AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months 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 October 2022 – 31 December 2022

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Consolidated interim report for the IV quarter and 12 months 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, 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 31st December 2022, the Group employed 143 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 31 Dec 2022	Holding as at 31 Dec 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

MANAGEMENT COMMENT

The Group's fourth quarter sales revenue across all channels totalled 2,803 thousand euros, increasing by 7% compared to the same period last year (Q4 2021: 2,614 thousand euros). Sales revenue for 12 months reached 9,613 thousand euros, decreasing by 18% compared to the previous year (2021: 11,770 thousand euros). In 2022, the sales revenue of the e-store accounted for 10% (2021: 17%) of the Group's total revenue.

The year 2022 brought with it strong growth in sales of Ivo Nikkolo products. The sales revenue of Ivo Nikkolo products increased by 38% to 9,482 thousand euros in 2022. In 2022, sales of Ivo Nikkolo products accounted for 98% of the Group's total sales revenue. From the second half of 2021, the Group operated with only one brand – Ivo Nikkolo. In 2021, the sales revenue of the discontinued brands Monton, Mosaic, Baltman and Bastion made up 42%, the remaining 58% of the sales revenue was made up by the sale of Ivo Nikkolo products.

In the fourth quarter, the Group showed strong sales revenue growth in both retail and e-store sales. Fourth quarter retail sales were 2,530 thousand euros, increasing by 6% compared to the same period last year (Q4 2021: 2,395 thousand euros). The sales revenue of the e-store in the fourth quarter was 235 thousand euros, which is 13% higher compared to the same period last year (Q4 2021: 209 thousand euros).

In the last quarter of the year, we continued to update our store network. At the end of November, we opened the first new Ivo Nikkolo concept store in Lithuania – we replaced the old Ivo Nikkolo store in the Vilnius Panorama shopping centre with a new Ivo Nikkolo concept store. Panorama shopping centre is located in Žverynas, one of the oldest and most prestigious business and residential districts in the centre of Vilnius. Panorama shopping centre is highly valued among visitors for its bright interior design, comfortable shopping environment and high-quality service. In the fourth quarter, Ivo Nikkolo's main focus was on marketing activities. In October, we started an extensive brand awareness campaign in Latvia and Lithuania, which lasted for three months. In addition to the above, Ivo Nikkolo presented a modern feminine clothing and accessory collection at the two biggest fashion events in the Baltics, which were Riga Fashion Week (11.10.2022) and Tallinn Fashion Week (20.10.2022).

The gross profit of the fourth quarter was 1,579 thousand euros, decreasing by 5% compared to the same period last year (Q4 2021: 1,671 thousand euros). Gross profit for 12 months was 4,938 thousand euros, decreasing by 19% compared to the same period last year (12 months 2021: 6,120 thousand euros). The decrease in gross profit is due to the fact that the Group operates with only one brand (Ivo Nikkolo) in 2022, but in the comparable period, a significant part of the Group's sales revenue was the sales results of the discontinued brands Monton, Mosaic, Baltman and Bastion. The Group's gross profit margin was 56% in the fourth quarter, while the comparable period's gross profit margin was 64%. The decrease in the gross profit margin by 8 percentage points is due to the increase in raw material and transportation prices in the second half of 2022 and the strengthening of the US dollar, which led to a significant increase in costs in the purchase price and delivery of goods. The Group has only partially passed on the price increase to customers, which explains the decrease in the gross profit margin compared to the comparison period. The Group's 12-month gross profit margin was 51%, remaining at a similar level compared to the same period last year (12M 2021: 52%).

The net loss for the fourth quarter was 561 thousand euros, the result of the comparable period was a net loss of 890 thousand euros. The Group's 12-month net profit was 3,493 thousand euros. The 12-month result is significantly affected by the conclusion of the contract for the sale of the Ivo Nikkolo trademarks and the contract for the exclusive use of the Ivo Nikkolo trademarks in August. The result for 12 months without considering the sale transaction of Ivo Nikkolo trademarks was a net loss of 3,943 thousand euros. In the comparable period, there was a net loss of 2,900 thousand euros.

The Group's distribution and administrative expenses were 2,084 thousand euros in the fourth quarter, decreasing by 9% compared to the same period last year (Q4 2021: 2,289 thousand euros). Despite high inflation and the energy crisis, the Group has been able to reduce distribution and administrative expenses through consistent cost reduction, increased efficiency and closure of unprofitable stores.

The Management Board of the Group assesses the results of 12 months as positive. The Group was able to strongly increase the sales revenue of Ivo Nikkolo products and maintain good gross profitability despite the uncertain economic environment, increased raw material and transport prices and the volatility of the US dollar. Consistently increasing efficiency and closing unprofitable stores has gradually improved the Group's financial indicators. Increasing efficiency will continue to be the Group's focus. The Group remains committed to its chosen strategy and continues to implement it:

1. By developing modern, high-quality products in our women's fashion brand Ivo Nikkolo, which is available in Estonia, Latvia and Lithuania and in other European countries through our e-store.
2. By continuing the development of our omnichannel strategy and e-store functionalities.
3. By continuing to open new Ivo Nikkolo concept stores in the Baltics.

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

- Three new Ivo Nikkolo concept stores were opened: Spice shopping mall in Riga on 17th of March, Rotermann Quarter in Tallinn on 28th of March and Plaza shopping mall in Riga on 6th of April.

- 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.

- AS Baltika and Niul OÜ concluded a trademark transfer agreement on 8th August 2022, on the basis of which Niul OÜ acquires some of Ivo Nikkolo's trademarks. Despite the transfer of the trademarks, AS Baltika retains the exclusive right to use the trademarks on the basis of the exclusive trademark license agreement concluded between AS Baltika and Niul OÜ on 8th August 2022. Also, on 8th August 2022, AS Baltika and Niul OÜ entered into notarised pledge agreements for trademarks in favour of AS Baltika as a pledgee, in order to secure the performance of the obligations by Niul OÜ under the sales contract. The purpose of the transaction is to finance the Group's core activities, projects and investments. Also, as a result of the transaction, the Group's equity is in compliance with the requirements stipulated in the Commercial Code.

- On 22nd September 2022, the new Ivo Nikkolo e-store was opened. The opening of the new e-store is the first step of the Group's strategic decision to actively move forward with the development of omnichannel strategy. Along with the opening of the new e-store, the entire Group switched to a new Enterprise Resource Planning (ERP) system.

- AS Baltika's Supervisory Board elected Margus Olesk as a member of AS Baltika's Management Board at the meeting held on 17th October 2022. Margus Olesk's mandate as a Member of The Management Board began on 01.11.2022 and lasts for three years.

- On 25th November 2022, a new Ivo Nikkolo concept store was opened in Lithuania. We replaced our old Ivo Nikkolo store in the Vilnius Panorama shopping centre with a new Ivo Nikkolo concept store. The Panorama shopping centre is located in Žverynas, one of the oldest and most prestigious business and residential districts in the centre of Vilnius. The Panorama centre is highly valued among visitors for its bright interior design, comfortable shopping environment and high-quality service.

- On 4th January 2023, we closed our Ivo Nikkolo store in Vilnius Akropolis shopping centre 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 centre has been well received by our former Vilnius Akropolis centre customers.

- On 5th January 2023 Baltman OÜ, a subsidiary of AS Baltika, and Kalaport OÜ entered into 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, taking into account the differences agreed in the compromise, from 01.02.2023. The parties have agreed that the terms of the compromise agreement are confidential. Harju County Court approved on 10th January 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 8th February 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.

REVENUE

The sales revenue of the Group in the fourth quarter was 2,803 thousand euros, increasing by 7% compared to the same period last year.

The share of the e-store's sales revenue in the fourth quarter was 8%, which is at a similar level compared to the same period last year.

The Group's 12-month sales revenue was 9,613 thousand euros, decreasing by 18% compared to the same period last year.

Sales revenue by channel

EUR thousand	4 Q 2022	4 Q 2021	+/-	12M 2022	12M 2021	+/-
Retail	2,530	2,395	6%	8,635	9,785	-12%
E-com sales	235	209	13%	943	1,866	-49%
Other	38	10	263%	35	120	-71%
Total	**2,803**	**2,614**	**7%**	**9,613**	**11,770**	**-18%**

Stores and sales area

As of December 31, 2022, the Group had 25 stores. In the fourth quarter, 2 stores were closed (the Viru Centre store in Tallinn and Viljandi Centrum centre store). In addition to the above, at the end of November, the old Ivo Nikkolo store in the Vilnius Panorama shopping centre was replaced by a new Ivo Nikkolo concept store.

Stores by market

	31 December 2022	31 December 2021	Average area change*
Estonia	9	16	-49%
Lithuania	9	9	-4%
Latvia	7	9	-29%
Total stores	**25**	**34**	
Total sales area, sqm	**6,433**	**9,236**	**-30%**

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

Retail

Retail sales in the fourth quarter were 2,530 thousand euros, increasing by 6% compared to the same period last year.

12-month retail sales were 8,635 thousand euros, decreasing by 12% compared to the same period last year.

Retail sales by market

EUR thousand	4 Q 2022	4 Q 2021	+/-	Share	12M 2022	12M 2021	+/-	Share
Estonia	1,139	1,315	-13%	45%	3,987	5,915	-33%	46%
Lithuania	742	682	9%	29%	2,452	2,303	6%	28%
Latvia	648	398	93%	26%	2,219	1,566	42%	26%
Total	**2,530**	**2,395**	**6%**	**100%**	**8,659**	**9,785**	**-12%**	**100%**

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

	4 Q 2022	4 Q 2021	+/-	12M 2022	12M 2021	+/-
Estonia	139	94	47%	100	107	-7%
Lithuania	107	95	13%	87	103	-16%
Latvia	127	86	48%	100	103	-3%
Total	**125**	**93**	**34%**	**96**	**105**	**-9%**

Brands

The largest share is the Group's only brand Ivo Nikkolo. Ivo Nikkolo's fourth quarter retail sales were 2,530 thousand euros, increasing by 19% compared to the same period last year. Ivo Nikkolo's 12-month retail sales were 8,541 thousand euros, increasing by 43% compared to the same period last year. As of 12 months, the retail sales of Ivo Nikkolo products accounts for 99% of the Group's total sales revenue.

The decrease in sales revenue of Monton, Mosaic, Bastion and Baltman is related to the closure decision, which is part of the ongoing restructuring plan of Baltika Group.

Retail revenue by brand

EUR thousand	4 Q 2022	4 Q 2021	+/-	Share	12M 2022	12M 2021	+/-	Share
Monton	0	188	-100%	0%	84	3 050	-97%	1%
Mosaic	0	78	-100%	0%	28	767	-96%	0%
Baltman	2,530	2,130	19%	100%	8,541	5,968	43%	99%
Ivo Nikkolo	0	0	0%	0%	6	1	463%	0%
Bastion	**2,530**	**2,395**	**6%**	**100%**	**8,659**	**9,786**	**-12%**	**100%**
Total	0	188	-100%	0%	84	3,050	-97%	1%

Sales in other channels

E-com sales revenue in fourth quarter was 235 thousand euros, increasing by 13% compared to the same period last year. The growth of the e-store sales revenue has been supported by the opening of the new Ivo Nikkolo online store at the end of September. Opening a new online store enables the Group to offer customers the best possible shopping experience.

GROSS PROFIT AND GROSS MARGIN

The gross profit for the quarter was 1,579 thousand euros, decreasing by 92 thousand euros compared to the same period last year (Q4 2021: 1,672 thousand euros). The Group's gross profit margin was 56% in the fourth quarter, decreasing by 8 percentage points compared to the same period last year (Q4 2021: 64%). The decrease in the gross profit margin by 8 percentage points is due to the increase in raw material and transportation prices in the second half of 2022 and the strengthening of the US dollar, which led to a significant increase in costs in the purchase price and delivery of goods. The Group has only partially passed on the price increase to customers, which explains the decrease in the gross profit margin compared to the comparable period.

The Group's 12-month gross profit was 4,938 thousand euros, decreasing by 1,182 thousand euros compared to the same period last year (12M 2021: 6,120 thousand euros). The Group's 12-month gross profit margin was 51%, decreasing by 1 percentage point compared to the same period last year (12M 2021: 52%).

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

The Group's distribution and administrative expenses were 2,084 thousand euros in the fourth quarter, decreasing by 9% compared to the same period last year (Q4 2021: 2,289 thousand euros). The costs of retail markets decreased by 9% (181 thousand euros) compared to the same period last year. The reduction in costs in retail markets is related to overall cost savings and closing unprofitable stores. The Group's administrative expenses have decreased by 7% (24 thousand euros) compared to the same period last year. Reducing the Group's administrative expenses is one part of the Group's restructuring plan.

The distribution and general administration expenses of the Group for 12 months were 8,559 thousand euros, decreasing by 10% compared to the same period last year (12M 2021: 9,551 thousand euros).

OPERATING AND NET PROFIT

The operating loss for the fourth quarter was 518 thousand euros, in the same period last year the operating loss was 746 thousand euros.

The Group's 12-month operating profit was 3,787 thousand euros. The 12-month result, without considering the sale of Ivo Nikkolo trademarks, was an operating loss of 3,649 thousand euros. The result of the comparable period was an operating loss of 2,505 thousand euros.

The net loss for the fourth quarter was 561 thousand euros, the result of the comparable period was a net loss of 890 thousand euros.

The Group's 12-month net profit was 3,493 thousand euros. The 12-month result, without considering the sale of Ivo Nikkolo trademarks, was a net loss of 3,943 thousand euros. In the comparable period, there was a net loss of 2,900 thousand euros.

FINANCIAL POSITION

As of 31 December 2022, the Group's cash and cash equivalents amounted to 222 thousand euros (614 thousand euros as at 31 December 2021). As of the end of the quarter, the overdraft was used in the amount of 2,740 thousand euros (out of the limit of 3,000 thousand euros).

Fixed assets were acquired in the fourth quarter for 233 thousand euros and depreciation was 139 thousand euros. The residual value of fixed assets has increased by 369 thousand euros compared to the end of the previous year and was 1,855 thousand euros.

Right of use assets as of 31 December 2022 amounted to 4,602 thousand euros. The assets have decreased by 1,608 thousand euros compared to year end, with new contracts amounting to 931 thousand euros, 2,172 thousand euros decreased due to depreciation, 366 thousand euros decreased due to contracts, most of which are related to the termination of shop leases through restructuring.

As of 31 December 2022, the total debt was 9,244 thousand euros, which together with the change in overdraft represents a decrease in debt of 72 thousand euros compared to the end of the previous year (31.12.2021: 9,712 thousand euros).

As of December 31, 2022, the company's equity was 3,631 thousand euros. The Group's equity has increased by 3,493 thousand euros compared to the end of the previous year (31.12.2021: 138 thousand euros), which is due to the Group's strategic decision to sell some of Ivo Nikkolo's trademarks and to continue using the trademarks under an exclusive license. As a result of the transaction, the Group received a one-time profit in the amount of 7,436 thousand euros, bringing the Group's equity into line with the requirement of 50% share capital stipulated in the Commercial Code.

Cash flow from operating activities in the fourth quarter was 56 thousand euros (Q4 2021: -398 thousand euros). In the fourth quarter, 233 thousand euros (Q4 2021: 200 thousand euros) were put into investment activities. Cash flows from financing activities include repayments of lease obligations with interest of 492 thousand euros. The part of overdrafts increased by 698 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 amounted to -60 thousand euros (Q4 2021: -159 thousand euros).

As at 31 December 2022, Group's net debt (interest-bearing debt less cash and cash equivalents) was 8,022 thousand euros, which is 536 thousand euros less than at the end of the previous year (31.12.2021: 8,558 thousand euros). The net debt to equity ratio as of 31 December 2022 was 777% (31 December 2021: 2606%). The Group's liquidity ratio was 0.82 at the end of the fourth quarter (31.12.2021: 0.78)

PEOPLE

As at 31 December 2022 Baltika Group employed 143 people, which is 30 people less than at 31 December 2021 (173), thereof 106 (31.12.2021: 133) in the retail system, and 37 (31.12.2021: 40) at the head office.

Baltika Group employees' remuneration expense in 12 months of the year amounted to 3,354 thousand euros (12 months 2021: 3,998 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 226 thousand euros (12 months 2021: 456 thousand euros).

ONGOING QUARTER

The Group's sales revenue in the period 01.01.2023 – 26.02.2023 was 1,365 thousand euros, decreasing by 6% compared to the same period last year. The decrease in sales revenue compared to the previous period is due to the following circumstances:

1. In the first quarter of 2022, deeply discounted products were sold, which led to a very high demand for products. The impact of the discount can be seen in the Group's gross profit margins: the gross profit margin for the period 01.01.2023 – 26.02.2023 was 56%, the gross-profit margin for the comparable period was 43%. Well-managed discount campaigns in the current quarter have significantly improved the Group's gross profitability compared to the comparable period; and
2. From closing of unprofitable stores. In January 2022, the Group had 8 stores more than this year, and in February 2022, 5 stores more than this year.

Retail sales efficiency during the period 01.01.2023 – 26.02.2023 (sales per m2 per month, EUR) was 119 EUR, increasing by 27% compared to the same period last year.

At the beginning of January, we joined the Tango e-shop packaging recycling system. The goal of joining the system is to reduce the amount of disposable packaging waste generated when shopping in our e-store. From now on, our customers have the opportunity to order their goods in Low imPACK reusable packaging and get the deposit money back after returning the packaging. Among the clothing trade companies, Baltika is the first to have joined the e-shop's packaging circulation system with its Ivo Nikkolo brand e-shop.

At the beginning of January, we closed our Ivo Nikkolo store in Vilnius Akropolis shopping centre in Lithuania due to the expiration of the lease. The new Ivo Nikkolo concept store opened in Lithuania in November 2022 in the Vilnius Panorama shopping centre has been well received by our former Vilnius Akropolis centre customers.

At the beginning of February, we reopened the brand store at Ivo Nikkolo Suur-Karja 14. 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. In addition to the above, in the current quarter we will finish the renovation of the Ivo Nikkolo store in the Galleria Riga shopping centre in Latvia, as a result of which we will open a new Ivo Nikkolo concept store in Latvia at the begging of March.

KEY FIGURES OF THE GROUP (IV QUARTER OF 2022)

	Q4 2022	Q4 2021	Q4 2020	Q4 2019	Q4 2018
Revenue (EUR thousand)	2,803	2,614	3,978	10,139	12,281
Retail sales (EUR thousand)	2,530	2,395	3,400	9,294	11,160
Share of retail sales in revenue	90%	92%	86%	92%	91%
Gross margin	56%	64%	56%	45%	52%
EBITDA (EUR thousand)[1]	124	44	459	786	-1,151
Net profit (EUR thousand)[2]	-561	-890	-1,352	-2,609	-1,472
EBITDA margin[3]	4%	2%	12%	8%	-9%
Operating margin[4]	-18%	-29%	-27%	-23%	-12%
EBT margin[5]	-20%	-34%	-30%	-26%	-13%
Net margin[6]	-20%	-34%	-34%	-26%	-12%
Sales activity key figures	**12M and 31 December 2022**	**12M and 31 December 2021**	**12M and 31 December 2020**	**12M and 31 December 2010**	**12M and 31 December 2018**
Revenue (EUR thousand)	9,613	11,770	19,480	39,630	44,691
Retail sales (EUR thousand)	8,635	9,785	16,995	35,566	38,416
Share of retail sales in revenue	90%	83%	87%	90%	86%
Number of stores in retail	25	34	61	82	94
Number of stores	25	34	61	82	117
Sales area (sqm) (end of period)	6,433	9,236	14,869	16,467	17,758
Number of employees (end of period)	142	173	277	529	975
Gross margin	51%	52%	50%	48%	50%
EBITDA (EUR thousand)[1]	6,553	1,197	6,549	3,806	-1,609
Net profit (EUR thousand)[2]	3,493	-2,900	-377	-5,908	-5,119
EBITDA margin[3]	68%	10%	34%	10%	-4%
Operating margin[4]	39%	-21%	3%	-11%	-6%
EBT margin[5]	36%	-245	-1%	-15%	-7%
Net margin[6]	36%	-25%	-2%	-15%	-7%
Inventory turnover	2.13	1.78	3.14	2.02	2.07

Other ratios	**12M and 31 December 2022**	**12M and 31 December 2021**	**12M and 31 December 2020**	**12M and 31 December 2010**	**12M and 31 December 2018**
Current ratio	0.82	0.78	0.81	0.75	0.90
Net gearing ratio	777%	2,606%	329%	616%	12785%
Return on equity[7]	-382%	-309%	-31%	3409%	-138%
Return on assets[8]	-31%	-22%	-2%	-21%	-28%

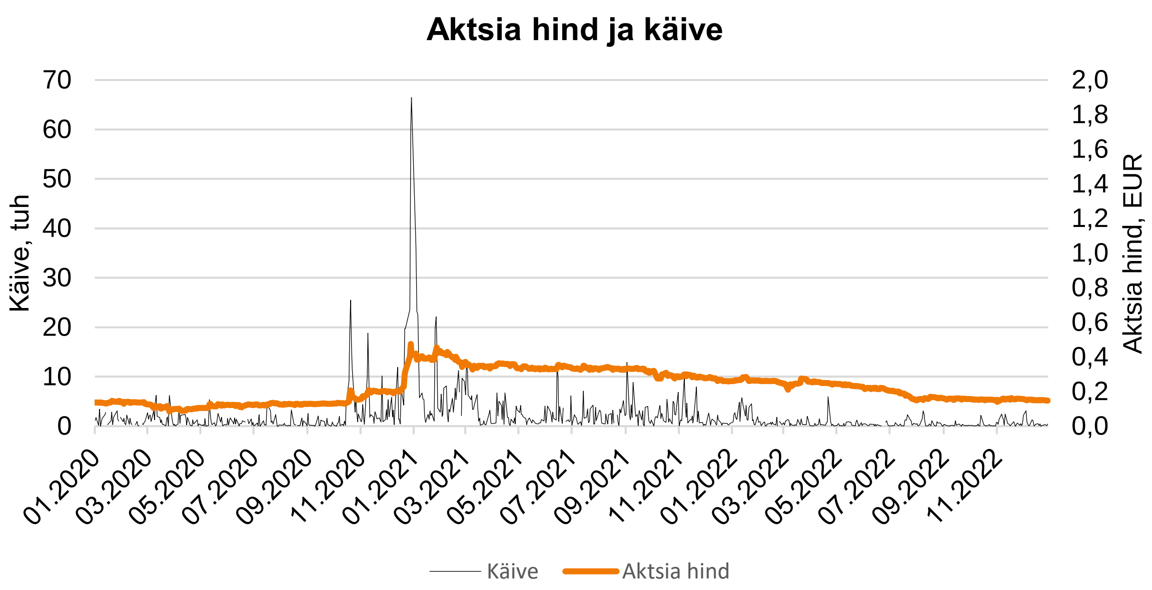
[1]The 12 months 2022 EBITDA without the impact of the sale of the Ivo Nikkolo trademarks was -883 thousand euros.
[2]The result for 9 months 2022 without the impact of the sale of the Ivo Nikkolo trademarks was a net loss of 3,943 thousand euros
[3]The 12 months 2022 EBITDA margin without the impact of the sale of the Ivo Nikkolo trademarks was -9%
[4]The 12 months 2022 operating profit margin without the impact of the sale of the Ivo Nikkolo trademarks was -38%

[5]The 12 months 2022 EBT margin without the impact of the sale of the Ivo Nikkolo trademarks was -41%
[6]The 12 months 2022 net margin without the impact of the sale of the Ivo Nikkolo trademarks was -41%
[7]The 12-month return on equity without the impact of the sale of the Ivo Nikkolo trademarks was -382%
[8]The 12-month return on assets without the impact of the sale of the Ivo Nikkolo trademarks was -31%

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
28 February 2023

Margus Olesk
Member of The Management Board, CFO
28 February 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 fourth quarter of 2022 as presented on pages 16-30.

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
Chairman of The Management Board, CEO
28 February 2023

Margus Olesk
Member of The Management Board, CFO
28 February 2023

Consolidated interim report for the IV quarter and 12 months of 2022 (in thousand euros, unaudited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Current assets			
Cash and cash equivalents		222	614
Trade and other receivables	5	3,285	696
Inventories	6	2,056	2,491
Total current assets		**5,562**	**3,801**
Non-current assets			
Deferred income tax asset		91	80
Trade and other receivables	5	2,756	0
Other non-current assets	5	107	172
Property, plant and equipment	7	1,269	855
Right-of-use assets	9	4,602	6,210
Intangible assets	8	586	631
Total non-current assets		**9,411**	**7,948**
TOTAL ASSETS		**14,973**	**11,749**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	10	3,096	364
Lease liabilities	9	1,714	2,050
Trade and other payables	11,12	1,950	2,438
Total current liabilities		**6,760**	**4,852**
Non-current liabilities			
Borrowings	10	1,070	2,425
Lease liabilities	9	3,364	4,333
Trade and other payables	11,12	147	0
Total non-current liabilities		**4,582**	**6,758**
TOTAL LIABILITIES		**11,342**	**11,611**
EQUITY			
Share capital at par value	13	5,408	5,408
Reserves	13	4,431	4,431
Retained earnings (-losses)		-6,208	-9,701
TOTAL EQUITY		**3,631**	**138**
TOTAL LIABILITIES AND EQUITY		**14,973**	**11,749**

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	4Q 2022	4Q 2021	12m 2022	12m 2021
Revenue	14, 15	2,803	2,614	9,613	11,770
Cost of goods sold		-1,223	-943	-4,675	-5,650
Gross profit		**1,579**	**1,671**	**4,938**	**6,120**
Distribution costs		-1,779	-1,960	-7,111	-8,084
Administrative and general expenses		-305	-329	-1,448	-1,467
Other operating income (-expense)	16	-12	-128	7,408	926
Operating profit (loss)		**-518**	**-746**	**3,787**	**-2,505**
Finance costs		-53	-79	-304	-330
Profit (loss) before income tax		**-571**	**-825**	**3,483**	**-2,835**
Income tax expense		11	-65	11	-65
Net profit (loss) for the period		**-561**	**-890**	**3,493**	**-2,900**
Total comprehensive income (loss) for the period		**-561**	**-890**	**3,493**	**-2,900**
Basic earnings per share from net profit (loss) for the period, EUR	17	**-0,01**	**-0,02**	**0,06**	**-0,05**
Diluted earnings per share from net profit (loss) for the period, EUR	17	**-0,01**	**-0,02**	**0,06**	**-0,05**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	4Q 2022	4Q 2021	12m 2022	12m 2021
Cash flows from operating activities					
Operating profit (loss)		-518	-746	3,787	-2,505
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles		629	718	2,672	3,601
Loss on sale of property, plant and equipment		14	-191	366	-148
Gain on sale of intangible assets		0	0	-7,436	0
Other non-monetary adjustments		0	500	0	500
Changes in working capital:					
Change in trade and other receivables	5	-49	-469	465	-379
Change in inventories		358	463	435	976
Change in trade and other payables	11	-360	-645	-488	-581
Interest paid and other financial expense		-25	-28	-70	-34
Interest received		7		66	
Net cash generated from operating activities		**56**	**-398**	**-203**	**1,430**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	7, 8	-233	-200	-1,427	-369
Proceeds from disposal of PPE and intangible assets		0	0	2,021	0
Net cash used in investing activities		**-233**	**-200**	**594**	**-369**
Cash flows from financing activities					
Received borrowings	10	0	0	1,000	0
Repayments of borrowings	10	-89	-89	-356	-293
Change in bank overdraft	10	698	1,267	754	1,985
Finance lease payments		0	-4	-21	-8
Repayments of lease liabilities, principle	9	-427	-671	-1,870	-3,284
Repayments of lease liabilities, interest		-65	-64	-289	-274
Net cash generated from (used in) financing activities		**117**	**439**	**-782**	**-1,874**
Total cash flows		**-60**	**-159**	**-392**	**-813**
Cash and cash equivalents at the beginning of the period		**282**	**773**	**614**	**1,427**
Cash and cash equivalents at the end of the period		**222**	**614**	**222**	**614**
Change in cash and cash equivalents		**-60**	**-159**	**-392**	**-813**

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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	-2,900	-2,900
Total comprehensive income (loss)	**0**	**0**	**-2,900**	**-2,900**
Increase of subordinated loan	0	500	0	500
Balance as at 31 December 2021	**5,408**	**4,431**	**-9,527**	**312**
Impact of correction of errors	0	0	-174	-174
Adjusted balance as at 31 December 2021	**5,408**	**4,431**	**-9,701**	**138**
Net profit (loss) for the reporting period	**0**	**0**	3,493	3,493
Total comprehensive income (loss)	**0**	**0**	**3,493**	**3,493**
Balance as at 31 December 2022	**5,408**	**4,431**	**-6,208**	**3,631**

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 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 fourth quarter ended 31 December 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.

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

3.1. 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, except for the following significant management estimates added during the reporting period.

The sale and use of Ivo Nikkolo trademarks under exclusive license (note 17)

On 8th August 2022, the parent company of the Group and Niul OÜ (Buyer) concluded a contract for the transfer of Ivo Nikkolo trademarks (Sale Agreement), on the basis of which the Buyer acquired some of the Ivo Nikkolo trademarks. Despite the transfer of the trademarks, the Group retains the exclusive right to use the trademarks on the basis of the trademark exclusive license agreement concluded on the 8th of August 2022 between the parent company of the Group and the Buyer.

Treatment of the transaction either as a sale-leaseback or as two separate transactions

The Group management concluded that the transaction is not a sale-leaseback, because the scope of the IFRS 16 "Leases" standard excludes contracts resulting from license agreements falling within the scope of IAS 38 "Intangible assets" (such as license agreements for the use of trademarks). The management of the Group is of the opinion that the requirements of IAS 38 to apply IFRS 16 sale-leaseback accounting principles to intangible assets applies only to certain intangible assets that are not excluded from the scope of application of IFRS 16. Therefore, the Group accounts for the sale and use of the trademarks based on an exclusive license agreement as two separate transactions and not as a sale-leaseback transaction.

Transfer of control of the Ivo Nikkolo trademarks

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Based on the terms of the contract, the management of the Group assessed that the Buyer has gained control over the trademarks at the moment of signing the Sale Agreement, because from that moment the Buyer can control the use of the trademarks and receive basically all the remaining benefits from the trademarks. Therefore, the management of the Group came to the conclusion that according to the standard IFRS 15 "Revenue from Contracts with Customers", the Group recognises a profit or loss from the transaction, which is the difference between the net proceeds received from the transaction and the carrying amount of the trademarks (note 8 and 17).

3.2. Correction of errors

In the fourth quarter, the Group identified that the IFRS 16 lease accounting contained arithmetical and factual errors. Due to errors, the Group's right-of-use assets and lease liabilities were undervalued. The errors have been corrected by adjusting the balances of assets, liabilities and equity for the periods presented on 31.12.2021. The table below provides an overview of the result of error corrections for the Group's consolidated financial statements.

31 Dec 2021	Before corrections	Corrections	After corrections
Right-of-use assets	5,956	254	6,210
Other assets	5,539	0	5,539
Total assets	**11,495**	**254**	**11,749**
Lease liabilities	5,956	428	6,384
Other liabilities	5,227	0	5,227
Total liabilities	**11,183**	**428**	**11,611**
Retained earnings (-losses)	-9,527	-174	-9,701
Other equity line items	9,839	0	9,839
Total equity	**312**	**-174**	**138**

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.

NOTE 5 Trade and other receivables

Short-term trade and other receivables	31 Dec 2022	31 Dec 2021
Trade receivables, net	84	41
Other receivables	3,000	0
Other prepaid expenses	185	100
Tax prepayments and tax reclaims, thereof	17	47
Value added tax	17	47

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Other current receivables	-1	508
Total	**3,285**	**696**
Long-term trade and other receivables		
Other receivables[1]	2,756	0
Total	**2,756**	**0**
Other long-term assets		
Non-current lease prepayments	107	172
Total	**107**	**172**

All trade and other receivables are in euros.

[1]The entry reflects the long-term receivable against Niul OÜ arising from the sale of trademarks in the present value of 2,756 thousand euros (note 17).

NOTE 6 Inventories

	31 Dec 2022	31 Dec 2021
Fabrics and accessories	20	2
Finished goods and goods purchased for resale	1,973	2,556
Allowance for impairment of finished goods and goods purchased for resale	-41	-100
Prepayments to suppliers	104	33
Total	**2,056**	**2,491**

NOTE 7 Property, plant and equipment

During the financial year, the Group invested a total of 1,104 thousand euros in property, plant and equipment (in the comparable period, the total investment volume was 228 thousand euros. The most important investments are related to the opening of new Ivo Nikkolo concept stores.

During the financial year, the Group wrote off property, plant and equipment in the carrying amount of 220 thousand euros (in the comparable period in the carrying amount of 83 thousand euros). The most significant write-offs are related to store inventory and construction work written off during the closing of unprofitable stores.

NOTE 8 Intangible assets

During the financial year, the Group invested a total of 323 thousand euros in intangible assets (in the comparable period, the total amount of investments was 141 thousand euros).

In connection with the development of the new e-store and the implementation of the ERP system, the group has made investments in the amount of 71 thousand euros during the financial year.

During the financial year, the Group sold some of Ivo Nikkolo trademarks. The carrying amount of the trademarks sold was 256 thousand euros. The sale price of the transaction was 8,000 thousand euros and the result of the transaction was a profit of 7,436 thousand euros, which was reflected in the item "Other operating income (-expense)" of the condensed consolidated statement of profit or loss and other comprehensive income. Following the trademarks sale agreement, the Group and the Buyer of the trademarks entered into an exclusive trademark license agreement, on the basis of which the Group will continue to use the trademarks. The group accounted for the exclusive license agreement as an intangible asset in the acquisition cost of 252 thousand euros. More detailed information about the transaction is disclosed in note 17.

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NOTE 9 Finance lease

During the financial year, the Group signed five new lease agreements for the use of commercial premises. When entering into lease agreements, the Group recorded 931 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 1,040 thousand euros).

In addition to the above, the Group closed 12 unprofitable stores during the financial year. As a result of the closure of unprofitable stores and modification of lease agreements, the right to use assets and lease liabilities decreased in the amount of 366 thousand euros (in the comparable period, because of the termination of lease agreements and modification of lease agreements, the right to use assets and lease liabilities decreased in the amount of 1,150 thousand euros).

NOTE 10 Borrowings

	31 Dec 2022	31 Dec 2021
Current borrowings		
Current portion of bank loans	356	356
Current portion of overdraft	2,740	0
Current portion of finance lease liabilities	0	8
Total	**3,096**	**364**
Non-current borrowings		
Non-current bank loans	0	356
Non-current overdraft	0	1,985
Loans received from related parties (note 19)	1,000	0
Other non-current liabilities	70	84
Total	**1,070**	**2,425**
Total borrowings	**4,166**	**2,789**

During the financial year, 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 financial year, the Group made bank loan repayments in the amount of 356 thousand euros (2021: 293 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 2,740 thousand euros as of 31 December 2022 (31 December 2021: 1,985 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 359 thousand euros (2021: 330 thousand euros), 12 months interests from lease liabilities recognised under IFRS 16 in the amount of 289 thousand euros (12 months 2021: 274 thousand euros).

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	3,096
Total		**3,096**

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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NOTE 11 Trade and other payables

	31 Dec 2022	31 Dec 2021
Current liabilities		
Trade payables	1,012	1,032
Tax liabilities, thereof	385	759
Personal income tax	*48*	*68*
Social security taxes and unemployment insurance premium	*238*	*329*
Value added tax	*89*	*361*
Other taxes	*10*	*1*
Payables to employees[1]	276	329
Other current payables[2]	181	140
Other accrued expenses	6	16
Customer prepayments	61	57
Total	**1,921**	**2,333**
Non-current liabilities		
Other non-current liabilities[2]	147	0
Total	**147**	**0**
Total trade and other payables	**2,068**	**2,333**

[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 of 164 thousand euros (current liability is 17 thousand euros and non-current liability is 147 thousand euros).

Trade payables and other accrues expenses in denominated currency

	31 Dec 2022	31 Dec 2021
EUR (euro)	730	1,045
USD (US dollar)	288	3
Total	**1,018**	**1,048**

NOTE 12 Provisions

	31 Dec 2022	31 Dec 2021
Other provision	29	105
Total	**29**	**105**

NOTE 13 Equity

Share capital and reserves

	31 Dec 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 31 December 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 31 December 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.

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

Shareholders as at 31 December 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 31 December 2022: 233,153 shares.

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%).

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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
4 Q 2022				
Revenue (from external customers)	2,530	235	38	2,803
Segment profit (loss)[2]	74	59	0	133
Incl. depreciation and amortisation	-96	-6	0	-102
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
12M 2022 and as at 31 December 2022				
Revenue (from external customers)	8,635	943	-35	9,613
Segment profit (loss)[2]	-1,202	86	1	-1,115
Incl. depreciation and amortisation	-359	-24	0	-384
Inventories of segments	1,112			1,112
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			1,915

[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

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Total segment profit	133	-357	-1,115	-275
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-334	68	-1,058	-1,689
Administrative and general expenses	-305	-329	-1,448	-1,467
Other operating income (expenses), net	-12	-128	7,408	926
Operating profit (loss)	**-518**	**-746**	**3,787**	**-2,505**

[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 2022	31 Dec 2021
Total inventories of segments	1,112	1,915
Inventories in Parent company and production company	944	576
Inventories on statement of financial position	**2,056**	**2,491**

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NOTE 15 Revenue

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Sale of goods in retail channel	2,530	2,395	8,635	9,785
Sale of goods in wholesale and franchise channel	37	6	24	73
Sale of goods in e-commerce channel	235	209	943	1,866
Other sales	1	4	12	47
Total	**2,803**	**2,614**	**9,613**	**11,770**

Sales by geographical (client location) areas

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Estonia	1,303	1,426	4,519	6,976
Latvia	695	716	2,419	2,665
Lithuania	795	452	2,633	2,029
Other countries	10	20	42	100
Total	**2,803**	**2,614**	**9,613**	**11,770**

NOTE 16 Other operating income and expenses

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Gain (loss) from sale, impairment of PPE	-14	-72	-98	-115
Gain (loss) from sale, impairment of tangible assets[1]	0	0	7,436	0
Other operating income[2]	23	59	156	1,213
Foreign exchange gain (-loss)	-10	-6	-45	-12
Other operating expenses	-12	-109	-42	-160
Total	**-12**	**-128**	**7,408**	**926**

[1]The entry reflects the one-time profit from the sale of Ivo Nikkolo brands in the amount of 7,436 thousand euros (Note 17).
[2]Other operating income in the comparable period includes government grants. The Group did not receive any government grants during the financial year.

NOTE 17 Sale and use of Ivo Nikkolo trademarks under exclusive license

The parent company of the Group and Niul OÜ (Buyer) signed a trademark transfer agreement on the 8th of August 2022, on the basis of which the Buyer acquired some of the Ivo Nikkolo trademarks. Despite the transfer of the trademarks, the Group retains the exclusive right to use the trademarks on the basis of the exclusive trademark license agreement concluded between the Group's parent company and the Buyer on the 8th of August 2022.

The purpose of the transaction is to finance the Group's core activities, projects and investments.

Sale of trademarks

The sale price of the trademarks is 8,000 thousand euros. Pursuant to the sales agreement, the Buyer undertakes to pay the purchase price as follows:

- 500 thousand euros of the purchase price will be paid in cash latest by 09.08.2022
- 1,500 thousand euros of the purchase price will be paid in cash latest by 16.08.2022
- 3,000 thousand euros of the purchase price will be paid in cash latest by 31.12.2023; and
- 3,000 thousand euros of the purchase price will be paid in cash latest by 31.12.2024.

In addition, the Group's parent company and the Buyer have signed on the 8th of August 2022 notarised pledge agreements with respect to the trademarks and in favour of Group's parent company to secure the performance of the obligations by the Buyer under the sales agreement.

The gain or loss on arising on derecognition is the difference between the net proceeds received and the carrying amount of the trademarks. The transaction price of the sales contract has been adjusted by significant financing component (the market interest rate used for adjustment was 2.81%), because the purchase price is paid on the basis of a long-term payment schedule. The Group reported a one-time profit from the transaction in the amount of 7,436 thousand euros (note 16).

As of the fourth quarter, all contractual cash flows have been received on time. According to the management of the Group, the receivables are not related to a significant credit risk as of 31.12.2022, because there are no indications of a possible decrease in the Buyer's credit rating and there have been no payment defaults. The credit risk related to the receivables is additionally mitigated by the fact that pledge agreements have been made in favour of the Group's parent company with respect to the trademarks, which ensure the fulfilment of obligations arising from the sales contract by the Buyer.

License agreement

Under the license agreement, the Buyer granted the Group a world-wide and unlimited right to use and exploit the trademarks and the rights arising from the trademarks, i.e. an exclusive license of the trademarks for the whole validity of the license agreement.

The license agreement is valid for 10 years as of the signing of the agreement (the Initial Term). After the expiration of the Initial Term, the license agreement will automatically renew for one additional year (the Renewal Term) and this occurs after the expiration of each Renewal Term unless a party gives notice of non-renewal to the other party not less than three months prior to the expiration of the Initial Term or any Renewal Term. The license agreement will terminate in any case if the trademark protection for all trademarks has expired. Otherwise, the license agreement may be terminated only by written agreement between the parties.

The Group pays the Buyer a license fee based on the license agreement, which consists of several components, as follows:

- A lump sum royalty of 27 thousand euros which was paid to the Buyer for the year 2022 on 10.08.2022.
- As of 22.08.2022 until 07.08.2023 the Group will pay to the Buyer a monthly royalty of 2.1 thousand euros on the 22th day of every month.
- As of 08.08.2023 the Group will pay to the Buyer a monthly royalty of 3.7 thousand euros on the 10th day of every month.
- In addition to the above royalties, there is an annual royalty which is 2.5% of the annual turnover of the Group from the sale of goods bearing "Ivo Nikkolo" trademark based on the audited annual reports of the Group but capped at EUR 300,000 per year. The Group undertakes to pay the annual royalty for the preceding calendar year within 30 days as of the receipt of the auditor's approval to the annual report with respect to the preceding calendar year. The first annual royalty payment is due in mid-2023 for the year 2022 and is calculated based on months the exclusive licence is valid in 2022.

When concluding the license agreement, the Group recognised an intangible asset from the agreement at its acquisition cost. Since the fee paid for the use of trademarks is partially variable (2.5% of the Group's annual turnover), the Group measured the acquisition cost of the intangible asset based on the agreed minimum payments. From the license agreement, the Group recognised 253 thousand euros in the acquisition cost of the intangible asset and 172 thousand euros as a liability based on the agreed minimum payments for future periods (note 8 and 11). The market interest rate used for the present value of the assets and liabilities was 3.77%.

NOTE 18 Earnings per share

Basic earnings per share		4 Q 2022	4 Q 2021	12m 2022	12m 2021
Weighted average number of shares (thousand)	pcs	54,079	54,079	54,079	54,079
Net profit (-loss) from continuing operations		-561	-890	3,493	-2,900
Basic earnings per share	**EUR**	**-0.01**	**-0.02**	**0.06**	**-0.05**
Diluted earnings per share	**EUR**	**-0.01**	**-0.02**	**0.06**	**-0.05**

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 0.20 euros (2021: 0.31 euros).

NOTE 19 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

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Services purchased	0	-9	0	9
Total	**0**	**-9**	**0**	**9**

In 2022, AS Baltika has not purchased services from related parties. In 2021, AS Baltika mainly purchased management services from related parties.

Balances with related parties

	31 Dec 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 31 December 2022 and 31 December 2021 were with entities under the control or significant influence of the members of the Supervisory Board.

Consolidated interim report for the IV quarter and 12 months of 2022 (in thousand euros, unaudited)

Compensation for the members of the Management Board and Supervisory Board

	4 Q 2022	4 Q 2021	12m 2022	12m 2021
Salaries of the members of the Management Board	29	84	199	440
Remuneration of the members of the Supervisory Council	3	3	13	13
Total	**32**	**87**	**212**	**453**

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 Supervisory Board. The new CEO of AS Baltika is the company's COO and Management Board member Brigitta Kippak.

- AS Baltika's Supervisory Board elected Margus Olesk as a member of AS Baltika's Management Board at the meeting held on 17th October 2022. Margus Olesk's mandate as a Member of The Management Board began on 01.11.2022 and lasts for three years.

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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2022: 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 31 December 2022: 0

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 20 June 2022: 0