AS BALTIKA

Consolidated interim report for the second quarter of 2022

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	KPMG Baltics OÜ
Financial year	1 January 2022 – 31 December 2022
Reporting period	1 January 2022 – 30 June 2022

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Consolidated interim report for the II quarter of 2022 (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. Baltika employs a business model, which 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 of 30th June 2022, the Group employed 157 people (31 December 2021: 173).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 June 2022	Holding as at 31 December 2021
OÜ Baltika Retail	Estonia	In liquidation	100%	100%
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija[1]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[1]	Lithuania	Retail	100%	100%

[1]Interest through a subsidiary.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, SECOND QUARTER OF 2022 AND 6 MONTHS 2022

Baltika Group ended the second quarter with a net loss of 1,001 thousand euros. Last year, the Group ended the second quarter with a net profit of 37 thousand euros. Compared to the same period last year, the Group's result weakened by 1,038 thousand euros.

The sales revenue of the Group in the second quarter was 2,308 thousand euros, decreasing by 28% compared to the same period last year. The reason for the decrease in sales revenue were as follows:

1. The unpredictable war situation between Russia and Ukraine negatively affected the Group's sales revenue. Although the situation in the Baltics had improved by the end of the first quarter and the number of visitors was gradually recovering, the impact of the war on consumer behaviour was also felt during the beginning of the second quarter.
2. The Group has continued with the plan to close unprofitable stores. Within six months, we have closed six unprofitable stores (5 stores in the first quarter and 1 store in the second quarter). In the case of Estonia, as the market with the largest number of stores, the planned closure of unprofitable stores will continue during 2022. The closing of unprofitable stores is planned to be finalised by the end of 2022. The reduced sales revenue will be compensated by the three new Ivo Nikkolo concept stores opened this year.
3. The sales revenue of the second quarter of last year included the sales revenue of the discontinued brands Monton, Mosaic, Baltman and Bastion. The sales result for the second quarter of this year includes only minimal income from the sale of discontinued brands.

E-com sales revenue for the second quarter was 171 thousand euros, decreasing by 56% compared to the same period last year. The result of the e-store in the second quarter of 2021 is not fully comparable, because in the comparable period the Group had two e-stores, Monton and Ivo Nikkolo, therefore the result of the e-store in the second quarter of last year included the sale of discounted products of the discontinued brands Baltman and Monton through the Monton e-store shop. The Monton e-shop was finally closed in September 2021.

The gross profit for the second quarter was 1,188 thousand euros, decreasing by 28% compared to the same period last year (Q2 2021: 1,656 thousand euros). The Group's gross profit margin was 51% in the second quarter, i.e., at a similar level to the same period last year (Q2 2021: 52%).

The distribution and administrative expenses of the Group were 2,074 thousand euros in the second quarter, remaining at a similar level to the same period last year (Q2 quarter 2021: 2,036 thousand euros). The result of the comparable period is not fully comparable because:

1. Payroll costs for the second quarter of last year include cost reductions due to the government's decision to support people and businesses in sectors affected by the COVID-19 restrictions.
2. In the second quarter of the previous year, a reduction of rental cost in the amount of 266 thousand euros was recorded, as the rental discounts received from shopping centres and government subsidies for the rent paid were recorded.

Therefore, although the Group's distribution and administrative expenses have remained at a similar level to the same period of last year, the Group has continued general cost savings and closing unprofitable stores. In addition to the above, the Group's general administrative expenses have decreased by 69 thousand euros compared to the same period last year.

The Group ended the quarter with cash and cash equivalents of 406 thousand euros, using the bank's overdraft facility in the amount of 2,871 thousand euros (out of the limit of 3,000 thousand euros) at the end of the quarter. Baltika continues to implement its strategy:

1. We develop modern, high-quality products in our women's fashion brand Ivo Nikkolo, which is available in Estonia, Latvia and Lithuania and in our e-store.
2. We are developing a newer, more modern and customer-friendly Ivo Nikkolo e-shop.
3. We continue to open new Ivo Nikkolo concept stores in the Baltics.

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

- On 6th of April 2022 a new Ivo Nikkolo concept store was opened in the Riga Plaza shopping center in Riga.
- AS Baltika and its largest shareholder, KJK Fund SICAV-SIF, have entered into a loan agreement effective as of 11 April 2022. Under the terms of the agreement, KJK Fund SICAV-SIF will provide AS Baltika with 700-thousand-euro loan. The loan described above is interest-free and unsecured. Repayment term is in December 2024.
- AS Baltika and its largest shareholder, KJK Fund SICAV-SIF, have entered into a loan agreement effective as of 15 May 2022. Under the terms of the agreement, KJK Fund SICAV-SIF will provide AS Baltika with a 300-thousand-euro loan to finance additional digitalization investment projects to be completed in the second half of 2022. The loan described above is interest-free and unsecured. Repayment term is in December 2024.
- On 21st June 2022, the Supervisory Board of AS Baltika recalled Flavio Perini from the position of Chairman of the Management Board by agreement of the parties. At the same time, AS Baltika's Supervisory Board elected Kristjan Kotkas as the new Chairman of the Superviosry Board. The new CEO of AS Baltika is the company's COO and Management Board member Brigitta Kippak.

REVENUE

Baltika's sales revenue in the second quarter was 2,308 thousand euros, decreasing by 28% compared to the same period last year, which is mainly due to the following three reasons:

1. The unpredictable war situation between Russia and Ukraine, whose negative impact on consumer behaviour was felt during the beginning of the second quarter.
2. We have continued with our strategic decision to close unprofitable stores. Within six months, we have closed six unprofitable stores (5 stores in the first quarter and 1 store in the second quarter). In the case of Estonia, as the market with the largest number of stores, the planned closure of unprofitable stores will continue during 2022. The closing of unprofitable stores is planned to end by the end of 2022. The reduced sales revenue will be compensated by the three new Ivo Nikkolo concept stores opened this year.
3. The sales revenue of the second quarter of last year included the sales revenue of the discontinued brands Monton, Mosaic, Baltman and Bastion. The sales result for the second quarter of this year includes only minimal income from the sale of discontinued brands.

E-com sales revenue decreased by 56% compared to the same period last year. The result of the e-store in the second quarter of 2021 is not fully comparable, because in the comparable period the Group had two e-stores, Monton and Ivo Nikkolo, therefore the result of the e-store in the second quarter of last year included the sale of discounted products of the discontinued brands Baltman and Monton through the Monton e-store shop. The Monton e-shop was finally closed in September 2021.

Sales revenue by channel

EUR thousand	2 Q 2022	2 Q 2021	+/-	6M 2022	6M 2021	+/-
Retail	2,130	2,730	-22%	3,868	3,898	-1%
E-com sales	171	391	-56%	508	1,347	-62%
Other	7	87	-91%	8	94	-91%
Total	**2,308**	**3,208**	**-28%**	**4,384**	**5,339**	**-18%**

Stores and sales area

As of 30th June 2022, the Group had 29 stores. In the second quarter, 1 store in Tallinn was closed and 1 Ivo Nikkolo store with a new concept was opened in the Riga Plaza shopping center in Riga.

Stores by market

	30 June 2022	30 June 2021	Average area change*
Estonia	12	21	-36%
Lithuania	9	12	-19%
Latvia	8	10	-24%
Total stores	**29**	**43**	
Total sales area, sqm	**7,885**	**11,442**	**-31%**

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

Retail

Retail sales in the second quarter were 2,130 thousand euros, decreasing by 22% compared to the same period last year.

Retail sales by market

EUR thousand	2 Q 2022	2 Q 2021	+/-	Share	6M 2022	6M 2021	+/-	Share
Estonia	987	1,711	-42%	46%	1,782	2,826	-37%	46%
Lithuania	587	714	-18%	28%	1,111	765	45%	29%
Latvia	556	305	82%	26%	975	308	217%	25%
Total	**2,130**	**2 730**	**-22%**	**100%**	**3,868**	**3,898**	**0%**	**100%**

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

	2 Q 2022	2 Q 2021	+/-	6M 2022	6M 2021	+/-
Estonia	90	149	-40%	78	112	-30%
Lithuania	82	111	-26%	78	112	-30%
Latvia	88	108	-19%	79	108	-27%
Total	**87**	**132**	**-16%**	**78**	**99**	**-21%**

Brands

The biggest share forms our main brand Ivo Nikkolo, whose sales revenue in the second quarter made up 98% of retail sales. Ivo Nikkolo's sales revenue for the second quarter was 2,097 thousand euros, increasing by 72% compared to the same period last year.

The decrease in sales revenue of Monton, Mosaic, Bastion and Baltman 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	2 Q 2022	2 Q 2021	+/-	Share	6M 2022	6M 2021	+/-	Share
Monton	20	1,155	-98%	1%	80	517	-84%	2%
Mosaic	0	10	-100%	0%	0	1,410	-100%	0%
Baltman	9	349	-97%	0%	28	850	-97%	1%
Ivo Nikkolo	2,097	1,216	72%	98%	3,756	1,105	241%	97%
Bastion	4	0	0%	0%	4	0	0%	0%
Total	**2,130**	**2,730**	**-22%**	**100%**	**3,868**	**3,898**	**0%**	**100%**

Sales in other channels

E-com sales revenue decreased by 56% compared to the same period last year. The result of the e-store in the second quarter of 2021 is not fully comparable, because in the comparable period the Group had two e-stores, Monton and Ivo Nikkolo, therefore the result of the e-store in the second quarter of last year included the sale of discounted products of the discontinued brands Baltman and Monton through the Monton e-store shop. The Monton e-shop was finally closed in September 2021.

OPERATING EXPENSES AND NET PROFIT

The gross profit for the quarter was 1,188 thousand euros, decreasing by 468 thousand euros compared to the same period last year (Q2 2021: 1,656 thousand euros). The company's gross profit margin was 51% in the second quarter, i.e., at a similar level as in the same period last year (Q2 2021: 52%)

The Group's distribution and administrative expenses in the second quarter were 2,074 thousand euros, remaining at a similar level to the same period last year (Q2 quarter 2021: 2,036 thousand euros). The Group has continued general cost savings and closing unprofitable stores. However, the quarterly result of the comparable period is not fully comparable because:

1. Salary costs for the second quarter of last year included cost reductions due to the government's decision to support people and businesses in sectors affected by the COVID-19 restrictions.

2. In the second quarter of the previous year, a reduction of the rental costs in the amount of 266 thousand euros was recorded, as the rental discounts received from shopping centres and government subsidies for the rent paid were recorded.

Therefore, although the Group's distribution and general administration costs have remained at a similar level to the same period of last year, the Group has continued general cost savings and closing unprofitable stores. In addition to the above, the Group's administrative expenses have decreased by 69 thousand euros compared to the same period last year.

Other net operating expenses were 34 thousand euros in the second quarter. The operating loss for the second quarter was 920 thousand euros, the operating profit in the same period last year was 71 thousand euros.

Net financial expenses were 81 thousand euros in the second quarter, which is 47 thousand euros more than in the same period last year.

The net loss for the quarter was 1,001 thousand euros, the result of the comparable period was a net profit of 37 thousand euros.

FINANCIAL POSITION

As at 30 June 2022, the Group's cash and cash equivalents amounted to 406 thousand euros (614 thousand euros as at 31 December 2021). The decrease in cash and cash-equivalents relates to financing the first quarter operating expenses.

At the end of the quarter, the Group's inventories totalled 2,044 thousand euros, decreasing by 447 thousand euros, i.e., 18% compared to the end of the previous year. The amount remained relatively stable as there was limited buying done and hence the stock level remains optimal despite the unexpected war situation.

Fixed assets were acquired in the second quarter for 305 thousand euros and depreciation was 162 thousand euros. The residual value of fixed assets has increased by 433 thousand euros compared to the end of the previous year and was 1,919 thousand euros.

Right of use assets as of 30 June 2022 amounted to 5,548 thousand euros. The assets have decreased by 408 thousand euros compared to year end, with new contracts amounting to 951 thousand euros, 1,181 thousand euros decreased due to depreciation, 142 thousand euros decreased due to contracts, most of which are related to the termination of shop leases through restructuring.

As of 30 June 2022, the total debt was 10,013 thousand euros, which together with the change in overdraft represents an increase in debt of 1,268 thousand euros compared to the end of the previous year (31.12.2021: 8,745 thousand euros).

As of 30 June 2022 the Group equity was -2,035 thousand euros. With this Baltika Group is not compliant with Commercial Code requirement of equity being 50% from share capital. Baltika's Management Board and Supervisory Board are in the process of developing a detailed plan on how to ensure that the equity deficit will be fully recovered by the end of 2022.

Cash flow from operating activities in the first quarter was -396 thousand euros (Q2 2021: 884 thousand euros). In the second quarter, 305 thousand euros (Q2 2021: 16 thousand euros) were put into investment activities. Cash flows from financing activities include repayments of lease obligations with interest of 630 thousand euros. The part of overdrafts increased by 312 thousand euros during the quarter, bank loan repayments were made in the amount of 89 thousand euros. The Group's parent company and the Group's largest shareholder, KJK Fund SICAV-SIF, signed a loan agreement in the second quarter, with which the largest shareholder granted the Group a long-term loan in the amount of 1,000 thousand euros. The Group's total cash flow for the first quarter amounted to -122 thousand euros (Q2 2021: 417 thousand euros).

As at 30 June 2022, Group's net debt (interest-bearing debt less cash and cash equivalents) was 9,013 thousand euros, which is 882 thousand euros more than at the end of the previous year (31.12.2021: 8,131 thousand euros). The increase in net debt is mainly related to decrease in cash and cash equivalents due to first and second quarter loss and usage of overdraft. The net debt to equity ratio as of 30 June 2022 was -443% (31 December 2021: 2 606%). The Group's liquidity ratio has gone down over the quarter (30 June 2022 and 31 December 2021) from 0.85 to 0.58 due to a decrease in current assets.

PEOPLE

As at 30 June 2022 Baltika Group employed 157 people, which is 16 people less than at 31 December 2021 (173), thereof 119 (31.12.2021: 133) in the retail system, and 38 (31.12.2021: 40) at the head office.

Baltika Group employees' remuneration expense in 6 months of the year amounted to 1,415 thousand euros (6 months 2021: 1,546 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 162 thousand euros (6 months 2021: 295 thousand euros).

KEY FIGURES OF THE GROUP (II QUARTER OF 2022)

	Q2 2022	Q2 2021	Q2 2020	Q2 2019	Q2 2018
Revenue (EUR thousand)	2,308	3,208	3,707	10,463	11,041
Retail sales (EUR thousand)	2,130	2,730	3,006	9,461	9,716
Share of retail sales in revenue	92.3%	85.1%	81.1%	90.4%	88.0%
Gross margin	51.5%	51.6%	49.2%	54.9%	54.6%
EBITDA (EUR thousand)	-234	1,021	5,812	1,503	527
Net profit (EUR thousand)	-1,001	37	3,965	-616	127
EBITDA margin	-10.0%	31.8%	156.8%	14.4%	4.8%
Operating margin	-49.8%	2.2%	111.7%	-2.2%	2.4%
EBT margin	-53.5%	123.6%	107.0%	-5.9%	1.2%
Net margin	-53.5%	123.6%	107.0%	-5.9%	1.2%

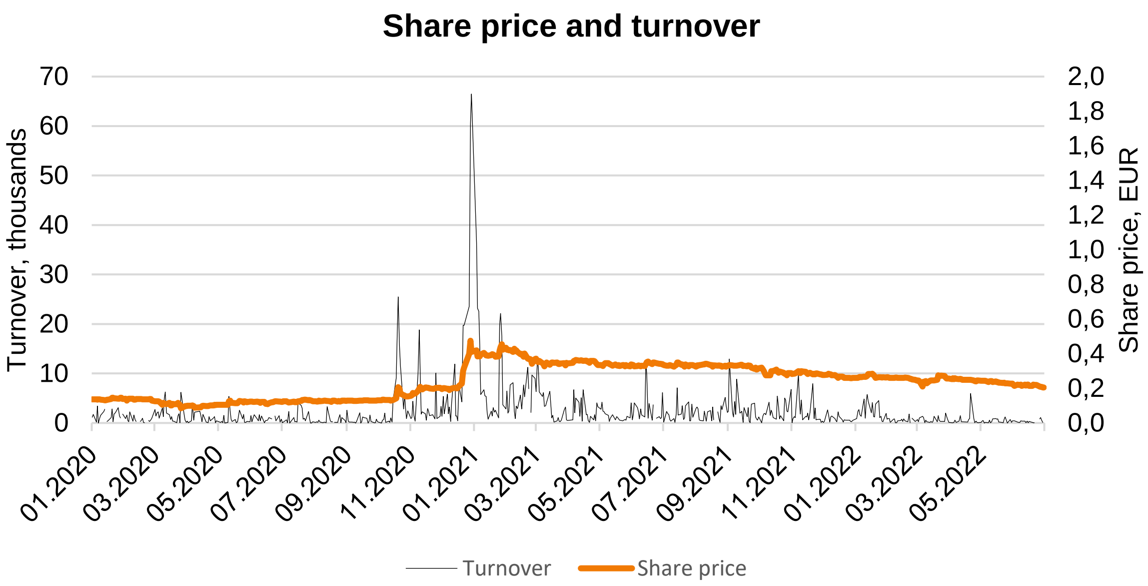
Sales activity key figures	6M and 30 June 2022	6M and 30 June 2021	6M and 30 June 2020	6M and 30 June 2010	6M and 30 June 2018
Revenue (EUR thousand)	4,384	5,339	9,844	19,732	21,384
Retail sales (EUR thousand)	3,868	3,898	8,391	17,437	17,853
Share of retail sales in revenue	88.2%	73.0%	85.2%	88.4%	83.5%
Number of stores in retail	29	43	76	89	93
Number of stores	29	43	76	90	122
Sales area (sqm) (end of period)	7,885	11,442	15,005	17,336	17,431
Number of employees (end of period)	157	214	421	908	1,014
Gross margin	46.5%	47.3%	46.42%	51.60%	51.00%
EBITDA (EUR thousand)	-729	619	5,287	2,176	-50
Net profit (EUR thousand)	-2,347	-1,618	1,491	-2,058	-855
EBITDA margin	-16.6%	11.6%	53.7%	-10.40%	-0.2%
Operating margin	-49.8%	-27.3%	19.6%	-6.60%	-2.80%
EBT margin	-53.5%	-30.3%	15.1%	-10.40%	-4%
Net margin	-53.5%	-30.3%	15.1%	-4.00%	-4.00%
Inventory turnover	1.89	2.6	1.14	1.8	2

Other ratios	6M and 30 June 2022	6M and 30 June 2021	6M and 30 June 2020	6M and 30 June 2010	6M and 30 June 2018
Current ratio	0.58	0.7	0.89	0.56	1.6
Net gearing ratio	-443.0%	927.0%	911.98%	1319.50%	191.80%
Return on equity	-	-134,1%	148,23%	-273%	-19,00%
Return on assets	-20.4%	-9.5%	5.66%	-9.3%	-4.60%

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.

Brigitta Kippak
Member of Management Board, CEO
18 July 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 second quarter of 2022 as presented on pages 13-24.

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.

Brigitta Kippak
Member of Management Board, CEO
18 July 2022

Consolidated interim report for the II quarter of 2022 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2022	31 Dec 2021
ASSETS			
Current assets			
Cash and cash equivalents		406	614
Trade and other receivables	5	197	696
Inventories	6	2,044	2,491
Total current assets		**2,647**	**3,801**
Non-current assets			
Deferred income tax asset		80	80
Other non-current assets	5	162	172
Property, plant and equipment	7	1,303	855
Right-of-use assets	9	5,548	5,956
Intangible assets	8	616	631
Total non-current assets		**7,709**	**7,694**
TOTAL ASSETS		**10,356**	**11,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	10	356	364
Lease liabilities	9	1,834	1,692
Trade and other payables	11,12	2,378	2,438
Total current liabilities		**4,568**	**4,494**
Non-current liabilities			
Borrowings	10	4,120	2,425
Lease liabilities	9	3,703	4,264
Total non-current liabilities		**7,823**	**6,689**
TOTAL LIABILITIES		**12,391**	**11,183**
EQUITY			
Share capital at par value	13	5,408	5,408
Reserves	13	4,431	4,431
Retained earnings		-9,527	-6,627
Net profit (loss) for the period		-2,347	-2,900
TOTAL EQUITY		**-2,035**	**312**
TOTAL LIABILITIES AND EQUITY		**10,356**	**11,495**

Consolidated interim report for the II quarter of 2022 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2Q 2022	2Q 2021	6m 2022	6m 2021
Revenue	14, 15	2,308	3,208	4,383	5,339
Cost of goods sold		-1,120	-1,552	-2,346	-2,811
Gross profit		**1,188**	**1,656**	**2,037**	**2,528**
Distribution costs		-1,803	-1,696	-3,634	-3,837
Administrative and general expenses		-271	-340	-633	-835
Other operating income (-expense)	16	-34	451	48	685
Operating profit (loss)		**-920**	**71**	**-2,182**	**-1,459**
Finance costs		-81	-34	-165	-159
Profit (loss) before income tax		**-1,001**	**37**	**-2,347**	**-1,618**
Income tax expense		0	0	0	0
Net profit (loss) for the period		**-1,001**	**37**	**-2,347**	**-1,618**
Total comprehensive income (loss) for the period		**-1,001**	**37**	**-2,347**	**-1,618**
Basic earnings per share from net profit (loss) for the period, EUR	17	-0,02	-0,03	-0,04	-0,01
Diluted earnings per share from net profit (loss) for the period, EUR	17	-0,02	-0,03	-0,04	-0,01

Consolidated interim report for the II quarter of 2022 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	2Q 2022	2Q 2021	6m 2022	6m 2021
Cash flows from operating activities					
Operating profit (loss)		-920	71	-2,182	-1,459
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles		684	972	1,406	2,073
Gain (loss) from sale, impairment of PPE, non-current assets, net		4	-13	68	15
Other non-monetary adjustments		0	0	0	0
Changes in working capital:					
Change in trade and other receivables	5	58	31	509	131
Change in inventories		101	525	447	341
Change in trade and other payables	11	-307	-704	-60	-244
Interest paid and other financial expense		-15	2	-30	-3
Net cash generated from operating activities		**-396**	**884**	**157**	**854**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	7, 8	-305	-16	-729	-77
Proceeds from disposal of PPE		0	0	0	0
Net cash used in investing activities		**-305**	**-16**	**-729**	**-77**
Cash flows from financing activities					
Received borrowings	10	1,000	0	1,000	0
Repayments of borrowings	10	-89	-115	-178	-115
Change in bank overdraft	10	312	619	886	685
Finance lease payments		-15	-2	-21	-4
Repayments of lease liabilities, principle	9	-565	-934	-1,192	-1,866
Repayments of lease liabilities, interest		-65	-19	-132	-132
Net cash generated from (used in) financing activities		**578**	**-451**	**363**	**-1,432**
Total cash flows		**-122**	**417**	**-208**	**-655**
Cash and cash equivalents at the beginning of the period		**528**	**356**	**614**	**1,427**
Cash and cash equivalents at the end of the period		**406**	**772**	**406**	**772**
Change in cash and cash equivalents		**-122**	**417**	**-208**	**-655**

Consolidated interim report for the II quarter of 2022 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

	Share capital	Reserves	Retained earnings	Total equity attributable to owners of the Parent
Balance as at 31 December 2020	**5,408**	**3,931**	**-6,627**	**2,712**
Net profit (loss) for the reporting period	0	0	-1,618	-1,618
Total comprehensive income (loss)	**0**	**0**	**-1,618**	**-1,618**
Balance as at 30 June 2021	**5,408**	**3,931**	**-8,245**	**1,094**
Balance as at 31 December 2021	**5,408**	**4,431**	**-9,527**	**312**
Net profit (loss) for the reporting period	0	0	-2,347	-2,347
Total comprehensive income (loss)	**0**	**0**	**-2,347**	**-2,347**
Balance as at 30 June 2022	**5,408**	**4,431**	**-11,874**	**-2,035**

NOTES TO CONSOLIDATED INTERIM REPORT

NOTE 1 General Information

Baltika Group, with the parent company AS Baltika, is an international fashion retailer. Baltika develops and operates fashion brand Ivo Nikkolo. Baltika employs a business model, which means that it controls various stages of the fashion process: design, supply chain management, distribution/logistics, wholesale and retail. 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 13) of AS Baltika is KJK Fund Sicav-SIF (on ING Luxembourg S.A. account).

NOTE 2 Basis for Preparation

The consolidated condensed interim financial statements of the Group for the second quarter ended 30 June 2022 are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim financial statements should be read in conjunction with the Group's most recently published annual financial statements for the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards (IFRS). The interim report does not include all the information required for the presentation of the annual accounts. However, selected explanatory notes have been included in the interim financial statements to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual financial statements. The same accounting policies and methods of computation have been applied in the preparation of the interim financial statements as in the Group's annual financial statements for the year ended 31 December 2021.

NOTE 3 Significant management estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expenses.

Actual results may differ from these estimates. The significant judgements management made in the process of applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. 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 the information required for full annual financial statements.

NOTE 4 Management of 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.

The condensed interim financial statements do not include all the information on the Group's financial risk management that is required to be disclosed in the annual accounts. Accordingly, this interim report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021. There have been no material changes in the Group's risk management policies since the end of the previous financial year.

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NOTE 5 Trade and other receivables

Short-term trade and other receivables	30 June 2022	31 Dec 2021
Trade receivables, net	81	41
Other prepaid expenses	78	100
Tax prepayments and tax reclaims, thereof	34	47
Value added tax	34	47
Other current receivables	4	508
Total	**197**	**696**

Long-term assets		
Non-current lease prepayments	162	172
Total	**162**	**172**

All trade and other receivables are in euros.

NOTE 6 Inventories

	30 June 2022	31 Dec 2021
Fabrics and accessories	1	2
Finished goods and goods purchased for resale	2,093	2,556
Allowance for impairment of finished goods and goods purchased for resale	-100	-100
Prepayments to suppliers	50	33
Total	**2,044**	**2,491**

NOTE 7 Property, plant and equipment

In the first half of the year, the Group invested a total of 729 thousand euros in property, plant and equipment (in the comparable period, the total investment volume was 40 thousand euros). The most important investments are related to the opening of three new Ivo Nikkolo concept stores (two stores were opened in Riga and one store in Tallinn).

NOTE 8 Intangible assets

In the first half of the year, the Group invested a total of 29 thousand euros in intangible assets (in the comparable period, the total investment volume was 37 thousand euros). Investments in intangible assets are related to the development of new e-store and the implementation of an ERP system.

NOTE 9 Finance lease

During the six months ended on 30 June 2022, the Group concluded three new lease agreements for the use of commercial premises. When entering into lease agreements, the Group recorded 915 thousand euros in right of use assets and lease obligations (in the comparable period, right of use assets and lease liabilities were added in the amount of 121 thousand euros).

In addition to the above, the Group closed six unprofitable stores during the reporting period. In connection with the closure of unprofitable stores, five lease agreements were terminated during the reporting period – the termination of the lease agreement of one closed unprofitable store is planned for the third quarter. As a result of the closure of unprofitable stores, the right to use assets and lease liabilities in the amount of 142 thousand euros (in the comparable period, because of the termination of lease agreements, the right to use assets and lease liabilities decreased in the amount of 744 thousand euros).

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NOTE 10 Borrowings

	30 June 2022	31 Dec 2021
Current borrowings		
Current portion of bank loans	356	356
Current portion of finance lease liabilities	0	8
Total	**356**	**364**
Non-current borrowings		
Non-current bank loans	178	356
Non-current overtraft	2,871	1,985
Loans received from related parties (note 18)	1,000	0
Other non-current liabilities	71	84
Total	**4,120**	**2,425**
Total borrowings	**4,476**	**2,789**

During the reporting period, the Group received a loan with a principal amount of 1,000 thousand euros from its largest shareholder, KJK Fund SICAV-SIF. No interest is applied to the loan and the loan is granted without collateral. The loan repayment deadline is December 2024.

During the reporting period, the Group made bank loan repayments in the amount of 178 thousand euros (2021: 115 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 2,871 thousand euros as at 30 June 2022 (31 December 2021: 1,985 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 165 thousand euros (2021: 159 thousand euros), 6 months interests from lease liabilities recognised under IFRS 16 in the amount of 132 thousand euros (6 months 2021: 132 thousand euros).

Interest carrying loans and bonds of the Group as at 30 June 2022

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	3,405
Total		**3,405**

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**

NOTE 11 Trade and other payables

	30 June 2022	31 Dec 2021
Current liabilities		
Trade payables	1,158	1,032
Tax liabilities, thereof	597	759
Personal income tax	65	68
Social security taxes and unemployment insurance premium	284	329
Value added tax	237	361
Other taxes	0	1
Payables to employees[1]	11	329
Other current payables	338	140
Other accrued expenses	189	16
Customer prepayments	23	57
Total	**2,372**	**2,333**

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

Trade payables and other accrues expenses in denominated currency

	30 June 2022	31 Dec 2021
EUR (euro)	1,059	1,045
USD (US dollar)	122	3
Total	**1,181**	**1,048**

NOTE 12 Provisions

	30 June 2022	31 Dec 2021
Other provision	6	105
Total	**6**	**105**

NOTE 13 Equity

Share capital and reserves

	30 June 2022	31 Dec 2021
Share capital	5,408	5,408
Number of shares (pcs)	54,079,485	54,079,485
Nominal value of share (EUR)	0.10	0.10
Other reserves	4,431	4,431

As at 30 June 2022, 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 2021, under the Articles of Association, the company's minimum share capital was 2,000 thousand euros and the maximum share capital was 8,000 thousand euros. As at 30 June 2022 and 31 December 2021 share capital consists of ordinary shares, that are listed on the Nasdaq Tallinn Stock Exchange and all shares have been paid for.

[1] Other reserves amounting to EUR 4 431 thousand represent, as at 30 June 2022 and 31 December 2021 represents the non-interest-bearing loan with no fixed repayment date from KJK Fund Sicav-SIF.

Shareholders as at 30 June 2022

	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. AS SEB Bankas	331,525	0.61%
5. Kaima Capital Eesti OÜ	231,578	0.43%
6. SWEDBANK AS CLIENTS	178,130	0.33%
7. Tarmo Kõiv	120,002	0.22%
8. PAAVO KAIS	105,000	0.19%
9. Other shareholders	2,219,485	4.10%
Total	**54,079,485**	**100%**

The members of the Management Board and Supervisory Board and their close relatives owned Baltika shares as of 30 June 2022: 233,153 shares.

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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. AS SEB BANKAS	303,945	0.56%
5. Kaima Capital Eesti OÜ	231,578	0.43%
6. SWEDBANK AS, LATVIJA	152,922	0.28%
7. Tarmo Kõiv	143,000	0.26%
8. PAAVO KAIS	105,000	0.19%
9. Other shareholders	2,249,275	4.17%
Total	**54,079,485**	**100%**

The members of the Management Board and Supervisory Board and their close relatives owned Baltika shares as of 31 December 2021: 233,153 shares.

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 14 Segments

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

	Retail segment	E-com segments	All other segments[1]	Total
2 Q 2022				
Revenue (from external customers)	2,130	171	7	2,308
Segment profit (loss)[2]	-364	3	0	-361
Incl. depreciation and amortisation	-95	-6	0	-101
2 Q 2021				
Revenue (from external customers)	2,730	391	86	3,207
Segment profit (loss)[2]	561	-10	33	584
Incl. depreciation and amortisation	-103	-6	0	-109
6M 2022 and as at 30 June 2022				
Revenue (from external customers)	3,885	508	-10	4,383
Segment profit (loss)[2]	-1,003	23	0	-980
Incl. depreciation and amortisation	-166	-12	0	-178
Inventories of segments	1,110			1,110
6M 2021 and as at 30 June 2021				
Revenue (from external customers)	3,898	1,347	94	5,339
Segment profit (loss)[2]	-369	103	33	-233
Incl. depreciation and amortisation	-227	-6		-238
Inventories of segments	2,287			2,287

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

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Reconciliation of segment profit to consolidated operating profit

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Total segment profit	-361	584	-980	-233
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-254	-246	-617	-1,076
Administrative and general expenses	-271	-718	-633	-835
Other operating income (expenses), net	-34	451	48	685
Operating profit (loss)	**-920**	**71**	**-2,182**	**-1,459**

[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

	30 June 2022	31 Dec 2021
Total inventories of segments	1,110	1,915
Inventories in Parent company and production company	934	576
Inventories on statement of financial position	**2,044**	**2,491**

NOTE 15 Revenue

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Sale of goods in retail channel	2,130	2,730	3,885	3,898
Sale of goods in wholesale and franchise channel	3	62	-18	65
Sale of goods in e-commerce channel	171	391	508	1,347
Other sales	4	24	8	29
Total	**2,308**	**3,207**	**4,383**	**5,339**

Sales by geographical (client location) areas

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Estonia	1,094	2,040	2,069	3,575
Latvia	588	378	1,082	659
Lithuania	618	767	1,204	1,047
Other countries	8	22	27	58
Total	**2,308**	**3,207**	**4,383**	**5,339**

NOTE 16 Other operating income and expenses

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Gain (loss) from sale, impairment of PPE	-22	14	-68	-14
Other operating income[1]	-1	438	133	708
Foreign exchange gain (-loss)	-9	2	-11	-3
Fines, penalties and tax interest	0	0	0	0
Other operating expenses	-2	-3	-6	-6
Total	**-34**	**451**	**48**	**685**

[1]Other operating income in the comparable period includes government grants. The Group did not receive any government grants during the reporting period.

NOTE 17 Earnings per share

Basic earnings per share		2 Q 2022	2 Q 2021	6m 2022	6m 2021
Weighted average number of shares (thousand)	pcs	54,079	54,079	54,079	54,079
Net loss from continuing operations		-1,001	37	-2,347	-1,618
Basic earnings per share	**EUR**	**-0.02**	**-0.03**	**-0.04**	**-0.01**
Diluted earnings per share	**EUR**	**-0.02**	**-0.03**	**-0.04**	**-0.01**

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 0.25 euros (2021: 0.35 euros).

NOTE 18 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 13);
- 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

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Services purchased	0	6	2	12
Total	**0**	**6**	**2**	**12**

In 2022 and 2021, AS Baltika bought mostly management services from the related parties.

Balances with related parties

	30 June 2022	31 Dec 2021
Other loans and interests (Note 10)	1,000	3,992
Subordinated loans (presented in equity as part of other reserves)	4,431	0
Payables to related parties total	**5,431**	**3,992**

All transactions in 2022 as well as in 2021 reporting periods and balances with related parties as at 30 June 2022 and 31 December 2021 were with entities under the control or significant influence of the members of the Supervisory Board.

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Compensation for the members of the Management Board and Supervisory Board

	2 Q 2022	2 Q 2021	6m 2022	6m 2021
Salaries of the members of the Management Board	78	81	155	282
Remuneration of the members of the Supervisory Council	4	4	7	13
Total	**82**	**85**	**162**	**295**

Changes in the Management Board and Supervisory Board

On 21st June 2022, the Supervisory Board of AS Baltika recalled Flavio Perini from the position of Chairman of the Management Board by agreement of the parties. At the same time, AS Baltika's Supervisory Board elected Kristjan Kotkas as the new Chairman of the Superviosry Board. The new CEO of AS Baltika is the company's COO and Management Board member Brigitta Kippak.

AS BALTIKA SUPERVISORY BOARD

KRISTJAN KOTKAS
Member of the Supervisory Board since 08.10.2019, Chairman of the Supervisory Board since 21.06.2022
General Counsel at KJK Capital Oy
Master's degree in Law, University of Tartu
Master's degree in Law, University of Cape Town
Baltika shares held on 30 June 2022: 0

JAAKKO SAKARI MIKAEL SALMELIN
Member of the Supervisory Board since 21.06.2010, Chairman of the Supervisory Board during the period 23.05.2012 to 20.06.2022
Partner, KJK Capital Oy
Master of Science in Finance, Helsinki School of Economics
Baltika shares held on 30 June 2022: 0

REET SAKS
Member of the Supervisory Board since 25.03.1997
Legal Advisor at Farmi Piimatööstus
Degree in Law, University of Tartu
Baltika shares held on 30 June 2022: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Board since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Baltika shares held on 30 June 2022: 231,578 shares (on Kaima Capital Eesti OÜ account)

AS BALTIKA MANAGEMENT BOARD

BRIGITTA KIPPAK
Member of the Board since June 1st 2021, CEO since 21.06.2022, in the Group since 1997
Economics Degree (University of Tartu)
Baltika shares held on 30 June 2022: 1 575

FLAVIO PERINI
Member of the Board, CEO during the period 01.05.2020 to 20.06.2022
Member of the Board since 2020 to 20.06.2022, in the Group since 2020 to 20.06.2022
Law Degree (Università degli Studi di Parma)
Baltika shares held on 30 June 2022: 0