AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months of 2021

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

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Baltika Group Consolidated interim report for the IV quarter and 12 months of 2021 (in thousand euros, unaudited)

BRIEF DESCRIPTION OF BALTIKA GROUP

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

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

As at 31st December 2021 the Group employed 173 people (31 December 2020: 277).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 31 December 2021	Holding as at 31 December 2020
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%

[1]Interest through a subsidiary.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FOURTH QUARTER AND 12 MONTHS OF 2021

Baltika Group ended the fourth quarter with a net loss of 890 thousand euros. The loss for the same period last year was 1,352 thousand euros. Despite the ongoing pandemic of COVID-19, the quarter results have improved 462 thousand euros year over-year due to Baltika Group's strong focus on fixed costs reduction, which led to operating expense decreasing by 694 thousand euros. The year end result includes reserve for expense of closing stores in 2022 in the amount of 90 thousand euros, reduction of deferred tax assets reserve in the amount of 60 thousand euros, stock provision of 100 thousand euros.

The Group's sales revenue for the fourth quarter was 2,614 thousand euros, decreasing by 34% compared to the same period last year with a drop of 30% in retail sales due to 27 store closures and decreased 65% in e-store sales. For the sake of transparency another main reasons for the decline in sales was related to the fact that our Group decided as going forward strategy to trade with only one womenswear brand (new Ivo Nikkolo) and to fully discontinue with menswear. Additionally, in fourth quarter further restrictions due to COVID-19 were forced in Latvia with the full store closures from mid-October till mid-November and then with the week-end closures from mid of November till 21 December.

The gross profit for the quarter was 1,671 thousand euros, decreasing by 25% i.e. 551 thousand euros compared to the same period of the previous year (Q4 2020: 2,222 thousand euros). The company's gross profit margin was 63.9% in the fourth quarter, which is 8 percentage points higher than the margin of the same quarter of the previous year (Q4 2020: 55,9%). The positive increase in gross profit margin is due to Baltika Group selling more full price stock to end customers with lower volumes of discounted items.

The Group's distribution and administrative expenses in the fourth quarter were 2,289 thousand euros, decreasing by 23% i.e. 694 thousand euros compared to the same period last year. Majority of this relevant cost saving came from reduction in retail operational costs. One-off costs related to the closure of stores and other non - recurring expenses related to business activities during the 12 months amounted to 877 thousand euros. Consistent and significant reductions in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan, a focus area, which has led head office expenses to decrease by 240 thousand euros.

12 months total gross profit amounts to 6,120 thousand euros, compared to prior year 9,676 thousand euros (decreasing 36,8%) and the largest decline was from January till May, when most stores were closed for part of the period due to the COVID-19 pandemic. The result of the fourth quarter was most affected by the closure of stores in the Latvian market. Operating expenses in the 12 months amounted to 9,551 thousand euros, decreasing by 34,5% that is 5,036 thousand euros due to the strategic decision to close 27 unprofitable stores throughout the Baltics. Other operating income totalled 59 thousand euros in the fourth quarter, which is mainly the Latvian government's business support for closed stores of 56 thousand euros.

The financial expenses for the year were 330 thousand euros and the income tax expense was 65 thousand euros due to the change in the deferred tax reserve in the amount of 80 thousand euros. The net loss for the year was 2,900 thousand euros (the amount for the same period last year was 376 thousand euros). In addition, Group´s lockdown related operating expenses were approximatly 30% higher than what Group has received trough various support schemes with a negative impact on our yearly result estimated around 500 thousand euros. Last year profit included one-off positive reorganisation impact in the amount 5,905 thousand euros.

Baltika Group ended the year with cash and cash equivalents of 614 thousand euros, using the bank's overdraft facility in the amount of 1,985 thousand euros (out of the limit of 3,000 thousand euros) at the end of the year. Baltika will continues to implement the strategy - develops modern high-quality products in its women's fashion brand Ivo Nikkolo, which is available in Estonia, Latvia and Lithuania and in our e-store. There is a strong focus on accessories, where a wide range of quality products is available in all stores.

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

- At the 15th of June 2021 meeting, the Supervisory Board of AS Baltika approved the plan to liquidate AS Baltika's subsidiary Baltika Retail OÜ. Baltika Retail OÜ was operating in the past as a real-estate holding company, but the last related contract regarding warehouse finished 30th of June 2021. The transaction is expected to be finalized in the second half of 2021.

- AS Baltika Supervisory Board, during the meeting held on 1st of June 2021, recalled Triinu Tarkin from the position of Group CFO and Management Board Member following her resignation. The mandate of Triinu Tarkin ended on 4th of June 2021. The new group CFO, Hellika Toome, was appointed starting from 23rd of August 2021. Additionally, the Supervisory Board of AS Baltika was appointed Brigitta Kippak into a newly created role of Chief Operating Officer (COO) and Member of the Management Board starting from 1st of June 2021 with a mandate of 3 years.

- The second wave of COVID-19 restrictions were eased in the second quarter as Estonian stores were fully open from 3rd of May, Lithuanian from 29th of May and Latvian stores from 3rd of June 2021.

- AS Baltika signed on 13th April warehouse service agreement with Logistika Pluss OÜ. Rent agreement for current warehouse premises ended 30th of June 2021. The last important step from restructuring plan was done from 1st of July 2021 - Baltika started to use service that is effective and corresponding to volumes and achieve significant cost savings.

- AS Baltika signed in April an agreement to sell „Monton“trademark in Europe to Shenzhen Maiteng International Apparel Co.Ltd operating Monton Sports sportswear brand. All the proceeds from the sale were used to repay a loan to the bank which holds the pledge to the trademark. Baltika Group has the license to sell under the „Monton“brand for free until the end of 2023.

- With second wave of COVID-19 Estonian government announced further restrictions and closed all Baltika Group´s stores in the weekend from March 6, 2021, and fully from March 11, 2021.

- In February 2021 Kalaport OÜ filed action against Baltman OÜ, claiming 70 thousand euros as rental debt together with late payment penalties. Baltman OÜ is of the opinion that the claim for rent is at the amount filed by Kalaport OÜ unjustified and remains at the position in the court proceeding that the rental agreement is terminated and the rental debt claimed by Kalaport OÜ does not exist in specified extent.

- On January 19, 2021, the extraordinary General Meeting of the shareholders of AS Baltika resolved to approve AS Baltika´s Management Board member Flavio Perini´s share option, to preclude the pre-emptive right of the shareholders to subscribe the shares issued in the course of performance of the option agreement, and to amend Articles of Association to allow increase of share capital up to 5% for the option agreement.

REVENUE

Baltika's sales revenue for the fourth quarter was 2,614 thousand euros, a decrease of 35% compared to the same period last year. Retail sales decreased by 30%, and the main decline in sales was the new restrictions on COVID-19 in Latvia, where stores were closed again from mid-October to mid-November and from then on weekends until 21 December. The decrease in the sales revenue of the e-store was related to the transition to Ivo Nikkolo's website, due to which the assortment was only our main brand and full-price products for sale.

Sales revenue by channel

EUR thousand	4 Q 2021	4 Q 2020	+/-	12M 2021	12M 2020	+/-
Retail	2,395	3,400	-30%	9,785	16,995	-42%
E-com sales	209	592	-65%	1,866	2,153	-13%
Other	10	-14	-175%	119	332	-64%
Total	**2,614**	**3,978**	**-35%**	**11,770**	**19,480**	**-40%**

Stores and sales area

As of 31st December 2021, the Group had 34 stores. During the fourth quarter, the number of stores decreased by 3. Baltika closed in Estonia 1 and in Latvia 2 stores.

Stores by market

	31 Dec 2021	31 Dec 2020	Average area change*
Estonia	16	25	-27%
Lithuania	9	20	-35%
Latvia	9	16	-39%
Total stores	**34**	**61**	
Total sales area, sqm	**9,236**	**14,869**	**-32%**

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

Retail

Retail sales for the fourth quarter was 2,395 thousand euros, decreasing by 30% compared to the same period last year.

Retail sales by market

EUR thousand	4 Q 2021	4 Q 2020	+/-	Share	12M 2021	12M 2020	+/-	Share
Estonia	1,315	1,916	-31%	55%	5,915	8,401	-30%	60%
Lithuania	682	770	-12%	28%	2,303	4,611	-50%	24%
Latvia	398	714	-44%	17%	1,566	3,945	-60%	16%
Finland	0	0	0%	0%	0	38	-100%	0%
Total	**2,395**	**3,400**	**-30%**	**100%**	**9,785**	**16,995**	**-42%**	**100%**

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

	4 Q 2021	4 Q 2020	+/-	12M 2021	12M 2020	+/-
Estonia	94	99	-5%	107	120	-11%
Lithuania	95	66	45%	103	90	14%
Latvia	86	100	-14%	103	116	-11%
Total	**93**	**116**	**-20%**	**105**	**109**	**-4%**

Brands

The brand Ivo Nikkolo continues to account for the largest share, with 89% of retail sales in the fourth quarter. Ivo Nikkolo sales revenue for the fourth quarter amounted to EUR 2,130 thousand, an increase of 364% compared to the same period last year.

Monton and Baltman sales decreased is related to the decision to discontinue these brands, which is a part of Baltika Group's ongoing restructuring plan.

Retail revenue by brand

EUR thousand	4 Q 2021	4 Q 2020	+/-	Share	12M 2021	12M 2020	+/-	Share
Monton	188	2,539	-93%	8%	3,050	11,196	-73%	31%
Mosaic	0	0	0%	0%	0	941	-100%	0%
Baltman	78	403	-81%	3%	767	2,081	-63%	8%
Ivo Nikkolo	2,130	459	364%	89%	5,968	1,987	200%	61%
Bastion	0	0	0%	0%	1	790	-100%	0%
Total	**2,395**	**3,400**	**-30%**	**100%**	**9,785**	**16,995**	**-42%**	**100%**

Sales in other channels

The Baltika Group's e-stores fourth quarter sales revenue decreased by 65% compared to the same period last year and amounted to 209 thousand euros. The decline in fourth quarter sales is largely related to the company's strategic decision to continue with only one brand, Ivo Nikkolo. At the end of the third quarter, Baltika Group discontinued the operation of the Monton e-store, continuing only with the Ivo Nikkolo e-store. At the same time, the profitability of the e-store increased significantly, as the period markdown was only 14%, which was the best result compared to at least the last four years.

Compared to the same period last year, the supply of products online was significantly lower in the fourth quarter, mainly due to the switch to a single brand. Our e-store sales are based on an omni-channel strategy, which means offering the same products and discounts in both the Group's e-store and physical stores, therefore the supply of discounted products also decreased significantly, which had a direct impact decreased in sales compared to the same period last year.

There has also been a significant increase in the average purchase amount (EUR 94.11) of e-store customers in the fourth quarter, which is the highest result in at least the last four years and shows the change in the offer to the customer.

OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 1,671 thousand euros, decreasing by 551 thousand euros compared to the same period of the previous year (Q4 2020: 2,222 thousand euros). The company's gross profit margin was 63.9% in the fourth quarter, which is 8 percentage points higher than the margin compared to the fourth quarter of the previous year (Q4 2020: 55.9%). The decrease in gross margin is mainly due to lower sales due to less stores compared to the previous period.

The positive increase in gross profit margin is due to the fact that the Baltika Group sold most of it´s new products at full price and with reduced amount of discounted products

The Group's distribution and administrative expenses in the fourth quarter were 2,289 thousand euros, decreasing by 23% i.e 694 thousand euros compared to the same period last year. Decrease in expense relates to the reduction in retail costs. One-off costs related to the closure of stores and ohter operating expenses during the 12 months amounted to 877 thousand euros. Consistent and significant reductions in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan, a focus area, which has led head office expenses to decrease by 240 thousand euros.

Baltika's distribution and administrative expenses during the year totalled 9,551 thousand euros, decreasing by 5,036 thousand euros compared to the same period last year. 909 thousand of the decrease was driven by the decrease of fixed costs in Baltika's head office.

Other net financial expenses were 128 thousand euros in the quarter. Majority of this expense in the amount of 90 thousand euros are related to the reserve made for stores to be closed in 2022 to cover the closing costs. The operating loss in the fourth quarter was 746 thousand euros, compared to an operating loss of 1,079 thousand in the same period of the previous year.

Net financial expenses amounted to 79 thousand euros in the fourth quarter, which is 47 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 interest-bearing liabilities on expired leases.

Income tax expense in the fourth quarter amounted to 65 thousand euros. From this amount actual deferral tax expense is 60 thousand euros.

The net loss for the fourth quarter was 890 thousand euros, the result for the comparable period was a net loss of 1,352 thousand euros, signifying an improvement in the results by 461 thousand euros. The net loss for the full the year was 2,900 thousand euros, the net loss for the comparable period of the previous year was 377 thousand euros. Last year profit included one-off positive reorganisation impact in the amount 5,905 thousand euros.

FINANCIAL POSITION

As at 31 December 2021, Baltika Group's cash and cash equivalents amounted to 614 thousand euros (1,427 thousand euros as at 31 December 2020) .This indicates that the company has used bank overdrafts of 1,985 thousand euros at the end of the year.

As at 31 December 2021, Baltika Group's trade receivables and other receivables amounted to 696 thousand euros, increasing by 378 thousand euros compared to the end of the previous year. The increase is related to an amendment to a new loan agreement between KJK Fund Sicav-SIF, a major shareholder of the company, entered into on 31 December 2021, according to which KJK Fund Sicav-SIF will grant a subordinated loan of 500 thousand euros. The loan will be transferred to AS Baltika in February 2022. Until then, this amount is recorded under other current receivables.

At the end of the quarter, the Group's inventories totalled 2,491 thousand euros, decreasing by 976 thousand euros compared to the end of the previous year. The biggest decrease comes from finished goods and goods purchased for retail in the amount of 2,456 thousand euros. Baltika Group has taken a pro-active stance in current volatile market situation and made sure that there is no over-stocking, especially with the planned store closures.

Fixed assets were acquired in the fourth quarter for 200 thousand euros and depreciation was 161 thousand euros. The residual value of fixed assets has decreased by 329 thousand euros compared to the end of the previous year and was 1,486 thousand euros.

Right of use assets as at 31th of December 2021 amounted to 5,956 thousand euros. The assets have decreased by 3,243 thousand euros compared to year end, whereby 3,133 thousand euros relates to depreciation, 1,150 thousand euros is finished contracts and new contracts in the amount of 1,040 thousand euros.

As at 31 December 2021, the total debt was 8,745 thousand euros, which together with the change in overdraft means a decrease in debt compared to the end of the previous year (31.12.2020: 10,341 thousand euros) of 596 thousand euros.

As at 31 December 2021 the Group equity was 312 thousand euros. While the subordinated loan decreased due to the reorganisation plan in line with other liabilities, the new amounts allocated to subordinated loan at the end of the year take the reserves amount to 3,931 thousand euros.

Cash flow from operating activities in the fourth quarter was -398 thousand euros (Q4 2020: 1,647 thousand euros). In the fourth quarter, 200 thousand euros were put into investment activities. Cash flows from financing activities include repayments of lease liabilities with interest in the amount of 735 thousand euros. The part of overdrafts increased by 1,267 thousand euros during the quarter, bank loan repayments were made in the amount of 89 thousand euros. The Group's total cash flow for the fourth quarter was -159 thousand euros (Q4 2020: 341 thousand euros).

As at 31 December 2021, Group's net debt (interest-bearing debt less cash and cash equivalents) was 8,131 thousand euros, which is 783 thousand euros less than at the end of the previous year. The decrease in net debt is mainly related to the restructuring of creditors' claims arising from the reorganization plan. The net debt to equity ratio as of 31 December 2021 was 2,606% (31 December 2020: 329%). The Group's liquidity ratio has increased the 12 months (31st of December 2021 and 31 December 2020) from 0.81 to 0.85 due to a increase in current assets.

PEOPLE

As at 31 December 2021 Baltika Group employed 173 people, which is 104 people less than at 30 September 2021 (277), thereof 133 (31.12.2020: 225) in the retail system, and 40 (31.12.2020: 52) at the head office.

Baltika Group employees' remuneration expense in 12 months of the year amounted to 3,998 thousand euros (12 months of 2020: 6,198 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 456 thousand euros (12 months of 2020: 289 thousand euros).

KEY FIGURES OF THE GROUP (IV QUARTER AND 12 MONTHS OF 2021)

	Q4 2021	**Q4 2020**	**Q4 2019**	**Q4 2018**	**Q4 2017**
Revenue (EUR thousand)	2,614	3,978	10,139	12,281	12,969
Retail sales (EUR thousand)	2,395	3,400	9,294	11,160	11,626
Share of retail sales in revenue	91,6%	85,5%	91,7%	90,9%	89,6%
Gross margin	63,9%	55,9%	44,6%	51,9%	54,9%
EBITDA (EUR thousand)	44	459	786	-1,151	1,418
Net profit (EUR thousand)	-890	-1,352	-2,609	-1,472	920
EBITDA margin	1,7%	11,5%	7,7%	-9,4%	10,9%
Operating margin	-28,5%	-27,1%	-22,5%	-11,6%	8,6%
EBT margin	-34,1%	-30,3%	-25,7%	-12,8%	7,4%
Net margin	-34,1%	-34,0%	-25,7%	-12,0%	7,1%

Sales activity key figures	**12M and 31 Dets 2021**	**12M and 31 Dets 2020**	**12M and 31 Dets 2019**	**12M and 31 Dets 2018**	**12M and 31 Dets 2017**
Revenue (EUR thousand)	11,770	19,480	39,630	44,691	47,459
Retail sales (EUR thousand)	9,785	16,995	35,566	38,416	39,476
Share of retail sales in revenue	83,1%	87,2%	89,7%	86,0%	83,2%
Share of exports in revenue	45,5%	49,0%	54,3%	55,1%	56,1%
Number of stores in retail	34	61	82	94	95

Number of stores	34	61	82	117	128
Sales area (sqm) (end of period)	9,236	14,869	16,467	17,758	17,741
Number of employees (end of period)	173	277	529	975	1,018
Gross margin	52,0%	49,7%	48,4%	49,9%	49,9%
EBITDA (EUR thousand)	1,197	6,549	3,806	-1,609	1,875
Net profit (EUR thousand)	-2,901	-377	-5,908	-5,119	58
EBITDA margin	10,2%	33,6%	9,6%	-3,6%	4,0%
Operating margin	-21,3%	2,7%	-11,4%	-6,0%	1,3%
EBT margin	-24,1%	-1,2%	-14,9%	-7,2%	0,2%
Net margin	-24,6%	-1,9%	-14,9%	-7,0%	0,1%
Inventory turnover	1,78	3,14	2,02	2,07	2,15

Other ratios					
Current ratio	0,85	0,81	0,75	0,90	1,80
Net gearing ratio	2,606%	329,0%	616,0%	12785,0%	115,1%
Return on equity	-309,4%	-31,3%	3408,7%	-138,0%	1,3%
Return on assets	-21,7%	-1,5%	-21,4%	-28,2%	0,3%

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
28 February 2022

Brigitta Kippak
Member of Management Board, COO
28 February 2022

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the fourth quarter of 2021 as presented on pages 14-36.

The Management Board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;

2. the financial statements give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of the operations and the cash flows of the Group; and its cash flows;

3. the Group is going concern.

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Flavio Perini
Chairman of Management Board, CEO
28 February 2022

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Brigitta Kippak
Member of Management Board, COO
28 February 2022

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2021 (in thousand euros, unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	614	1,427
Trade and other receivables	4	696	318
Inventories	5	2,491	3,467
Total current assets		**3,801**	**5,212**
Non-current assets			
Deferred income tax asset		80	140
Other non-current assets	4	172	111
Property, plant and equipment	6	855	1,218
Right-of-use assets	8	5,956	9,199
Intangible assets	7	631	597
Total non-current assets		**7,694**	**11,265**
TOTAL ASSETS		**14,495**	**16,477**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	9	364	252
Lease liabilities	8	1,692	3,127
Trade and other payables	10,11	2,438	3,019
Total current liabilities		**4,494**	**6,398**
Non-current liabilities			
Borrowings	9	2,425	874
Lease liabilities	8	4,264	6,493
Total non-current liabilities		**6,689**	**7,367**
TOTAL LIABILITIES		**11,183**	**13,765**
EQUITY			
Share capital at par value	12	5,408	5,408
Reserves	12	4,431	3,931
Retained earnings		-6,627	-6,250
Net profit (loss) for the period		-2,900	- 377
TOTAL EQUITY		**312**	**2,712**
TOTAL LIABILITIES AND EQUITY		**11,495**	**16,477**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	4Q 2021	4Q 2020	12m 2021	12m 2020
Revenue	13,14	2,614	3,978	11,770	19,480
Client bonus provision	11,14	0	250	0	250
Revenue after client bonus provision		2,614	4,228	11,770	19,730
Cost of goods sold	15	-943	-2,006	-5,650	-10,054
Gross profit		**1,671**	**2,222**	**6,120**	**9,676**
Distribution costs	16	-1,960	-2,575	-8,084	-12,234
Administrative and general expenses	17	-329	-408	-1,467	-2,353
Other operating income (-expense)	18	-128	-318	926	5,442
Operating profit (loss)		**-746**	**-1,079**	**-2,505**	**531**
Finance costs	19	-79	-126	-330	-761
Profit (loss) before income tax		**-825**	**-1,205**	**-2,835**	**-230**
Income tax expense		-65	-147	-65	-147
Net profit (loss) for the period		**-890**	**-1,352**	**-2,900**	**-377**
Total comprehensive income (loss) for the period		**-890**	**-1,352**	**-2,900**	**-377**
Basic earnings per share from net profit (loss) for the period, EUR	20	**-0,01**	**-0,03**	**-0,05**	**-0,01**
Diluted earnings per share from net profit (loss) for the period, EUR	20	-0,01	-0,03	-0,05	-0,01

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CONSOLIDATED CASH FLOW STATEMENT

	Note	4Q 2021	4Q 2020	12m 2021	12m 2020
Cash flows from operating activities					
Operating profit (loss)		-746	-1,079	-2,505	531
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	15-17	718	1,291	3,601	4,631
Gain (loss) from sale, impairment of PPE, non-current assets, net		-191	-46	-148	130
Other non-monetary adjustments*		500	0	500	-3,770
Changes in working capital:					
Change in trade and other receivables	4	-469	-27	-379	414
Change in inventories	5	463	1,888	976	4,177
Change in trade and other payables	10	-645	-364	-581	-1 099
Interest paid and other financial expense		-28	-16	-34	-120
Net cash generated from operating activities		**-398**	**1,647**	**1,430**	**4,894**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	6, 7	-200	-214	-369	-503
Proceeds from disposal of PPE		0	10	0	43
Net cash used in investing activities		**-200**	**-204**	**-369**	**-460**
Cash flows from financing activities					
Received borrowings	9	0	0	0	3,550
Repayments of borrowings	9	-89	0	-293	-116
Change in bank overdraft	9	1,267	0	1,985	-990
Repayments of finance lease	8	-4	-1	-8	-1
Repayments of lease liabilities, principle	8	-671	-1,027	-3,284	-5,096
Repayments of lease liabilities, interest	8	-64	-74	-274	-618
Repayments of convertible notes	8	0	0	0	0
Proceeds from share issues	11	0	0	0	0
Net cash generated from (used in) financing activities		**439**	**-1,102**	**-1,874**	**-3,271**
Total cash flows		**-159**	**341**	**-813**	**1,163**
Cash and cash equivalents at the beginning of the period	3	**773**	**1,086**	**1,427**	**264**
Cash and cash equivalents at the end of the period	3	**614**	**1,427**	**614**	**1,427**
Change in cash and cash equivalents		**-159**	**341**	**-813**	**1,163**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total
Balance as at 31 Dec 2019	**5,408**	**4,045**	**-6,250**	**3,203**
Loss for the period	0	0	-377	-377
Total comprehensive income	**0**	**0**	**-377**	**-377**
Increase of subordinated loan	0	3,111	0	3,111
Reduction of subordinated loan	0	-3,225	0	-3,225
Balance as at 31 December 2020	**5,408**	**3,931**	**-6,627**	**2,712**
Profit for the period	0	0	-2,900	-2,900
Total comprehensive loss	**0**	**0**	**-2,900**	**-2,900**
Increase of subordinated loan	0	500	0	500
Reduction of subordinated loan	0	0	0	0
Balance as at 31 December 2021	**5,408**	**4,431**	**-9,527**	**312**

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

The Group's condensed consolidated interim report for the first quarter ended 31 December 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	IV qv 2021	IV qv 2020
USD (US dollar)	3,55%	2.03%

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

Balance-sheet date rates (31.12.2021; 31.12.2020)	
USD (US dollar)	-6,84%

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 2,341 thousand euros at 31 December 2021 and 778 thousand euros at 31 December 2020 were subject to a floating 6-month interest rate based on Euribor. The remaining non-current borrowings at 31 December 2021 in the amount of 4,264 thousand euros and 6,493 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.

Trade receivables

As at 31 December 2021 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 4) amounted to 41 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.

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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 2021 while the leased assets are non-current assets by the nature.

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, commercial bond issues, issuance of additional shares and monitors the terms of receivables and purchase contracts.

The unused limit of the Group´s overdraft facilities as at 31 December 2021 was 1,015 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 2022

Financial liabilities by maturity at 31 December 2021

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 9)[2]	2,781	368	2,436	2,804
Finance lease liabilities (Note 8)	5,956	2,529	4,277	6,806
Trade payables (Note 10)	1,032	1,032	0	1,032
Other financial liabilities	148	148	0	148
Total	**9,917**	**4,077**	**6,713**	**10,789**

Financial liabilities by maturity at 31 December 2020

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
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**

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

Operational risk

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

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

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

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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 ariesed during 2020 was related to COVID-19 of having stores closed due to restrictions in the countries. Baltika Group's 12-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. The main decline in sales was the new restrictions on COVID-19 in Latvia, where stores were closed again from mid-October to mid-November and from then on weekends until 21 December.

In 2021, 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.

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Net gearing ratio

	31 Dec 2021	31 Dec 2020
Interest carrying borrowings (Note 8, 9)	8,745	10,341
Cash and bank (Note 3)	-614	-1,427
Net debt	8,131	8,914
Total equity	312	2,712
Net gearing ratio	**2,606%**	**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 31 December 2021 and 31 December 2020.

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

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

NOTE 3 Cash and cash equivalents

	31 Dec 2021	31 Dec 2020
Cash at hand	32	34
Cash at bank and overnight deposits	582	1,393
Total	**614**	**1,427**

All cash and cash equivalents are denominated in euros.

NOTE 4 Trade and other receivables

As at 31 December 2021, Baltika Group's trade receivables and other receivables amounted to 696 thousand euros, increasing by 378 thousand euros compared to the end of the previous year. The increase is related to an amendment to a new loan agreement between KJK Fund Sicav-SIF, a major shareholder of the company, entered into force on 31 December 2021, according to which KJK Fund Sicav-SIF will grant a subordinated loan of 500 thousand euros. The loan will be transferred to AS Baltika in February 2022. Until then, this amount is recorded under other current receivables.

Short-term trade and other receivables	31 Dec 2021	31 Dec 2020
Trade receivables, net	41	230
Other prepaid expenses	100	79
Tax prepayments and tax reclaims, thereof	47	1
Value added tax	47	1
Other current receivables	508	8
Total	**696**	**318**

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Long-term assets		
Non-current lease prepayments	172	111
Total	**172**	**111**

All trade and other receivables are in euros.

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

31 December 2021	**Baltic region**	**Eastern European region**	**Total**
Not due	34	0	35
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	**39**	**2**	**41**

31 December 2020	**Baltic region**	**Eastern European region**	**Total**
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

	31 Dec 2021	**31 Dec 2020**
Fabrics and accessories	2	53
Allowance for fabrics and accessories	0	-53
Finished goods and goods purchased for resale	2,556	3,587
Allowance for impairment of finished goods and goods purchased for resale	-100	-250
Prepayments to suppliers	33	130
Total	**2,491**	**3,467**

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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	126	64	109	35	334
Disposals	-17	-71	-67	0	-155
Reclassification	40	0	0	-40	0
Depreciation	-317	-47	-280	0	-644
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	47	118	35	228
Disposals	-15	-6	-62	0	-83
Reclassification	0	-7	0	0	-7
Depreciation	-278	-31	-192	0	-501
31 December 2021					
Acquisition cost	**2,412**	**984**	**3,821**	**35**	**7,252**
Accumulated depreciation	-2,087	-887	-3,423	0	-6,397
Net book amount	**325**	**97**	**398**	**35**	**855**

NOTE 7 Intangible assets

Trademarks with a net book value of 206 thousand euros included acquired trademark Ivo Nikkolo (31 December 2020: 182 thousand euros) which remaining amortization period is 5 years.
The company's trademarks was reclassified because it was previously too aggressive amortisation and it is the company's main brand. The previous amortisation rate was 5% and the new 2%

	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	96	0	73	0	**169**
Assets classified as held for sale	-7	0	-46	0	**-53**
Amortisation	-23	-32	0	0	**-55**
31 December 2020					
Acquisition cost	**974**	**643**	**73**	**154**	**1,844**
Accumulated depreciation	-786	-461	0	0	-1,247

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Net book amount	**188**	**182**	**73**	**154**	**597**
Additions	141	0	0	0	**141**
Disposals	0	0	-73	0	**-73**
Reclassification	0	53	0	0	**53**
Amortisation	-58	-29	0	0	**-87**
31 December 2021					
Acquisition cost	**1,115**	**696**	**0**	**154**	**1,965**
Accumulated depreciation	-844	-490	0	0	-1,334
Net book amount	**271**	**206**	**0**	**154**	**631**

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 December 2019	**16,040**
Additions	1,713
Terminations	-3,302
Depreciation	-5,252
Net assets 31 December 2020	**9,199**
Additions	1,040
Terminations	-1,150
Depreciation	-3,133
Net assets 31 December 2021	**5,956**

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

	31 Dec 2021	31 Dec 2020
Lease liabilities		
Current	1,692	3,127
Non-current	4,264	6,493
Total lease liabilities	**5,956**	**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:

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Interest expense (under finance cost, Note 19)	64	74	274	618
Deprecation (under operating expenses, Notes 15-17)	659	1,370	3,140	5,252
Total	**723**	**1,444**	**3,414**	**5,870**

The total cash outflow for long-term leases in 12 months of 2021 was 3,284 thousand euros (12 months 2020: 5,096 thousand euros).

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

NOTE 9 Borrowings

	31 Dec 2021	31 Dec 2020
Current borrowings		
Current portion of bank loans	356	227
Current portion of finance lease liabilities	8	25
Total	**364**	**252**
Non-current borrowings		
Non-current bank loans	356	778
Non-current overdraft	1,985	0
Other non-current liabilities	84	96
Total	**2,425**	**874**
Total borrowings	**2,789**	**1,126**

During the reporting period, the Group made bank loan repayments in the amount of 293 thousand euros (12 months 2020: 116 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 1,985 thousand euros as at 31 December 2021 (31 December 2020: 0 euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 330 thousand euros (12 months 2020: 761 thousand euros), 12 months interests from lease liabilities recognised under IFRS 16 in the amount of 274 thousand euros (12 months 2020: 619 thousand euros).

Changes in 2020

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

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

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

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

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2,00%	2,697
Total		**2,697**

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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 +3.7%	1,006
Total		**1,006**

NOTE 10 Trade and other payables

	31 Dec 2021	31 Dec 2020
Current liabilities		
Trade payables	1,032	1,044
Tax liabilities, thereof	759	1,203
Personal income tax	68	164
Social security taxes and unemployment insurance premium	329	406
Value added tax	361	633
Other taxes	1	0
Payables to employees[1]	329	391
Other current payables	140	35
Other accrued expenses	16	18
Customer prepayments	57	98
Total	**2,333**	**2,789**

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

Trade payables and other accrues expenses in denominated currency

	31 Dec 2021	31 Dec 2020
EUR (euro)	1,045	940
USD (US dollar)	3	122
Total	**1,048**	**1,062**

NOTE 11 Provisions

	31 Dec 2021	31 Dec 2020
Client bonus provision	0	0
Other provision[1]	90	230
Total	**90**	**230**

Short description of the provision

[1]Other provision includes a reserve of 90 thousand euros for closing stores in 2022.

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

	31 Dec 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

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Other reserves	3,931	3,931

As at 31 December 2021, under the Articles of Association, the company's minimum share capital is 2,000 thousand euros and the maximum share capital is 8,000 thousand euros and as at 31 December 2020, under the Articles of Association, the company's minimum share capital was 2,000 thousand euros and the maximum share capital was 8,000 thousand euros. As at 31 December 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 2020, amendments to loan agreements with KJK Fund SICAV-SIF and its holding company were signed and in amount of 3,931 thousand euros was recorded as subordinated loans.

Other reserves in the amount of 3,931 thousand euros at 31 December 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 31 December 2021

	Number of shares	Holding
1. ING Luxembourg S.A.	48,526,500	89.73%
2. AS Genteel	1,297,641	2.40%
3. Clearstream Banking AG	1,069,624	1.98%
4. Members of Management and Supervisory Boards and persons related to them		
Entities connected to Supervisory Board not mentioned above	231 578	0,43%
5. Other shareholders	2,954,142	5,46%
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. AS Genteel	1,297,641	2.40%
3. Clearstream Banking AG	1,070,500	1.98%
4. Members of Management and Supervisory Boards and persons related to them		
Entities connected to Supervisory Board not mentioned above	231 578	0,43%
5. Other shareholders	2,953,266	5,46%
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

The Group's chief operating decision maker is the Management Board of the Parent company AS Baltika. The Parent company's Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management Board has determined the operating segments based on these reports.

The Parent company's Management Board assesses the performance of the business by distribution channel: retail channel and other sales channels (including wholesale, franchise, consignation and e-commerce). The retail segments are countries which have been aggregated to reportable segments by regions which share similar economic characteristics and meet other aggregation criteria provided in IFRS 8.

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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 consignation 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
4 Q 2021				
Revenue (from external customers)	2,395	209	10	2,614
Segment profit (loss)[2]	-379	21	1	-357
Incl. depreciation and amortisation	-88	-6	0	-94
4 Q 2020				
Revenue (from external customers)	3,401	591	-14	3,978
Segment profit (loss)[2]	613	134	-10	737
Incl. depreciation and amortisation	-131	-4	0	-135

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12m 2021 and as at 31 December 2021				
Revenue (from external customers)	9,785	1,866	120	11,770
Segment profit (loss)[2]	-435	129	31	-275
Incl. depreciation and amortisation	-412	-23	0	-435
Inventories of segments	1,915	0	0	1,915
12m 2020 and as at 31 December 2020				
Revenue (from external customers)	16,996	2,152	333	19,481
Segment profit (loss)[2]	-653	381	74	-198
Incl. depreciation and amortisation	-618	-4	0	-622
Inventories of segments	2,643	0	0	2,643

[1]All other segments include sale of goods to wholesale, franchise and consignation clients, materials and sewing services.
[2]The segment profit is the segment operating profit.

Reconciliation of segment profit to consolidated operating profit

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Total segment profit	-357	737	-275	-198
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	68	-1,090	-1,690	-2,360
Administrative and general expenses	-329	-408	-1,467	-2,353
Impact of the rent accounting principles	0	0	0	0
Other operating income (expenses), net	-128	-318	926	5,442
Operating profit (loss)	**-746**	**-1,079**	**-2,505**	**531**

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

Reconciliation of segment inventories to consolidated inventories

	31 Dec 2021	31 Dec 2020
Total inventories of segments	1,915	2,643
Inventories in Parent company and production company	576	824
Inventories on statement of financial position	**2,491**	**3,467**

NOTE 14 Revenue

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Sale of goods in retail channel	2,395	3,400	9,785	16,995
Sale of goods in wholesale and franchise channel	6	-23	73	246
Sale of goods in e-commerce channel	209	592	1,866	2,152
Other sales	4	9	47	87
Total	**2,614**	**3,978**	**11,770**	**19,480**

Sales by geographical (client location) areas

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Estonia	1,426	2,203	6,976	9,906
Lithuania	452	882	2,029	4,977
Latvia	716	830	2,665	4,346
Russia	7	11	32	46

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Serbia	0	0	0	0
Austria	5	0	22	1
Finland	1	7	5	98
Germany	0	3	0	11
Ukraine	4	5	17	30
Other countries	3	37	24	65
Total	**2,614**	**3,978**	**11,770**	**19,480**

NOTE 15 Cost of goods sold

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Materials and supplies	943	1,755	5,815	9,934
Payroll costs in production	0	0	0	0
Operating lease expenses*	0	0	0	0
Other production costs	0	0	0	0
Depreciation of assets used in production (Note 6,7)	0	0	0	0
Changes in inventories	0	250	-165	120
Total	**943**	**2,005**	**5,650**	**10,054**

NOTE 16 Distribution costs

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Payroll costs[1]	777	1,079	3,059	5,267
Operating lease expenses[2]	41	-486	-264	-442
Advertising expenses	120	139	578	612
Depreciation and amortisation (Note 6,7)	691	1,481	3,493	5,361
Fuel, heating and electricity costs	57	73	195	302
Municipal services and security expenses	44	82	190	314
Fees for card payments	14	18	54	91
Information technology expenses	64	1	206	27
Travel expenses	6	38	9	156
Consultation and management fees	12	14	61	69
Communication expenses	8	14	34	60
Other sales expenses[3]	127	122	470	417
Total	**1,960**	**2,575**	**8,084**	**12,234**

[1]Payroll costs include reduction of expense as governments´ subsidies have been received either directly by group companies or indirectly by paying less due to employees receiving income directly from government.

[2]Operating lease (rent) expense is negative as rent discounts (reduction of the lease payments) related to the stores was recognised and government´s subsidies to cover lease payments were received.

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

NOTE 17 Administrative and general expenses

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Payroll costs	172	197	940	931
Operating lease expenses[1]	1	-5	4	10
Information technology expenses	58	45	192	177
Bank fees	9	5	54	36

Depreciation and amortisation (Note 6,7)	27	46	108	591
Fuel, heating and electricity expenses	4	3	9	60
Management, juridical-, auditor´s and other consulting fees	44	91	89	409
Other administrative expenses[2]	14	26	71	139
Total	**329**	**408**	**1,467**	**2,353**

[1]Payroll costs include reduction of expense as governments´ subsidies have been received either directly by group companies or indirectly by paying less due to employees receiving income directly from government.

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

NOTE 18 Other operating income and expenses

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Gain (loss) from sale, impairment of PPE	-72	-46	-115	-131
Other operating income[1]	59	-195	1,213	5,721
Foreign exchange gain (-loss)	-6	-1	-12	-45
Fines, penalties and tax interest	0	-36	0	-38
Other operating expenses[2]	-109	-40	-160	-65
Total	**-128**	**-318**	**926**	**5,442**

[1]Other operating income totalled 59 thousand euros in the fourth quarter, which is mainly the Latvian government's business support for closed stores of 56 thousand euros operating income includes government subsidy for working capital.
[2]Fourth quarter includes the reserve expense made for closing stores in 2022 in the amount of 90 thousand euros

NOTE 19 Finance costs

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Interest cost	-79	-126	-330	-761
Total	**-79**	**-126**	**-330**	**-761**

In 12 months of 2021, interest expense includes accounted interest expense from lease liabilities (IFRS 16) in the amount of 274 thousand euros (12 months 2020: 618 thousand euros).

NOTE 20 Earnings per share

Basic earnings per share		**4 Q 2021**	**4 Q 2020**	**12m 2021**	**12m 2020**
Weighted average number of shares (thousand)	pcs	54,079	54,079	54,079	54,079
Net loss from continuing operations		-890	-1,352	-2.900	-377
Basic earnings per share	**EUR**	**-0,02**	**-0,03**	**-0,05**	**-0,01**
Diluted earnings per share	**EUR**	**-0,02**	**-0,03**	**-0,05**	**-0,01**

There were no dilutive instruments in the reporting period. Instruments that could potentially dilute basic earnings per share are K-bonds in 2019 and the share option programs. Their dilutive effect is contingent on the share price and whether the Group has generated a profit.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Nasdaq Tallinn Stock Exchange in the reporting period was 0.2 euros (2020: 0.43 euros).

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NOTE 21 Related parties

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

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

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 12);
- members of the Management Board and the Supervisory Board[1];
- immediate family members of the persons stated above;
- entities under the control or significant influence of the members of the Management Board and Supervisory Board.

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

Transactions with related parties

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Services purchased	-9	6	9	24
Total	**-9**	**6**	**9**	**24**

In 2021 and 2020, AS Baltika bought mostly management services from the related parties. Accounting for services in prior periods in the fourth quarter was canceled.

Balances with related parties

	31 Dec 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 31 December 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

	4 Q 2021	4 Q 2020	12m 2021	12m 2020
Salaries of the members of the Management Board	84	44	440	278
Remuneration of the members of the Supervisory Council	3	2	13	11
Total	**87**	**46**	**453**	**289**

As at 31 December 2021 and 31 December 2020, the Group had two members of the Management Board and four members of the Supervisory Board.

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 31 December 2021: 0

REET SAKS
Member of the Supervisory Board since 25.03.1997
Legal Advisor at Farmi Piimatööstus
Degree in Law, University of Tartu
Baltika shares held on 31 December 2021: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Board since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Baltika shares held on 31 December 2021: 231,578 shares (on Kaima Capital Eesti OÜ account)

KRISTJAN KOTKAS
Member of the Supervisory Board since 08.10.2019
General Counsel at KJK Capital Oy
Master's degree in Law, University of Tartu
Master's degree in Law, University of Cape Town
Baltika shares held on 31 December 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 31 December 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 31 December 2021: 1 575