



Baltika Group

**AS BALTIKA
OFFERING, ADMISSION TO TRADING AND
LISTING
PROSPECTUS SUMMARY**

50,000,000 shares with nominal value of 0.1 euros and offering price of 0.1 euros in offering period July 16 to August 7 2019

Tallinn, 2019

This summary (hereinafter referred to as "the Summary") provides a brief overview of the information provided by AS Baltika (hereinafter "Baltika" or "the Company" together with its subsidiaries "Group") on the date of Prospectus in the Prospectus (hereinafter the "Prospectus") for the listing of 50,000,000 shares of the Company on the NASDAQ Tallinn Stock Exchange (hereinafter referred to as the "regulated market").

This summary consists of parts that contain information subject to disclosure. The parts in sections A-E are numbered (A.1-E.7). The summary covers all parts that must be included in the summary of securities and issuers of this type. Since the handling of some parts is not necessary, the numbering of the parts may be skipped. Even if the summary has to include a certain part due to the securities and the type of issuer, it may not be possible to provide information on that part. In this case, the brief description is provided in the summary and the remark is added "not applicable".

Section A- Introduction and Warnings

Section	Headline	Information disclosed
A.1	Introduction and Warnings	This prospectus is considered as an introduction to the prospectus. Any decision to invest in shares should take into account the prospectus as a whole. An investor must take into account that if he wishes to file a claim with a court regarding the information contained in the Prospectus, he may incur the obligation to bear the cost of translating this Prospectus or summary. No person shall be subject to civil liability solely on the basis of a summary or a translation thereof unless it is misleading, inaccurate or inconsistent with other parts of the prospectus, or does not convey any key information that would assist the investor in deciding to invest in such securities.
A.2	Applying the Prospectus for resale of shares	Not relevant, the Prospectus cannot be relied on the resale of Shares.

Section B - Issuer

Section	Headline	Information disclosed
B.1	Business name	Company's business name is Aktsiaselts BALTIKA.
B.2	Location/ legal form/ legislation/ country of establishment	The Company is a public limited company incorporated under the laws of the Republic of Estonia. The Company is registered with the registry code 10144415 at the Harju County Court Registry Department. The legal address of the Company is Veerenni 24, Tallinn, Republic of Estonia. Estonian law applies to the Issuer's activities.
B.3	Basic information about the activities, main activities, sold product categories and services provided. Main markets.	The Company's main business is clothing retail, creation, development, production and sales organisation of fashion clothing brands. Baltika is a clothing retailer that operates the brands of Monton, Mosaic, Baltman Bastion and Ivo Nikkolo. The Company operates in four markets: Estonia, Latvia, Lithuania, Finland, having 89 stores on these markets as of Prospectus date with a total area of 17,337 m ² . There is no active business activity in the company's Swedish subsidiary Baltika Sweden AB. Baltika uses an integrated business model that combines the creation, production, supply chain management, logistics and retail of clothing collections. Sold product categories are: outerwear, dresses, skirts, trousers, shirts, jackets, knitwear, suits and accessories.

B.4a	The important recent trends that affect the industry	The clothing retail is heavily influenced by the macroeconomic indicators, which in the Baltic countries have been growing in the previous years. The economic growth of the Baltic countries in 2018 remained at around 3% and by 2019 it is expected to remain at the same level as last year.																																												
B.5	Description of the group. Company status in the Group	<p>Group structure as of the date of Prospectus</p> <table border="1" data-bbox="509 401 1424 863"> <thead> <tr> <th data-bbox="509 401 846 443">Company</th> <th data-bbox="846 401 1057 443">Location</th> <th data-bbox="1057 401 1268 443">Activity</th> <th data-bbox="1268 401 1424 443">Holding</th> </tr> </thead> <tbody> <tr> <td colspan="4" data-bbox="509 443 1424 485">Parent Company</td> </tr> <tr> <td colspan="4" data-bbox="509 485 1424 527">AS Baltika</td> </tr> <tr> <td colspan="4" data-bbox="509 527 1424 569">Subsidiary</td> </tr> <tr> <td data-bbox="509 569 846 600">OÜ Baltika Retail</td> <td data-bbox="846 569 1057 600">Estonia</td> <td data-bbox="1057 569 1268 600">Holding</td> <td data-bbox="1268 569 1424 600">100%</td> </tr> <tr> <td data-bbox="509 600 846 632">OÜ Baltman¹</td> <td data-bbox="846 600 1057 632">Estonia</td> <td data-bbox="1057 600 1268 632">Retail</td> <td data-bbox="1268 600 1424 632">100%</td> </tr> <tr> <td data-bbox="509 632 846 663">SIA Baltika Latvija²</td> <td data-bbox="846 632 1057 663">Latvia</td> <td data-bbox="1057 632 1268 663">Retail</td> <td data-bbox="1268 632 1424 663">100%</td> </tr> <tr> <td data-bbox="509 663 846 695">UAB Baltika Lietuva²</td> <td data-bbox="846 663 1057 695">Lithuania</td> <td data-bbox="1057 663 1268 695">Retail</td> <td data-bbox="1268 663 1424 695">100%</td> </tr> <tr> <td data-bbox="509 747 846 779">OY Baltinia AB</td> <td data-bbox="846 747 1057 779">Finland</td> <td data-bbox="1057 747 1268 779">Retail</td> <td data-bbox="1268 747 1424 779">100%</td> </tr> <tr> <td data-bbox="509 779 846 810">Baltika Sweden AB</td> <td data-bbox="846 779 1057 810">Sweden</td> <td data-bbox="1057 779 1268 810">Dormant</td> <td data-bbox="1268 779 1424 810">100%</td> </tr> <tr> <td data-bbox="509 810 846 842">OÜ Baltika Tailor</td> <td data-bbox="846 810 1057 842">Estonia</td> <td data-bbox="1057 810 1268 842">Productio</td> <td data-bbox="1268 810 1424 842">100%</td> </tr> </tbody> </table> <p data-bbox="509 915 837 947">¹Interest through a subsidiary.</p> <p data-bbox="509 947 837 978">²Interest through Baltman OÜ</p>	Company	Location	Activity	Holding	Parent Company				AS Baltika				Subsidiary				OÜ Baltika Retail	Estonia	Holding	100%	OÜ Baltman ¹	Estonia	Retail	100%	SIA Baltika Latvija ²	Latvia	Retail	100%	UAB Baltika Lietuva ²	Lithuania	Retail	100%	OY Baltinia AB	Finland	Retail	100%	Baltika Sweden AB	Sweden	Dormant	100%	OÜ Baltika Tailor	Estonia	Productio	100%
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B.6	Persons who have a direct or indirect holding in the capital of the company or voting rights, which must be reported in accordance with Estonian law, and the amount of such participation. Voting rights for major shares. Direct or indirect control of the company.	According to the Estonian Central Register of Securities, on the date of Prospectus, more than 5% of the Company's shares on a securities account were: KJK Fund Sicav-SIF (shares in ING Luxembourg S.A.), which held 38.9% of AS Baltika's listed shares and E. Miroglio Finance S.A. (shares in Clearstream Banking Luxembourg S.A.), which held 26.13% of AS Baltika listed ordinary shares. It is known to the Issuer that such persons do not control the Issuer through direct or indirect participation. No shareholder has different voting rights compared with others.																																												

<p>B.7</p>	<p>Selected background financial information. For the period covered. Key financial information</p> <p>Description of significant changes in the financial position and performance of the Company in the subsequent period.</p>	<p>Articles of Association and audited annual reports for 2016, 2017 and 2018 including consolidated financial statements 31 December for 2016, 2017, 2018 financial years, Q1 2019 are available electronically on the NASDAQ Tallinn Stock Exchange website www.nasdaqomxbaltic.com and on the company's website www.baltikagroup.com. The significant changes happened in the company's financial position and operating results from 31.03.2019 until the issuing of prospectus are presented below.</p> <p>Selected background financial information</p> <p>The selected consolidated financial information of Baltika Group is derived as at and from the years ended on 31 December 2016, 31 December 2017 and 31 December 2018 as well as for the three months ended and 2019.</p> <p>The information as at and for the years ended on 31 December 2016, 31 December 2017 and 31 December 2018 have been extracted from the Annual Consolidated Financial Statements, unless stated otherwise. The information as at and for three months ended on 31 March 2018 and 31 March 2019 has been extracted from the Consolidated Interim Financial Statements.</p> <p>The Annual Consolidated Financial Statements incorporated by reference in this Prospectus, have been audited by AS PricewaterhouseCoopers. The Consolidated Interim Financial Statements, incorporated by reference in this Prospectus, have not been audited nor subject to the auditors review.</p> <p>The following selected consolidated financial information of Baltika Group should be read together with the Consolidated Financial Statements and other financial data included elsewhere in this Prospectus.</p> <p>Events after the publication of the last interim report 1Q 2019</p> <p>Significant changes in the Group's financial and operating position are related to changes in share capital. At the Annual General Meeting of Shareholders of the Company held on 12 April 2019, it was decided to change the nominal value of the share from EUR 0.10 to EUR 1 and to exchange the shares so that one share was exchanged for each of the 10 existing shares. If the shareholder had less than 10 shares or if his shares could not be exchanged at 10:1, the number of shares was rounded up. The exchange of shares was completed on May 6, 2019.</p> <p>The Annual General Meeting of Shareholders of the Company held on 12 April 2019 decided to change the nominal value of the share from EUR 1 to EUR 0.10 and to reduce the loss of share capital by EUR 3,772 thousand, reducing the nominal value of each share by EUR 0.90. The reduction of share capital was completed on May 27 2019.</p> <p>After these transactions, the Company has 4 079 485 shares with a nominal value of EUR 0.1 per share and thus the share capital amounts to EUR 408 thousand and the retained earnings of previous periods are EUR 1 448 thousand.</p> <p>By decision of the Supervisory Council of 26 June 2019, Mae Hansen, has been appointed as CEO of AS Baltika as of 26 June 2019, whose task is among others to implement the 2019-2020 Action Plan approved by Supervisory Board. On the same date, the mandate of the board member of the previous CEO, Meelis Milder, ended. As of June 26, 2019, the Management Board of AS Baltika has a two-member composition, Mae Hansen, who is responsible for the sales, marketing and retail</p>
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business processes, and Maigi Pärnik-Pernik, who is responsible for product development and support functions.

Selected data from consolidated statement of financial position

	31 March 2019	31 March 2018	31 Dec 2018	31 Dec 2017	31 Dec 2016
Thousand EUR	unaudited	unaudited	audited	audited	audited
ASSETS					
Current assets					
Cash and cash equivalents	465	485	428	704	419
Trade and other receivables	1 092	2 908	866	2 055	1 956
Inventories	10 480	10 127	10 707	10 499	11 096
Total current assets	12 037	13 520	12 001	13 258	13 471
Non-current assets					
Deferred income tax asset	286	189	286	189	228
Other non-current assets	213	503	287	487	522
Property, plant and equipment	18 288	2 200	1 878	2 395	3 022
Intangible assets	529	1 506	543	1 513	1 676
Total non-current assets	19 316	4 398	2 994	4 584	5 448
TOTAL ASSETS	31 353	17 918	14 995	17 842	18 919
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	15 957	3 190	7 829	1 309	5 835
Trade and other payables	5 907	5 207	5 934	5 984	6 923
Total current liabilities	21 864	8 397	13 763	7 293	12 758
Non-current liabilities					
Borrowings	10 864	5 317	1 165	5 363	1 196
Total non-current liabilities	10 864	5 317	1 165	5 363	1 196
TOTAL LIABILITIES	32 728	13 714	14 928	12 656	13 954
EQUITY					
Share capital at par value	4 079	8 159	4 079	8 159	8 159
Share premium	0	496	0	496	496
Reserves	1 107	1 345	1 107	1 345	1 182
Retained earnings	-5 119	-4 814	0	-4 872	-5 049
Net profit (loss) for the period	-1 442	-982	-5 119	58	177
TOTAL EQUITY	-1 375	4 204	67	5 186	4 965
TOTAL LIABILITIES AND EQUITY	31 353	17 918	14 995	17 842	18 919

Selected data from consolidated statement of comprehensive income

	1 Q 2019	1 Q 2018	2018	2017	2016
Thousand EUR	unaudited	unaudited	audited	audited	audited
Revenue	9 270	10 343	44 691	47 459	46 993
Client bonus provision	0	0	0	16	23
Revenue after client bonus provision	9 270	10 343	44 691	47 475	47 016
Cost of goods sold	-4 836	-5 460	-23 155	-23 805	-23 519
Gross profit	4 434	4 883	21 536	23 670	23 497
Distribution costs	-5 029	-5 127	-21 579	-20 630	-20 336
Administrative and general expenses	-598	-595	-2 375	-2 387	-2 504
Cost of impairment of receivables	0	0	-2 229	0	0
Other operating income (-expense)	117	-17	-16	-35	44
Operating profit (loss)	-1 076	-856	-4 663	618	701
Finance costs	-366	-126	-553	-521	-519
Profit (loss) before income tax	-1 442	-982	-5 216	97	182
Income tax expense	0	0	97	-39	-5

Net profit (loss) for the period	-1 442	-982	-5 119	58	177
Total comprehensive income (loss) for the period	-1 442	-982	-5 119	58	177
Basic earnings per share from net loss for the period, EUR	-0,04	-0,02	-0,13	0,00	0,00
Diluted earnings per share from net loss for the period, EUR	-0,04	-0,02	-0,13	0,00	0,00

Selected data from consolidated statement of cash flows

Thousand EUR	1 Q 2019 unaudited	1 Q 2018 unaudited	2018 audited	2017 audited	2016 audited
Cash flows from operating activities	667	-1 792	-1 611	1 674	460
Cash flows from investing activities	-64	-78	-630	-413	-1 157
Cash flows from financing activities	-566	1 750	1 965	-976	718
Total cash flows	37	-120	-276	285	21

Selected data from consolidated statement of changes in equity

thousand	Share capital	Share premium	Reserves	Retained earnings	Total
Balance as at 31 Dec 2016	8 159	496	1 182	-4 872	4 965
Profit for the period	0	0	0	58	58
Total comprehensive income	0	0	0	58	58
Value of conversion feature on convertible notes	0	0	163	0	163
Balance as at 31 Dec 2017	8 159	496	1 345	-4 814	5 186
Loss for the period	0	0	0	-5 119	-5 119
Total comprehensive loss	0	0	0	-5 119	-5 119
Total comprehensive loss	-4 080	-496	-238	4 814	0
Balance as at 31 Dec 2018	4 079	0	1 107	-5 119	67
Loss for the period	0	0	0	-1 442	-1 442
Total comprehensive loss	0	0	0	-1 442	-1 442
Balance as at 31 March 2019	4 079	0	1 107	-6 561	-1 375

Key indicators and ratios

	1Q 2019 unaudited	1Q 2018 unaudited	2018 audited	2017 audited	2016 audited
Comprehensive income data, in million EUR					
Revenue	9.3	10.3	44.7	47.5	47
Gross profit	4.4	4.9	21.5	23.7	23.5
EBITDA	0.7	-0.6	-2.9	1.9	2
Operating profit	-1.1	-0.9	-4.7	0.6	0.7
Profit before income tax	-1.4	-1	-5.2	0.1	0.2
Net profit	-1.4	-1	-5.1	0.1	0.2
Other data					
Number of stores in retail	91	95	94	95	95
Number of stores total	101	126	117	128	128

Retail sales area in the end of period. sqm	17 082	17 642	17 741	17 741	17 161
Number of employees	946	1 022	975	1 026	1 049
Sales activity key figures					
Revenue growth	-10.38%	-3.85%	-5.80%	1.00%	-4.00%
Retail sales growth	-1.99%	-4.54%	-2.70%	-0.50%	-7.10%
Share of retail sales in revenue	86.04%	78.67%	86.00%	83.20%	84.40%
Share of exports in revenue	53.28%	56.62%	55.10%	55.40%	56.40%
Gross margin	47.83%	47.20%	48.10%	49.90%	50.00%
Operating margin	-11.61%	-8.30%	-10.50%	1.30%	1.50%
EBT margin	-15.56%	-9.50%	-11.60%	0.20%	0.40%
Net margin	-15.56%	-9.50%	-11.40%	0.10%	0.40%
Inventory turnover	1.78	2.01	2.14	2.15	2.17
Financial position data, in million EUR					
Total assets	31.35	17.92	15	17.8	18.9
Interest-carrying liabilities	10.13	8.51	9	6.7	7
Shareholders' equity	-1.38	4.2	0.07	5.2	5
Current ratio	0.55	1.6	0.9	1.8	1.1
Debt to equity ratio	-736.73%	202.35%	13 660.8%	128.70%	141.60%
Net gearing ratio	-1198.30%	190.80%	12785.00%	115.10%	133.20%
ROE	-62.78%	-21.79%	-138.00%	1.30%	3.80%
ROA	-8.29%	-5.27%	-28.20%	0.30%	0.90%
Key share data. EUR¹					
	1Q 2019	1Q 2018	2018	2017	2016
	unaudited	unaudited	audited	audited	audited
Number of shares outstanding (31 Dec)	40 794 850	40 794 850	40 794 850	40 794 850	40 794 850
Weighted average number of shares	40 794 850	40 794 850	40 794 850	40 794 850	40 794 850
Share price (31 Dec)	0.13	0.26	0.16	0.25	0.28
Market capitalisation. in millions (31 Dec)	5.1	10.77	6.7	10.4	11.5
Earnings per share (EPS)	-0.04	-0.02	-0.13	0.00	0.00
Diluted earnings per share (DPS)	-0.04	-0.02	-0.13	0.00	0.00
Change in EPS. %	46.84%	66.44%	2980.79%	0.00%	102.78%
P/E	-3.54	-10.97	-1.8	57.61	65.21
Book value per share	-0.03	0.1	0	0.13	0.12
P/B	-3.71	2.56	97.4	2	2.3
Dividend per share	0*	0*	0*	0*	0*
Dividend yield	0*	0*	0*	0*	0*
Dividend payout ratio	0%*	0%*	0%*	0%*	0%*

		<p>¹ All information about AS Baltika shares is provided for ordinary shares unless sätted otherwise</p> <p>Source: Company</p> <p>Definitions of key figures and ratios EBITDA= Operating profit-depreciation and amortisation - disposal of fixed assets 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 Inventory turnover = Cost of goods sold÷Average inventories* Current ratio = Current assets÷Current liabilities Debt to equity ratio = Interest-carrying liabilities÷Equity Net gearing ratio = (Interest-carrying liabilities-Cash and cash equivalents)÷Equity Return on equity = Net profit (attributable to parent)÷Average equity* Return on assets = Net profit (attributable to parent)÷Average total assets* Market capitalisation = Share price×Number of shares outstanding EPS = Net profit (attributable to parent)÷Weighted average number of shares DPS = Diluted net profit (attributable to parent)÷Weighted average number of shares P/E = Share price÷EPS Book value per share = Equity÷Number of shares outstanding P/B = Share price÷Book value per share Dividend yield = Dividends per share÷Share price Dividend payout ratio = Paid out dividends÷Net profit (attributable to parent) *Based on 12-month average</p>
B.8	Pro forma financial information	Not Applicable - This summary does not contain pro forma financial information.
B.9	Profit forecast	Not applicable - The Company has not published a profit forecast.
B.10	Modifications to the auditor's report on retrospective financial information.	<p>There are no qualifications included in the audit reports for accountants' report on the historical financial information included in the Prospectus.</p> <p>The auditor's report of the consolidated financial statements for the year ended 31 December 2018 draws attention to the following: "Significant uncertainty about the going concern. Please note that the Group's equity as at 31 December 2018 does not comply with the requirements of the Commercial Code and that current liabilities exceed current assets by EUR 1.8 million. The continuity of the Group's operations is directly dependent on additional funding. Management has disclosed its plan of</p>

		<p>action to include additional financing and bring equity into line with the requirements of the Commercial Code in Appendix 29. The above, together with other circumstances and uncertainties described in Appendix 29, indicates a significant degree of uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Emphasizing this fact is not a comment on our opinion.</p>
B.11	Working capital	<p>The Group's current assets as at 31 March 2019 and as at 31 December 2018 were negative, short-term liabilities exceeded current assets by EUR 9,827 thousand and EUR 1,762 thousand respectively, thus working capital is not sufficient to cover current liabilities and additional financing is required to continue operations. It is planned to acquire additional working capital through both the Offering of shares and the extension of maturities of loan agreements. A short-term loan agreement has been signed with KJK Fund, Sicav-SIF (under liquidation) in the amount of 3,000 thousand euros to finance working capital.</p> <p>In addition, KJK Fund Sicav-SIF (under liquidation) and AS Baltika have entered into an agreement on short-term convertible bonds (K-bonds), the maturity date of August 2019. KJK Fund, Sicav-SIF, the main owner of K-bonds (81%) and AS Baltika has entered into an agreement to refinance the bonds with the aim of converting the amount paid for the bonds into a long-term loan with a maturity of 20.05.2022 and an annual interest rate of 6%. K-bonds that are not owned by KJK Fund, Sicav-SIF, with a nominal value of 845 thousand euros, will be redeemed in accordance with the terms and conditions of the public offer of convertible bonds on August 16, 2019. The K-bonds will be redeemed by the company on 16 August 2019 in the total amount of 949 thousand euros, including K-bonds in nominal value 845 thousand euros and interest expense 104 thousand euros.</p> <p>In case of failure of the offering, the Company may be faced with insolvency problems, which need to be resolved with creditors to extend payment terms. In this case, the management of the company will start looking for new investors in parallel, who would be willing to invest in the company. If KJK Fund Sicav-SIF (under liquidation) fulfills its obligations set out in the Memorandum of Understanding, under-subscription of the offering is not possible and the offering cannot fail.</p> <p>To the knowledge of the company, the proceeds from the emission and the extension of the loan agreements are sufficient to manage the company's working capital.</p>

Section C - Securities

Section	Headline	Information disclosed
C.1	Security type and class and identification code	Securities: AS Baltika lihtaktsia additional 14 ISIN code: EE3801145618
C.2	Currency of emission	EUR
C.3	Number of issued and fully paid shares	Currently, the company's share capital consists of 4 079 485 shares at a nominal value of EUR 0.1 per share.

	/ number of issued and partially paid shares. The nominal value of the share	
C.4	Rights concerned with the Securities	The company has only one type of shares. Shares are equivalent. Shareholders exercise their right to decide on corporate issues at the annual general meeting of shareholders.
C.5	Restrictions on the free transfer of securities	Not applicable: The articles of association do not restrict the free transfer of shares. There are no general restrictions on the transfer of the shares.
C.6	Permission for trading	The Company will apply for listing of Offered Shares in the NASDAQ Tallinn Main List after registration of this Prospectus by Finantsinspektsioon.
C.7	Dividend policy	<p>According to Baltika Group's dividend policy, no dividends will be paid until the Baltika Group has achieved a strong financial position and sufficient investment capacity. One indicator of a strong financial position is the net debt-to-equity ratio of less than 50% and the availability of sufficient funds (cash equivalents minus the used overdraft minus short-term borrowings of more than 1% of the total number of shares). In addition, the actual dividend rate depends on the cash flows of the Baltika Group and the development prospects and the need to finance them.</p> <p>Once the aforementioned financial position has been reached, the Baltika Group specifies the dividend payable on a specific profit.</p> <p>According to the agenda item number 7 of the Annual General Meeting of Shareholders held on April 12, 2019, Baltika's share capital was reduced by a simplified procedure, the shareholders may not receive any dividends or pay dividends to the shareholders during the financial year and the following two financial years.</p>

Section D - Risks

Section	Headline	Information disclosed
D.1	Risks factors	<p>Investors should note that while the risks described below are the main ones, they do not constitute an exhaustive list of the risks to which the Group may be exposed and which may need to be addressed.</p> <p>Operational risks</p> <p>Competition The Group earns most of its revenue from fashion retailing and faces intense competition in all its markets. If the Group is unable to remain competitive, it may find it difficult to increase or maintain the current level of its revenue.</p> <p>Consumers' purchasing behaviour Consumers' purchasing behaviour and tomorrow's choices are changing at an increasing pace. Retail trade in the traditional sense is fading. The biggest risk is that the Group will not be able to respond to global changes in a timely manner or to implement a more modern retail model.</p> <p>Dependence on suppliers</p>

	<p>In conducting its business, the Group relies on a number of key suppliers that provide the Group with products and materials. There is no guarantee that the Group could find a replacement for a cost-effective key supplier, which could lead to an increase in costs and a decrease in profitability.</p> <p><u>Dependence on key personnel</u></p> <p>Baltika's success depends on a range of key competencies and the people who possess them. Over the years, the Group has acquired expertise and experience and the departure of any of the key personnel could have a disruptive effect on the Group's performance.</p> <p><u>Financing and loan agreements</u></p> <p>The Group's loan and lease agreements and guarantees include various restrictive covenants. All loan, lease and guarantee agreements signed with financing institutions include the usual default provisions. Breach of a loan, lease or guarantee agreement or submission of an early repayment claim by a creditor may have a significant adverse impact on the Group's operations, financial performance and financial position.</p> <p><u>Industry specific risks</u></p> <p>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.</p> <p>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.</p> <p>The unavoidable risk factor in selling clothes is the weather.</p> <p>Group business partners as buyers may also be affected by an unfavourable financial and economic environment, which in turn may affect their ability to pay their debts.</p> <p><u>Risks inherent in foreign operations</u></p> <p><u>Risks relating to doing business in the Baltic states</u></p> <p>Investors investing in emerging markets such as Estonia, Latvia and Lithuania should recognise that these markets are subject to greater risks than more mature markets, including legal, economic and political risks.</p> <p><u>Risks relating to doing business in Finland</u></p> <p>Entry to the Finnish market may be difficult because of the more conservative purchasing behaviour of the consumer there, where it is not very easy to change their consumption patterns, especially when it comes to foreign production.</p> <p><u>Financial risks</u></p> <p>In its daily activities, the Group is exposed to different types of risk management, which is an important and integral part of the business activities of the company. The company's ability to identify, measure and control different risks is a key variable for the Group's profitability.</p> <p><u>Market risk</u></p> <p><u>Foreign exchange risk</u></p> <p>The Group's foreign exchange risk is related to purchases done and amounts owed in foreign currencies. The main currencies used for purchases are EUR (euro) and USD</p>
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(US dollar). Trade payables are in foreign currency and therefore open to foreign exchange risk.

Interest rate risk

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.

Credit risk

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

Cash and cash equivalents

To mitigate credit risk, the Group accepts banks and financial institutions rated primarily for credit rating A as long-term partners in the Baltic States and Finland.

Trade receivables

Credit risk from trade receivables arises from selling to business partners. As at 31 March 2019, the maximum exposure to credit risk from trade receivables amounted to 553 thousand euros on a net basis after allowances. Sales to retail customers are usually settled in cash or using major bank's credit cards, thus no credit risk is involved.

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.

Refinancing risk of loan commitments

The loan refinancing risk materializes when the company's fail to take on new loans to meet existing loan commitments leads to liquidity problems. The most significant loan commitments are the loan agreements with the major shareholder KJK Fund Sicav-SIF (under liquidation). With the approval of the Supervisory Board, on 19.03.2019, a loan agreement was signed with KJK Fund SICAV-SIF for a loan of EUR 3,000 thousand. The loan bears a 6% interest and is short-term, with a maturity of August 2019. The loan and interest are repaid from the funds included in the share issue on August 16, 2019. About short-term convertible bonds (K-bonds) with a maturity date of August 16, 2019, agreement has been reached with the principal shareholder (81% of K-bonds) with KJK Fund, Sicav-SIF (under liquidation) for refinancing of bonds with the aim of converting the amount payable for bonds into a long-term loan with a maturity of 20.05.2022 and an annual interest rate of 6%. The corresponding loan agreement was signed on 20.05.2019. In addition, an overdraft facility agreement with AS Swedbank is important. This agreement is valid until July 27, 2020. Failure to renew the agreement may lead to problems in managing the working capital. The cash flow dynamics of the sector where Company's is acting is seasonal. For smooth credit management overdraft is an important source of funding.

Risk of issuance failure

The company decided to offer additional shares to bring its equity into line with the requirements of the Commercial Code and to improve liquidity. The failure of the issue leads to a situation where the Company has net assets of less than half of the share capital, and the current liquidity situation is not alleviated, which means that the continuation of the business unit is in doubt and consequently the business may

		<p>not be able to realize its assets and fulfill its obligations in the normal course of business.</p> <p>If, as a result of the Offering, KJK Fund SICAV-SIF (under liquidation) or any other shareholder controls (i.e owns more than 50% of the Issuer's shares or otherwise obtains control over the Company within the meaning of the Securities Market Act), such investor will be obliged to make a takeover bid to other shareholders of the Company under the Securities Market Act. The price of the takeover bid shall comply with the provisions of the Securities Market Act. If, after the takeover bid is made, the relevant shareholder holds more than 90% of the Company's shares, such shareholder will be entitled to take over the shares of other shareholders (the so-called squeeze-out right) at a fair price. It cannot be ruled out that without the Company taking over all the shares of the Company, the Company may apply for the termination of the listing of the Company's shares on the stock exchange if there is a significant decrease.</p> <p>The failure of the issue leads to a situation where the Company has net assets less than half of the share capital. The current assets of the issuer were both negative as of 31 March 2019 and as of 31 December 2018 and are negative as of the date of the Prospectus, short-term liabilities exceed current assets, thus working capital is not sufficient to cover current liabilities and further financing is required for further operations. Thus, in the event of a failure of the issue, the current liquidity situation will not be solved, so the going concern of the Company will be questioned and consequently the Company may not be able to realize its assets and perform its obligations in the normal course of business.</p> <p>Bankruptcy risk</p> <p>Bankruptcy risk is realized if the company is unable to meet its (debt) obligations, i.e the company's liquidity situation is not sufficient to fulfill all its obligations. This is the probability that the company will become insolvent because it is unable to service its debt. In order to manage the company's responsibilities, the Supervisory Board has approved a restructuring plan for the years 2019-2020, of which main objective is to reduce the company's costs and change its cost structure with a view to ensuring a sustainable business model for the company for operating. The company plans to invest 2 million euros from the proceeds from the public issue (closure of production in Estonia, K-bonds redemption, digitization of the company and optimization of the brand portfolio), which will help achieve this goal.</p> <p>Potential tax risk</p> <p>Tax authorities may audit and inspect the Company's tax positions. If the tax authorities challenge satisfaction of the Company's tax obligations for any reason, potential tax assessments may have an adverse effect on the Company's financial performance and, accordingly, the market value of its shares.</p>
D.3	Key risks that are specific to the offered shares	<p><u>Volatility of the share price</u></p> <p>There is no certainty about future movements in the price of a share that has been issued and listed.</p> <p><u>Future dividend pay-outs</u></p> <p>There is no certainty that the Company will pay dividends on the shares. Nor is there any certainty about the size of a dividend payment.</p> <p><u>Analyses published in respect of the Group</u></p>

		Share trading depends extensively on the reports and research published by sector and securities analysts in respect of the Group and its operations. The Group has no control over the activities of such analysts.
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Section E - Offering

Section	Headline	Information disclosed
E.1	Total income. Estimation of total cost of offering (including estimated cost required by the Investor)	The share emission is carried out to cover the losses of previous years and to implement the restructuring of the Company. The company estimates an income of 5 million euros from the emission. Estimated costs related to the public offering and listing are approximately 10 thousand euros. The company estimates a net income of EUR 4,990 thousand from the Offering. The issuer does not require any reimbursement from the investors.
E.2a	Reasons for offering / use of income / estimated net income	A share emission in the amount of 5 million euros will be carried out to cover the losses of previous years and to carry out the restructuring of the Company. 3 million euros will be used to repay the loan from KJK Fund Sicav-SIF (under liquidation), which was taken to cover losses and 2.0 million euros to restructure the company, which is divided into the following activities: 0.5 million euros cessation of production in Estonian production units, 0,9 million euros K-bonds redemption, 0.2 million euros investments in digitization of main processes (3D model in product development, free sale of physical sample, artificial intelligence in inventory management and digital solutions in customer service) and 0.3 million euros Investments in retail stores (including the merger of Bastion, Mosaic and Monton with a single brand - Monton). The Issuer is aware that the expected proceeds from the Offering are sufficient to finance all the above mentioned activities.
E.3	Terms of offering	<p>This offering is for up to 50,000,000 new shares with the nominal value of 0.1 euros and the offer price 0.1 euros (the "Offered Shares") issued by the Company and offered to existing shareholders and the public in Estonia with a total nominal value of up to EUR 5,000,000 (the "Offering"). According to the decision of the Annual General Meeting of Shareholders held on 12 April 2019, Baltika wishes to issue an additional 50,000,000 ordinary shares. Shareholders of the Company who, as of 1 July 2019, are registered as the Company's shareholders at the end of the working day of the settlement system of the Estonian Securities Depository, shall be entitled to subscribe for the shares offered. For each existing Company Share, the shareholder will receive one Subscription Right. The Investors may submit the Subscription Orders (the "Subscription Orders") both in possession of the Subscription Rights and in the absence of the Subscription Rights. The Offering shall be held in Estonia Republic. Trading with subscription rights will not occur under the Prospectus. The shares are registered in the Estonian Securities Register.</p> <p>The distribution of the Offered Shares is predefined, i.e. if all Subscription Rights are exercised and thus the Offered Shares are acquired, there will be no such Offered Shares (the "Remaining Shares") which are distributed in the general distribution (i) to the Investors who subscribed for the Offered Shares without Subscription Rights and (ii) to the Investors who subscribed for the Offered Shares more than their Subscription Rights entitled them. If there are any Remaining Shares, the Company will decide on the allocation of the Remaining Shares in accordance with the rules described in the Prospectus. The decision will be made during the allocation process that takes place after the end of the offer period.</p> <p>Right to participate in the offer</p> <p>The Offer has been made to the Company's shareholders, who as of July 1, 2019 are registered in the Company's share register at the end of the working day of the</p>

settlement system of the Estonian Securities Depository and to the new Investors. Investors may submit Subscription Orders both in having the Subscription Rights and without the Subscription Rights. The subscription right does not oblige to subscribe the offered shares. The Investor may subscribe any quantity of Offered Shares, no minimum and maximum number of Shares are not determined.

There are no guarantors for the emission within the meaning of the Securities Market Act. KJK Fund Sicav-SIF (under liquidation), has signed a Memorandum of Understanding according to which he subscribes the Offered Shares in proportion to the nominal value of its shares, i.e 38.9% of the Offered Shares. The Company has entered into a Memorandum of Understanding with KJK Fund Sicav-SIF (under liquidation), according to which KJK Fund Sicav-SIF (under liquidation) has expressed its intention (i) to exercise its Subscription Rights in full and (ii) if it is entitled to subscribe under the Prospectus, it means according to the Terms of Subscription, more Offered Shares, also subscribe the Offered Shares within the volume of the Offering.

Conduct of an offering

Offering Period

Investors submit Subscription Orders for subscription of Offered Shares within a period starting at 10:00 am Estonian time on 16 July 2019 and ending at 14:00 Estonian time on August 7, 2019 (hereinafter: the "Offering Period"). Investors with preferential subscription rights may submit Subscription Orders throughout the Offering Period. The preferential subscription right does not oblige the investor to subscribe the Offered Shares.

Cancellation of Offered Shares and Extension of Offer Period

In the event that KJK Fund Sicav-SIF (under liquidation) fulfills its obligations in connection with the subscription of the Offered Shares, under subscription is not possible.

However, if it appears that the shares have been subscribed for under the proposed share capital increase, the Board is entitled to cancel the shares that have not been subscribed or extend the subscription period.

The price of the Offered Shares

The price of the Offered Shares is EUR 0.10 for each Offered Share (the "Offer Price").

Submission of Subscription Orders

The Company invites Investors to submit Subscription Orders during the Offering Period in accordance with these terms and conditions. In order to submit a Subscription Order, the Investor must hold a securities account in the NASDAQ CSD (hereinafter referred to as "Nasdaq CSD"). The securities account may be opened through each Nasdaq CSD Account Manager (hereinafter "Account Manager").

Changing or canceling subscription orders

The Investor may amend or cancel the Subscription Order at any time before the end of the Offering Period. To do this, Investor shall contact the Account Manager through whom the relevant Subscription Order has been submitted and perform the acts required by the Account Manager to amend or cancel the Subscription Order.

Payment

On the same date as the Subscription Order, the Investor shall in addition give the order to his Account Manager (which may or may not be the Account Manager of the Investor) to pay the transaction price from Investor's current account to AS LHV Pank's current account EE397700777000310434.

Release of the funds

If the Subscription Order of the Investor is rejected, AS LHV Pank shall return the amount transferred to the Investor to the Investor's current account. If less Offered Shares are distributed to the Investor, AS LHV Pank shall return to the Investor an overdraft amount to the Investor's current account.

Distribution

Each Subscription Right gives the Investor the right to distribute one Offered Share at the Offer Price.

The Offered Shares will be distributed after the end of the Offering Period on August 12, 2019. The Investor will receive information about the number of Offered Shares allocated to him after the settlements have taken place from his Account Manager under the conditions established by him.

Preferred Distribution

Shareholders of the Company who, as of 1 July 2019 at the end of the business day of the settlement system of the Estonian Securities Depository are listed on the Company's Shareholders list, shall receive one Subscription Right per share held at that moment. Each Subscription Right gives the Investor the right to acquire one Offered Share at the Offer Price if the Investor has submitted an eligible Subscription Order during the Offering Period.

General Distribution

Offered Shares that are not distributed by Preferred Distribution (Other Shares) are distributed:

- (i) to existing shareholders with pre-emption rights to the extent of their pre-emption rights and
- (ii) to existing shareholders that have exercised their pre-emption right, to the extent of their oversubscription and the oversubscription exceeds the maximum issue, then pro rata to that shareholder's proportion of oversubscription (i.e. sum of all oversubscribed shares he ma and pro rata to that shareholders but not exceeding their pro rata pre-emption right

In both cases, the Company decides the allocation bearing in mind the equal treatment of shareholders and equal treatment of investors other than shareholders and what is best for the development of the company

Settlement

Offered Shares to the Investors shall be transferred to their securities accounts on 13 August 2019 or a near date to that.

Trading with Offered Shares is expected to start on 19 August 2019 or on a date close to it.

		<p>Notification of Offering Results</p> <p>Baltika is expected to publish the results of the Offering and the increase of share capital on the stock exchange as a stock exchange announcement on 8 August 2019, which date may also change.</p>
E.4	Interest / conflict of interest relevant to the issue	Non
E.5	Name of the person or entity offering the security for sale.	Non
E.6	Immediate reduction in participation. The amount and percentage of the reduction in the immediate shareholding resulting from the offer if the existing shareholder does not subscribe for the shares of the company in the offer.	With the issue of 50,000,000 shares, the number of new shares will be 54,079,485. The issued shares represent 92.5% of the share capital after the emission and 1225.6% of the share capital of the company before the emission.
E.7	Estimated cost to be covered by the investor.	Not Applicable - The investor does not have to bear the costs.