other operating income (expenses), net	369	-118	1,054	5,760
Operating profit (loss)	-300	-322	-1,759	1,610

¹Unallocated expenses include the expenses of the parent and production company that are not allocated to the reportable segments in internal reporting.

Reconciliation of segment inventories to consolidated inventories

	30 Sept 2021	31 Dec 2020
Total inventories of segments	1,746	2,643
Inventories in Parent company and production company	1,208	824
Inventories on statement of financial position	2,954	3,467

NOTE 14 Revenue

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Sale of goods in retail channel	3,492	5,204	7,390	13,595
Sale of goods in wholesale and franchise channel	2	48	67	268
Sale of goods in e-commerce channel	310	394	1,657	1,560
Other sales	13	11	43	78
Total	3,817	5,658	9,156	15,502

Sales by geographical (client location) areas

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Estonia	1,975	2,749	5,550	7,703
Lithuania	530	1,501	1,577	4,095
Latvia	1,290	1,350	1,949	3,516
Russia	7	8	25	35
Austria	0	0	0	1
Finland	4	34	13	91
Germany	0	1	4	8
Ukraine	5	7	17	25
Other countries	6	8	21	28
Total	3,817	5,658	9,156	15,502

NOTE 15 Cost of goods sold

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Materials and supplies	1,896	2,774	4,957	8,179
Changes in inventories	0	0	-250	-130
Total	1,896	2,774	4,707	8,049

NOTE 16 Distribution costs

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Payroll costs ¹	788	1,127	2,282	4,188
Operating lease expenses ²	58	19	-305	191
Advertising expenses	194	136	457	473
Depreciation and amortisation (Note 6,7)	783	1,024	2,802	3,880
Fuel, heating and electricity costs	54	78	138	229
Municipal services and security expenses	48	78	146	232
Fees for card payments	18	28	40	73
Information technology expenses	60	39	142	118
Travel expenses	3	3	3	26
Consultation and management fees	21	9	49	55
Communication expenses	9	15	26	46
Other sales expenses ³	251	97	344	148
Total	2,287	2,653	6,124	9,659

¹Payroll 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.

²Operating 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.

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

NOTE 17 Administrative and general expenses

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Payroll costs	172	134	768	734
Operating lease expenses ¹	1	1	3	15
Information technology expenses	48	42	134	133
Bank fees	11	5	45	31
Depreciation and amortisation (Note 6,7)	27	98	81	545
Fuel, heating and electricity expenses	1	10	5	56
Management, juridical-, auditor's and other consulting fees	11	109	45	318
Other administrative expenses ²	32	36	57	113
Total	303	435	1,138	1,945

¹Payroll 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.

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

NOTE 18 Other operating income and expenses

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Gain (loss) from sale, impairment of PPE	-29	-27	-43	-85
Other operating income ¹	446	-35	1,154	5,916
Foreign exchange gain (-loss)	-3	-36	-6	-44
Fines, penalties and tax interest	0	0	0	-2
Other operating expenses	-45	-20	-51	-25
Total	369	-118	1,054	5,760

¹Other operating income includes government subsidy for working capital.

NOTE 19 Finance costs

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Interest cost	-92	-194	-251	-635
Total	-92	-194	-251	-635

In 9 months of 2021, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 210 thousand euros (9 months 2020: 544 thousand euros).

NOTE 20 Earnings per share

Basic earnings per share		3 Q 2021	3 Q 2020	9m 2021	9m 2020
Weighted average number of shares (thousand)	pcs	54,079	54,079	54,079	54,079
Net loss from continuing operations		-392	-516	-2,010	975
Basic earnings per share	EUR	-0.01	-0.01	-0.04	0.02
Diluted earnings per share	EUR	-0.01	-0.01	-0.04	0.02

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 0.31 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 Board¹;
- immediate family members of the persons stated above;
- entities under the control or significant influence of the members of the Management Board and Supervisory Board.

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

Transactions with related parties

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Services purchased	6	6	18	18
Total	6	6	18	18

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

Balances with related parties

	30 Sept 2021	31 Dec 2020
Other loans and interests (Note 9, 12)	3,992	3,992
Payables to related parties total	3,992	3,992

All transactions in 2021 as well as in 2020 reporting periods and balances with related parties as at 30 September 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

	3 Q 2021	3 Q 2020	9m 2021	9m 2020
Salaries of the members of the Management Board	78	52	360	234
Remuneration of the members of the Supervisory Council	4	3	17	9
Total	82	55	377	243

As at 30 September 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 Management Board in 2021

At the meeting on June 1, the Supervisory Board elected Brigitta Kippak, Chief Operating Officer, as a new member of the Management Board from the same day. At the meeting held on 1 June, the Supervisory Board recalled Triinu Tarkin from the position of Member of the Management Board and Chief Financial Officer on the basis of her application as of 4th June 2021.

Changes in the Supervisory Board in 2020

On 16 August 2020, the Annual General Meeting of Shareholders decided to recall Tiina Mõis, 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, was 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 30 September 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 30 September 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 30 September 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 30 September 2021: 0

AS BALTIKA MANAGEMENT BOARD



FLAVIO PERINI

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

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

Master's Degree in Law (University of Parma – Italy)

Baltika shares held on 30 September 2021: 0



BRIGITTA KIPPAK

Member of the Management Board

Member of the Board since June 1st 2021, in the Group since 1997

Economics Degree (University of Tartu)

Baltika shares held on 30 September 2021: 1 575