BALTIKA GROUP

AS BALTIKA

Consolidated interim report for the first quarter of 2023

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Valukoja 10, Tallinn 11415, Estonia
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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 2023 – 31 December 2023
Interim reporting period	1 January 2023 – 31 March 2023

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BALTIKA GROUP Consolidated interim report for the I quarter of 2023 (in thousand euros, unaudited)

BRIEF DESCIPRTION 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, 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 March 31, 2023, the Group employed 142 people (31.12.2022: 143).

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 March 31, 2023	Holding as at December 31, 2022
OÜ Baltika Retail	Estonia	Liquidated	0%	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

MANAGEMENT COMMENTARY

Despite a challenging economic environment, there are several areas where developments are moving in the right direction for the Group. Processes related to cost optimization, efficiency improvement, and profitability enhancement continue, and decisions made in previous periods are already having a positive impact on the Group's financial results.

The Group's total sales revenue for the first quarter across all channels was 2,160 thousand euros, increasing by 4% compared to the same period last year (Q1 2022: 2,075 thousand euros). The first-quarter gross profit was 1,150 thousand euros (Q1 2022: 849 thousand euros), representing a 35% increase compared to the same period last year. The gross profit margin for this quarter improved by 12 percentage points compared to the same time last year and was 53%. The Group's operating loss in the first quarter was 586 thousand euros, decreasing by 54% compared to the same period last year. In the first quarter, e-commerce sales accounted for 12% (Q1 2022: 16%) of the Group's total revenue.

In the first quarter of the year, we continued working on updating our network of stores:

- In January, we closed our Ivo Nikkolo store in Vilnius Akropolis shopping center in Lithuania due to the end of the lease agreement. The new Ivo Nikkolo concept store opened in November 2022 in Vilnius Panorama shopping center in Lithuania has been well-received by our former Vilnius Akropolis center customers.
- In February, we reopened the Ivo Nikkolo brand store located at Suur-Karja 14 address. The store was closed in November 2020 when the legendary location of the Suur-Karja street store became commercially challenging due to the absence of tourists during the COVID pandemic.
- In March, we opened a new Ivo Nikkolo concept store in Latvia. We replaced our old Ivo Nikkolo store in Galleria Riga shopping center with a new Ivo Nikkolo conept store.

In February, the Group began preparations for entering the Business-to-Business (B2B) market. In the B2B segment, the Group's focus is on finding business partners for wholesale and consignment sales both within and outside the Baltics. The goal of entering the B2B segment is to support the growth of Ivo Nikkolo product sales, increase brand awareness, and stabilize the Group's liquidity position.

The Group has continued its commitment to addressing environmental changes. At the beginning of January, we joined the packaging circular system called Tango for e-commerce platforms. The aim of joining the system is to reduce the amount of single-use packaging waste generated from shopping on our e-commerce platform. Our customers now have the option to order their products in reusable packaging called Low imPACK and receive a deposit refund upon returning the packaging. Among clothing retail companies, the Group is the first to have joined the e-commerce packaging circular system with its Ivo Nikkolo brand e-store.

The Group's marketing and general administrative expenses in the first quarter were 1,870 thousand euros, decreasing by 15% compared to the same period last year (Q1 2022: 2,193 thousand euros). The Group has been able to effectively reduce marketing and general administrative expenses through consistent cost-cutting measures, efficiency improvements, and the closure of unprofitable stores.

The Group's management evaluates the results of the first quarter as positive. The Group managed to increase the sales revenue of Ivo Nikkolo products and significantly improve the gross profitability of the Group. The consistent increase in efficiency and the closure of unprofitable stores have gradually improved the Group's financial indicators. Increasing efficiency will continue to be a focus for the Group going forward.

The Group remains committed to its chosen strategy and continues its implementation by:

1. Developing modern and high-quality products in its women's fashion brand, Ivo Nikkolo, which are available in Estonia, Latvia, and Lithuania, as well as through the Group's e-commerce platform in other European countries.
2. Continuing to enhance its omnichannel strategy and the functionality of its e-commerce platform.
3. Opening new Ivo Nikkolo concept stores in the Baltics.
4. Exploring and developing new business opportunities both within and outside the Baltics.

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

- On January 4, 2023, we closed our Ivo Nikkolo store in Vilnius Akropolis shopping center in Lithuania due to the expiration of the lease agreement. The new Ivo Nikkolo concept store opened in Lithuania in November 2022 in the Vilnius Panorama shopping center has been well received by our former Vilnius Akropolis center customers.

- On January 5, 2023 Baltman OÜ, a subsidiary of AS Baltika, and Kalaport OÜ entered a compromise, which ended the legal dispute regarding the lease agreement for the Ivo Nikkolo store located at Suur-Karja 14 in Tallinn’s old town, which began in early 2021, by agreement between the parties. With the compromise, both Kalaport OÜ and Baltman OÜ mutually waived all claims and Baltman OÜ will continue to fulfill the lease agreement, considering the differences agreed in the compromise, from February 2, 2023. The parties have agreed that the terms of the compromise agreement are confidential. Harju County Court approved on January 10, 2023, the compromise agreement.

- In mid-January 2023, Baltika joined the e-store packaging recycling system. Customers of our e-store have the opportunity to order goods in reusable Low imPACK packaging. The goal of the system is to reduce the amount of disposable packaging waste generated when shopping in the e-store.

- On February 8, 2023, our brand store at Ivo Nikkolo Suur-Karja 14 was reopened. The store was closed in November 2020, when during the COVID pandemic, the legendary location of the Suur-Karja street store became commercially problematic due to the lack of tourists. In today’s market situation, the Group again believes in the potential of this region.

- On March 3, 2023, a new Ivo Nikkolo concept store was opened in Latvia. We replaced our old Ivo Nikkolo store in Galleria Riga shopping centre with the new Ivo Nikkolo concept store.

- Baltika, along with its shareholder, KJK Fund SICAV-SIF, through its holding company, has entered into a loan agreement effective from May 10, 2023. Under the agreement, KJK Fund SICAV-SIF will provide a loan to Baltika in the amount of 500 thousand euros, with an annual interest rate of 6.0% and a repayment deadline of December 31, 2024. The loan is unsecured. The purpose of the loan is to finance Baltika's business activities.

- On May 10, 2023, we closed our Ivo Nikkolo store in Klaipeda Akropolis shopping centre in Lithuania due to the expiration of the lease agreement.

REVENUE

The Group's first-quarter sales revenue was 2,160 thousand euros, representing a 4% increase compared to the same period last year.

Sales revenue by channel

EUR thousand	Q1 2023	Q1 2022	+/-
Retail	1,897	1,755	8%
E-com sales	256	337	-24%
Other	6	-17	-134%
Total	**2,160**	**2,075**	**4%**

Stores and sales area

As of March 31, 2023, the Group had 25 stores. In the first quarter, the Ivo Nikkolo store in Vilnius Akropolis shopping centre in Lithuania was closed due to the expiration of the lease agreement. In February, the Ivo Nikkolo brand store located at Suur-Karja 14 address was reopened. The store was closed in November 2020 when the legendary location of the Suur-Karja street store became commercially challenging due to the absence of tourists during the COVID pandemic. In the current market situation, the Group believes in the potential of that area once again.

Stores by market

	March 31, 2023	March 31, 2022	Average area change*
Estonia	10	13	-31%
Lithuania	8	9	-17%
Latvia	7	7	-7%
Total stores	**25**	**29**	
Total sales area, sqm	**6,289**	**8,009**	**-21%**

Retail

The retail sales in the first quarter were 1,897 thousand euros, representing an 8% increase compared to the same period last year.

Retail sales by market

EUR thousand	Q1 2023	Q1 2022	+/-	Share
Estonia	870	813	7%	46%
Lithuania	501	524	-4%	26%
Latvia	527	419	26%	28%
Total	**1,897**	**1,755**	**8%**	**100%**

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

	Q1 2023	Q1 2022	+/-
Estonia	106	68	55%
Lithuania	85	73	16%
Latvia	112	70	60%
Total	**101**	**72**	**40%**

Sales in other channels

The e-commerce sales revenue in the first quarter was 256 thousand euros, decreasing by 24% compared to the same period last year. The decrease in e-commerce sales revenue compared to the previous year is attributed to the fact that there was a deeper and longer discount campaign in the e-commerce store during the same period last year than in the first quarter of this year. The change in the e-commerce store's discount strategy is in line with the Group's overall objective of managing discount campaigns more profitably. The gross profit of the e-commerce store in the first quarter was 108 thousand euros (Q1 2022: 132 thousand euros), decreasing by 18% compared to the same period last year. The gross profit margin of the e-commerce store was 42%, improving by 3 percentage points compared to the same period last year (Q1 2022: 39%).

COMPARABLE SALES AREA RESULTS (LIKE-FOR-LIKE, LFL)

LFL is a sales performance metric that is adjusted for new or closed stores. This method compares the current period sales with the sales of only those stores that were also open during the comparable period last year.

The table below provides an overview of the number and size of sales areas included in the LFL comparison:

	Number of stores included in the LFL comparison	Sales area, sqm[1]		
		Q1 2023	Q1 2022	Change
Estonia	7	2,036	2,021	1%
Lithuania	8	1,960	2,078	-6%
Latvia	5	1,229	1,289	-5%
Total	**20**	**5,225**	**5,389**	**-3%**

[1]The difference in sales area (sqm) between quarters is due to the relocation of the Riga Spice and Vilnius Panorama stores, resulting in a decrease in their respective areas. The difference in sqm for Estonia is due to the temporary closure of the Tartu Kaubamaja store for a week in the first quarter of 2022 due to renovations.

The table below provides an overview of key LFL metrics:

	Retail sales by market, EUR thousand			Sales per sqm in a month, EUR			Gross profit margin		
	Q1 2023	Q1 2022	+/-	Q1 2023	Q1 2022	+/-	Q1 2023	Q1 2022	+/-[1]
Estonia	668	454	47%	109	82	33%	58%	54%	5%
Lithuania	498	437	14%	85	70	21%	57%	49%	9%
Latvia	420	319	32%	114	75	52%	58%	51%	7%
Total	**1,586**	**1,210**	**31%**	**103**	**76**	**35%**	**58%**	**51%**	**7%**

[1]Comparison is expressed in percentage points.

All key indicators of comparable sales areas have improved compared to the same period last year. Total sales revenue across all markets has increased by 31% compared to the same period last year. The efficiency of comparable sales areas (sales per square meter) has improved by an average of 35% compared to the same period last year. This is a strong indication that the Group has significantly improved its efficiency and is utilizing its existing resources more effectively. Additionally, the profitability of the observed stores has significantly improved, with the average gross profit margin across all markets reaching 58%, an increase of 7 percentage points compared to the same period last year.

GROSS PROFIT AND GROSS MARGIN

The gross profit for the quarter was 1,150 thousand euros, representing a 35% increase compared to the same period last year (Q1 2022: 849 thousand euros). The Group's gross profit margin in the first quarter was 53%, showing a 12 percentage point increase compared to the same period last year (Q1

2022: 41%). Well-managed discount campaigns in the first quarter significantly improved the Group's gross profitability compared to the comparative period.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

The Group's sales and general administrative expenses in the first quarter were 1,870 thousand euros, decreasing by 15% compared to the same period last year (Q1 2022: 2,193 thousand euros). Retail market expenses decreased by 14% (228 thousand euros) compared to the same period last year. The decrease in retail market expenses is attributed to overall cost savings and the closure of unprofitable stores. The Group's general administrative expenses have decreased by 26% (95 thousand euros) compared to the same period last year. Reducing general administrative expenses is part of the Group's restructuring plan.

OPERATING AND NET PROFIT

The Group incurred an operating loss of 586 thousand euros in the first quarter, compared to an operating loss of 1,262 thousand euros in the same period last year. The Group reduced its operating loss by 54% compared to the comparable period.

The Group's net loss for the first quarter was 641 thousand euros, compared to a net loss of 1,345 thousand euros in the comparable period. The Group reduced its net loss by 52% compared to the comparable period.

FINANCIAL POSITION

As of March 31, 2023, the Group’s cash and cash equivalents amounted to 129 thousand euros (31.12:2022: 222 thousand euros). As of the end of the quarter, the overdraft was used in the amount of 3,000 thousand euros (out of the limit of 3,000 thousand euros).

Fixed assets were acquired in the first quarter for 230 thousand euros and depreciation was 130 thousand euros. The residual value of fixed assets has increased by 76 thousand euros compared to the end of the previous year and was 1,931 thousand euros.

As of March 31, 2023, the right-of-use assets amounted to 4,066 thousand euros. The right-of-use assets decreased by 530 thousand euros compared to the end of the previous year. This decrease was due to changes in lease agreements, resulting in a decrease of 123 thousand euros in the value of the right-of-use assets, and depreciation led to a decrease of 407 thousand euros in the value of the right-of-use assets. As a result of the compromise agreement between the subsidiary Baltman OÜ and Kalaport OÜ, signed on January 5, 2023, the Group reduced the carrying value of the right-of-use asset for the Ivo Nikkolo store located at Suur-Karja 14 to zero. The Group recognized the amount of the reduction in lease liabilities that exceeded the carrying value of the right-of-use asset as a one-time other operating income in the amount of 155 thousand euros in the income statement.

As of March 31, 2023, the total debt obligation amounted to 8,737 thousand euros, which indicates a decrease in debt obligations by 538 thousand euros compared to the end of the previous year (31.12.2022: 9,275 thousand euros), including the change in overdraft facility. The decrease in debt obligations is primarily due to the compromise agreement between Baltman OÜ and Kalaport OÜ, which resulted in a reassessment of the lease liability associated with the Ivo Nikkolo store located at Suur-Karja 14, reducing it by 322 thousand euros.

As of March 31, 2023, the Group's equity amounted to 3,067 thousand euros. The Group's equity has decreased by 642 thousand euros compared to the end of the previous year (31.12.2022: 3,709 thousand euros). The decrease in equity is attributed to the loss incurred in the first quarter.

Cash flow from operating activities in the first quarter was 487 thousand euros (Q1 2022: 568 thousand euros). In the first quarter, 230 thousand euros (Q1 2022: 424 thousand euros) were put into investment activities. Cash flows from financing activities include repayments of lease obligations with interest of 489 thousand euros. The part of overdrafts increased by 261 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 first quarter amounted to -93 thousand euros (Q1 2022: -86 thousand euros).

As of March 31, 2023, the Group's net debt (interest-bearing liabilities minus cash and cash equivalents) amounted to 7,608 thousand euros, which is 445 thousand euros less than the end of the previous year (31.12.2022: 8,052 thousand euros). The net debt to equity ratio as of March 31, 2023, was 248% (31.12.2022: 217%). The Group's liquidity ratio was 0.76 at the end of the first quarter (31.12.2022: 0.82).

PEOPLE

As of the end of the first quarter, the Group employed 142 people, which is 1 person less than on December 31, 2022 (143). This includes 102 employees in retail (31.12.2022: 106) and 40 employees at the headquarters (31.12.2022: 37).

In the first quarter, the Group paid a total of 623 thousand euros in salaries to its employees (Q1 2022: 718 thousand euros). The remuneration for the members of the Supervisory Board and Management Board amounted to 46 thousand euros (Q1 2022: 80 thousand euros).

ONGOING QUARTER

The group's sales revenue for the period of April 1, 2023, to May 29, 2023, was 1,518 thousand euros, remaining at a similar level compared to the same period last year (April 1, 2023, to May 29, 2023: 1,532 thousand euros). The retail sales efficiency (sales per square meter per month, EUR) was 114 EUR, increasing by 16% compared to the same period last year.

In April, Ivo Nikkolo presented a contemporary feminine clothing and accessory collection at two of the largest fashion events in the Baltics, namely Tallinn Fashion Week (April 1, 2023) and Riga Fashion Week (April 20, 2023).

On May 10, 2023, we closed our Ivo Nikkolo store in Klaipeda Akropolis shopping center in Lithuania due to the expiration of the lease agreement.

KEY FIGURES OF THE GROUP (I QUARTER OF 2023)

Sales activity key figures	3M and 31 March 2023	3M and 31 March 2022	3M and 31 March 2021	3M and 31 March 2020	3M and 31 March 2019
Revenue (EUR thousand)	2,160	2,075	2,132	6,137	9,270
Retail sales (EUR thousand)	1,897	1,755	1,168	5,385	7,975
Share of retail sales in revenue	87.9%	84.6%	54.79%	87.75%	86%
Number of stores	25	29	48	78	91
Sales area (sqm) (end of period)	6,289	8,009	11,649	15,580	17,082
Number of employees (end of period)	142	155	247	495	946
Gross margin	53.2%	40.9%	40.9%	44.8%	47.8%
EBITDA (EUR thousand)	-182	-495	-402	-525	672
Net profit (EUR thousand)	-823	-1,345	-1,655	-2,474	-1,442
EBITDA margin	-8.4%	-23.8%	-18.87%	-8.55%	7.20%
Operating margin	-35.5%	-60.8%	-71.76%	-35.97%	-11.60%
EBT margin	-38.1%	-64.8%	-77.65%	-40.31%	-15.60%
Net margin	-38.1%	-64.8%	-77.65%	-40.31%	-15.60%
Inventory turnover	1.88	1.73	0.94	1.37	1.78

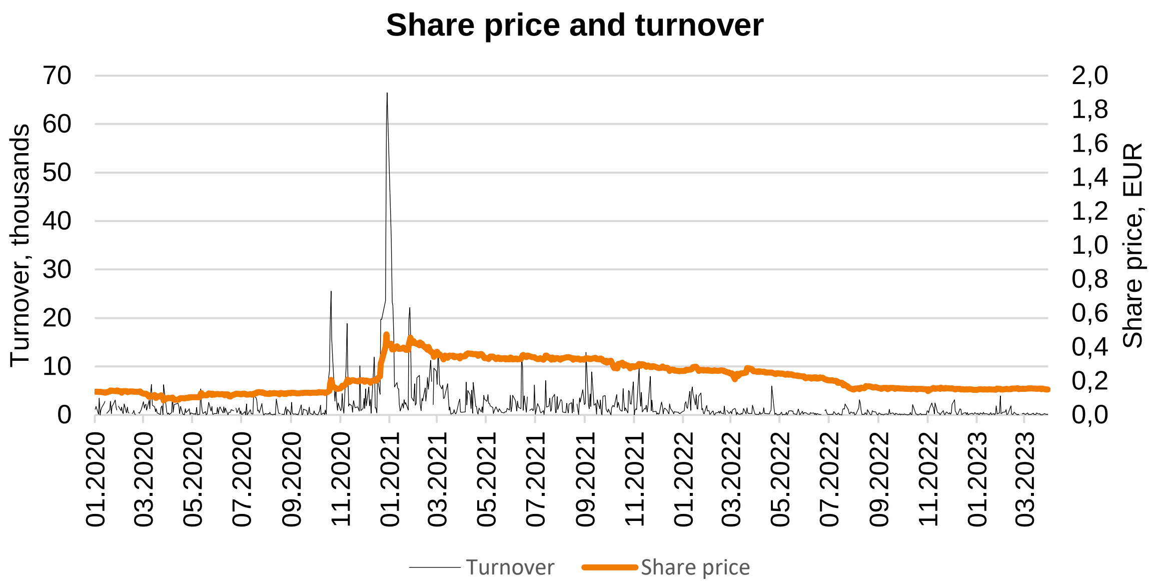
Other ratios	3M and 31 March 2023	3M and 31 March 2022	3M and 31 March 2021	3M and 31 March 2020	3M and 31 March 2019
Current ratio	0.73	0.61	0.61	0.80	0.50
Net gearing ratio	248%	-856.0%	9509.0%	2823.9%	-1198.3%
Return on equity	-40.9%	-349.7%	-311.6%	-444.7%	-62.8%
Return on assets	-6.0%	-10.9%	-8.3%	-9.1%	-8.3%

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.

Brigitta Kippak
Chairman of the Management Board, CEO
May 31, 2023

Margus Olesk
Member of the Management Board, CFO
May 31, 2023

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the first quarter of 2023 as presented on pages 14-24.

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.

3. The Group is going concern.

Brigitta Kippak
Chairman of the Management Board, CEO
May 31, 2023

Margus Olesk
Member of the Management Board, CFO
May 31, 2023

BALTIKA GROUP Consolidated interim report for the I quarter of 2023 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	March 31, 2023	Dec 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		129	222
Trade and other receivables	5	3,165	3,285
Inventories	6	2,066	1,960
Total current assets		**5,359**	**5,467**
Non-current assets			
Deferred income tax asset		91	91
Trade and other receivables	5	2,796	2,756
Other non-current assets	5	111	107
Property, plant, and equipment	7	1,364	1,269
Right-of-use assets	8	4,066	4,596
Intangible assets		567	586
Total non-current assets		**8,994**	**9,405**
TOTAL ASSETS		**14,353**	**14,872**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	9	3,275	3,096
Lease liabilities	8	1,493	1,813
Trade and other payables	10	2,405	1,741
Total current liabilities		**7,173**	**6,650**
Non-current liabilities			
Borrowings	9	1,061	1,070
Lease liabilities	8	2,908	3,296
Trade and other payables	10	143	147
Total non-current liabilities		**4,113**	**4,513**
TOTAL LIABILITIES		**11,286**	**11,163**
EQUITY			
Share capital at par value	11	5,408	5,408
Reserves	11	4,431	4,431
Retained earnings (-losses)		-6,772	-6,130
TOTAL EQUITY		**3,067**	**3,709**
TOTAL LIABILITIES AND EQUITY		**14,353**	**14,872**

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Q1 2023	Q1 2022
Revenue	12,13	2,160	2,075
Cost of goods sold		-1,010	-1,226
Gross profit		**1,150**	**849**
Distribution costs		-1,602	-1,831
Administrative and general expenses		-268	-362
Other operating income (-expense)	14	133	82
Operating profit (-loss)		**-586**	**-1,262**
Interest income		39	0
Interest expense		-94	-83
Profit (-loss) before income tax		**-641**	**-1,345**
Income tax expense		0	0
Total comprehensive income (-loss) for the period		**-641**	**-1,345**
Basic earnings per share from net profit (-loss) for the period, EUR	15	**-0.01**	**-0.02**
Diluted earnings per share from net profit (-loss) for the period, EUR	15	**-0.01**	**-0.02**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Q1 2023	Q1 2022
Cash flows from operating activities			
Net profit (-loss)		-641	-1 345
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles		537	722
Gain (loss) from sale, impairment of PPE, non-current assets, net		24	64
Other non-monetary adjustments	8	-155	0
Changes in working capital:			
Change in trade and other receivables	5	113	451
Change in inventories		-106	346
Change in trade and other payables	10	661	247
Interest expense		94	83
Interest income		-39	0
Net cash generated from operating activities		**487**	**568**
Cash flows from investing activities			
Acquisition of PPE, intangibles	7	-230	-424
Net cash used in investing activities		**-230**	**-424**
Cash flows from financing activities			
Repayments of borrowings	9	-89	-89
Interest paid		-33	-15
Change in bank overdraft	9	261	574
Other payments from financing activities		0	-6
Repayments of lease liabilities, principle	8	-430	-627
Repayments of lease liabilities, interest	9	-59	-67
Net cash generated from (used in) financing activities		**-350**	**-230**
Total cash flows		**-93**	**-86**
Cash and cash equivalents at the beginning of the period		**222**	**614**
Cash and cash equivalents at the end of the period		**129**	**528**
Change in cash and cash equivalents		**-93**	**-86**

BALTIKA GROUP Consolidated interim report for the I quarter of 2023 (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 December 31, 2021	**5,408**	**4,431**	**-9,527**	**312**
Net profit (-loss) for the reporting period	0	0	-1,345	-1,345
Total comprehensive income (-loss)	**0**	**0**	**-1,345**	**-1,345**
Balance as at March 31, 2022	**5,408**	**4,431**	**-10,827**	**-1,033**
Balance as at December 31, 2022	**5,408**	**4,431**	**-6,130**	**3,709**
Net profit (-loss) for the reporting period	**0**	**0**	-641	-641
Total comprehensive income (-loss)	**0**	**0**	**-641**	**-641**
Balance as at March 31, 2023	**5,408**	**4,431**	**-6,772**	**3,067**

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, 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 11) 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 first quarter ended March 31, 2023 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 December 31, 2022, 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 December 31, 2022.

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 3 Significant management estimates, judgements and errors

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.

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 December

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31, 2022. There have been no material changes in the Group's risk management policies since the end of the previous financial year.

NOTE 5 Trade and other receivables

Short-term trade and other receivables	**March 31, 2023**	**Dec 31, 2022**
Trade receivables, net	79	84
Other receivables	3,000	3,000
Other prepaid expenses	72	185
Tax prepayments and tax reclaims, thereof	14	16
Value added tax	14	16
Other current receivables	0	0
Total	**3,165**	**3,285**
Long-term trade and other receivables		
Other receivables[1]	2,796	2,756
Total	**2,796**	**2,756**
Other long-term assets		
Deposits	111	107
Total	**111**	**107**

All trade and other receivables are in euros.

[1]The entry reflects a long-term receivable in the present value of 2,796 thousand euros arising from the sale of trademarks to Niul OÜ in 2022.

NOTE 6 Inventories

	March 31, 2023	**Dec 31, 2022**
Fabrics and accessories	1	20
Finished goods and goods purchased for resale	1,970	1,850
Allowance for impairment of finished goods and goods purchased for resale	111	104
Prepayments to suppliers	**2,066**	**1,960**
The expense of inventory write-down during the period 1.01.-31.03.	-16	-15

NOTE 7 Property, plant and equipment

During the reporting period, the Group invested a total of 230 thousand euros property, plant and equipment (compared to a total investment of 424 thousand euros in the comparable period). The significant investments are related to the opening of a new Ivo Nikkolo concept store in Galleria Riga shopping centre in Latvia.

During the reporting period, the Group wrote off property, plant and equipment with a net book value of 25 thousand euros (compared to a net book value write-off of 46 thousand euros in the comparable period). The write-offs are related to the shop inventory and construction works written off during the closure of the Vilnius Akropolis store.

NOTE 8 Leases

During the first quarter, the Group did not terminate any lease agreements or enter into any new lease agreements.

The Group's lease liabilities decreased by 708 thousand euros in the first quarter. The movements related to rental payments in the first quarter are as follows:

- The Group paid a total of 430 thousand euros in rental payments during the quarter.

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- The first quarter brought about the indexation of rents for shopping centre rental spaces. As a result of rent indexation, lease liabilities and right-of-use assets increased by 137 thousand euros.
- One of the management's goals is to achieve favourable rental terms for existing rental spaces. Through successful negotiations, the Group obtained temporary rental concessions for several rental spaces. As a result of rent reductions, lease liabilities and right-of-use assets decreased by 93 thousand euros.
- As a result of the compromise agreement concluded between the Group's subsidiary Baltman OÜ and Kalaport OÜ on January 5, 2023, the Group reduced the lease liability associated with the rental agreement for the Ivo Nikkolo store located at Suur-Karja 14 by 322 thousand euros. At the time of signing the compromise agreement, the net book value of the right-of-use asset for the rented space at Suur-Karja 14 was 167 thousand euros. The Group recognized the amount of the reduction in lease liability, which exceeded the net book value of the right-of-use asset, as a one-time other operating income in the amount of 155 thousand euros in the income statement.

NOTE 9 Borrowings

	March 31, 2023	Dec 31, 2022
Current borrowings		
Current portion of bank loans	267	356
Current portion of overdraft	3,000	2,740
Current portion of other borrowings	8	0
Total	**3,275**	**3,096**
Non-current borrowings		
Loans received from related parties (note 16)	1,000	1,000
Other non-current liabilities	61	70
Total	**1,061**	**1,070**
Total borrowings	**4,336**	**4,166**

During the reporting period, the Group made loan repayments in the amount of 89 thousand euros (Q1 2022: 89 thousand euros). As of March 31, 2023, the amount utilized from the overdraft was 3,000 thousand euros (31.12.2022: 2,740 thousand euros).

The total interest expense on all interest-bearing obligations during the reporting period amounted to 95 thousand euros (Q1 2022: 83 thousand euros); 59 thousand euros related to lease liabilities recognized in accordance with IFRS 16 (Q1 2022: 67 thousand euros).

Interest carrying loans and bonds of the Group as at March 31, 2023

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2,00%	3,275
Total		**3,275**

Interest carrying loans and bonds of the Group as at December 31, 2022

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2,00%	3,096
Total		**3,096**

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NOTE 10 Trade and other payables

	March 31, 2023	Dec 31, 2022
Current liabilities		
Trade payables	1,551	970
Tax liabilities, thereof	412	385
Personal income tax	*46*	*48*
Social security taxes and unemployment insurance premium	*227*	*238*
Value added tax	*105*	*89*
Other taxes	*34*	*10*
Payables to employees[1]	350	305
Customer prepayments	83	61
Other accrued expenses	8	6
Other current payables[2]	2	14
Total	**2,405**	**1,741**
Non-current liabilities		
Other non-current liabilities[2]	143	147
Total	**143**	**147**
Total trade and other payables	**2,549**	**1,888**

[1]Payables to employees consist of accrued wages, salaries and vacation reserve.
[2]Other current and non-current payables include the liability arising from the exclusive license agreement for Ivo Nikkolo trademarks in the adjusted acquisition cost.

Trade payables and other accrued expenses in denominated currency

	March 31, 2023	Dec 31, 2022
EUR (euro)	1,206	744
USD (US dollar)	353	232
Total	**1,559**	**976**

NOTE 11 Equity

Share capital and reserves

	March 31, 2023	Dec 31, 2022
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[1]	4,431	4,431

As at March 31, 2023, 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 December 31, 2022, 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 March 31, 2023 and December 31, 2022 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 March 31, 2023 and December 31, 2022 represents the non-interest-bearing loan with no fixed repayment date from KJK Fund Sicav-SIF.

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Shareholders as at March 31, 2023

	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	366,974	0.68%
5. Kaima Capital Eesti OÜ	231,578	0.43%
6. SWEDBANK AS CLIENTS	149,411	0.28%
7. Tarmo Kõiv	114,002	0.21%
8. PAAVO KAIS	108,000	0.20%
9. Other shareholders	2,229,579	4.12%
Total	**54,079,485**	**100%**

The members of the Management Board and Supervisory Board and their close relatives owned Baltika shares as of March 31, 2023: 233,153 shares.

Shareholders as at December 31, 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	349,730	0.65%
5. Kaima Capital Eesti OÜ	231,578	0.43%
6. SWEDBANK AS CLIENTS	152,831	0.28%
7. Tarmo Kõiv	114,002	0.21%
8. PAAVO KAIS	108,000	0.20%
9. Other shareholders	2,229,579	4.12%
Total	**54,079,485**	**100%**

The members of the Management Board and Supervisory Board and their close relatives owned Baltika shares as of December 31, 2022: 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 12 Segments

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

	Retail segment	E-com segments	All other segments[1]	Total
Q1 2023 and as at March 31, 2023				
Revenue (from external customers)	1,897	256	6	2,160
Segment profit (-loss)[2]	-263	38	0	-225
Incl. depreciation and amortisation	-101	-7	0	-108
Inventories of segments	1,219	0	0	1,219
Q1 2022 and as at March 31, 2022				
Revenue (from external customers)	1,755	337	-17	2,075
Segment profit (-loss)[2]	-639	19	0	-620
Incl. depreciation and amortisation	-71	-6	0	-77
Inventories of segments	1,471	0	0	1,471

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

Reconciliation of segment profit to consolidated operating profit

	Q1 2023	Q1 2022
Total segment profit	-225	-620
Unallocated expenses[1]:		
Costs of goods sold and distribution costs	-226	-362
Administrative and general expenses	-268	-362
Other operating income (-expenses), net	133	82
Operating profit (-loss)	**-586**	**-1 262**

[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

	March 31, 2023	Dec 31, 2022
Total inventories of segments	1,219	1,112
Inventories in Parent company	847	848
Inventories on statement of financial position	**2,066**	**1,960**

NOTE 13 Revenue

	Q1 2023	Q1 2022
Sale of goods in retail channel	1,897	1,755
Sale of goods in wholesale and franchise channel	3	-21
Sale of goods in e-commerce channel	256	337
Other sales	3	4
Total	**2,160**	**2,075**

Sales by geographical (client location) areas

	Q1 2023	Q1 2022
Estonia	1,012	975
Latvia	588	494
Lithuania	549	586
Other countries	10	20
Total	**2,160**	**2,075**

NOTE 14 Other operating income and expenses

	Q1 2023	Q1 2022
Gain (-loss) from sale, impairment of PPE	-25	-46
Other operating income[1]	155	134
Foreign exchange gain (-loss)	5	-2
Other operating expenses	-2	-4
Total	**133**	**82**

[1]Other operating income in the comparable period includes government grants. During the reporting period, the Group did not receive any government grants. The other operating income of 155 thousand euros in this quarter is due to the revaluation of lease liabilities (see more details in note 8).

NOTE 15 Earnings per share

		Q1 2023	Q1 2022
Weighted average number of shares (thousand)	pcs	54,079	54,079
Net profit (-loss) from continuing operations		-641	-1,345
Basic earnings per share	**EUR**	**-0.01**	**-0.02**
Diluted earnings per share	**EUR**	**-0.01**	**-0.02**

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Nasdaq Tallinn Stock Exchange in the reporting period was 0.15 euros (2022: 0.26 euros).

NOTE 16 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 11);
- 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

	Q1 2023	Q1 2022
Services purchased	0	2
Total	**0**	**2**

In 2023, AS Baltika has not purchased services from related parties. In 2022, AS Baltika mainly purchased management services from related parties.

Balances with related parties

	March 31, 2023	Dec 31, 2022
Other loans and interests (Note 9)	1,000	1,000
Subordinated loans (presented in equity as part of other reserves)	4,431	4,431
Payables to related parties total	**5,431**	**5,431**

All transactions in 2023 as well as in 2022 reporting periods and balances with related parties as at March 31, 2023 and December 31, 2022 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

	Q1 2023	Q1 2022
Salaries of the members of the Management Board	43	77
Remuneration of the members of the Supervisory Council	3	3
Total	**46**	**80**

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 March 31, 2023: 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 March 31, 2023: 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 March 31, 2023: 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 March 31, 2023: 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 March 31, 2023: 1 575

MARGUS OLESK

Member of the Board since November 1st, CFO since 01.06.2022, in the Group since 2022
Taxation and Customs Degree (Estonian Academy of Security Sciences)
Baltika shares held on March 31, 2023: 0