AS BALTIKA

Consolidated interim report for the third quarter of 2022

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Valukoja 10, Tallinn 11415, Estonia
Phone	+372 630 2700
E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development and sales arrangement of the fashion brands of clothing
Auditor	KPMG Baltics OÜ
Financial year	1 January 2022 – 31 December 2022
Reporting period	1 January 2022 – 30 September 2022

CONTENTS

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

BRIEF DESCRIPTION OF BALTIKA GROUP

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

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

As of 30th September 2022, the Group employed 142 people (31 December 2021: 173).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 Sept 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

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER OF 2022 AND 9 MONTHS 2022

The third quarter was eventful for the Group. We had set ourselves big challenges for the third quarter, and we are happy to say that the set goals were met:

- In July, we completed the closing of the Moetänava store. As the Group is currently only involved in the development of Ivo Nikkolo products, the Moetänava sized trading space did not support our new business model. After the closure of Moetänava, we opened a new Ivo Nikkolo outlet store in the Arsenal center in Tallinn, which has been very well received by our customers.
- At the beginning of August, we closed an important financing transaction (partial sale of Ivo Nikkolo trademarks, which the Group continues to use under an exclusive license), which will significantly support the growth of the Group's business in the following years.
- At the end of September, we opened our new Ivo Nikkolo e-store to offer customers the best possible shopping experience. The opening of the new e-store is the first step in our decision to actively move forward with the development of our omnichannel strategy. Also, at the same time as the opening of the new e-store, the entire Group switched to a new Enterprise Resource Planning (ERP) system, which enables the Group to make better management decisions in the future.

The result of the third quarter was significantly affected by our strategic decision to sell some of the Ivo Nikkolo trademarks and to continue using the trademarks under an exclusive license. The purpose of the transaction is to finance the Group's business activities, and the Group will use the amounts received from the transaction to finance core activities, projects, and investments. The sales price of the trademarks was 8,000 thousand euros, and the money will be received by the Group in four instalments, the last payment to the Group will take place at the end of 2024. Despite the transfer of trademarks, the Group retains the exclusive right to use the trademarks for 10 years based on an exclusive trademark license agreement. The period of the license agreement is automatically renewed for the following one year and after the end of each subsequent renewed period unless the contracting party provides the other party with a notification of a different content no less than three months before the end of the period. The validity of the license agreement ends in any case when the legal protection of all trademarks has ended. Otherwise, the license agreement can only be terminated by written agreement of the parties. The Group pays a license fee of a maximum of 345 thousand euros per year for the use of trademarks, depending on the turnover. As a result of the transaction, the Group received a one-time profit in the amount of 7,436 thousand euros, which explains the increase in operating and net profit for the quarter compared to the third quarter of last year. The transaction also had a positive effect on the Group's equity: as a result of the transaction, the Group's equity is in compliance with the 50% share capital requirement stipulated in the Commercial Code.

The opening of the new Ivo Nikkolo e-store on September 22 marks the beginning of our decision to take a strong step forward with the development of the omnichannel strategy. In nine months, sales through other channels account for approximately 10% of total sales. The Group aims to double this share next year through the omnichannel strategy and the development of additional functionalities of the e-store. Together with the opening of the new e-store, the Group switched to a new ERP system. The introduction of the new system also means that the entire Group implements a single ERP system. The group-wide ERP system allows the Group to collect, store and analyse its business data in a centralized location, providing more opportunities and transparency for making strategic management decisions.

The Group ended the third quarter with a net profit of 6,611 thousand euros. The result of the third quarter has been 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. The adjusted result for the third quarter, without taking into account the effect of the previously mentioned transaction, was a net loss of EUR 825 thousand. Compared to the same period last year, the Group's adjusted result weakened by 433 thousand euros (last year, the Group ended the third quarter with a net loss of 392 thousand euros). The weakening of the adjusted result is related to the transition from five brands (Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo) to one brand (Ivo Nikkolo) and the closing of unprofitable stores.

The sales revenue of the Group in the third quarter was 2,427 thousand euros, decreasing by 36% compared to the same period last year (Q3 2021: 3,817 thousand euros). The sale of Ivo Nikkolo products accounted for 99% of the third quarter's sales revenue, whereas in the comparable period, the sale of Ivo Nikkolo products accounted for 69% of the entire third quarter's sales revenue – the remaining 31% was the sales revenue of the discontinued brands Monton, Mosaic, Baltman and Bastion. The reason for the decrease in sales revenue were as follows:

1. The Group has continued to close unprofitable stores as planned. In nine months, we have closed 10 unprofitable stores. During 2022, unprofitable stores will continue to be closed in Estonia, as the market with the largest number of stores. The closing of unprofitable stores is planned to be completed by the end of 2022.
2. The sales revenue of the third quarter of last year included the sales revenue of the discontinued brands Monton, Mosaic, Baltman and Bastion. The sales result of the third quarter of this year includes the revenue from the sale of discontinued brands at a minimum (1%), in the comparable period, the sales revenue of discontinued brands made up 31% of the sales revenue of the third quarter.
3. In 2021, Ivo Nikkolo underwent a renewal course. The transitional collection released last July and August was similar in style to Monton. In addition, during the transition season, customers found the Ivo Nikkolo collection still in the Monton store fronts. These circumstances supported additional sales of Ivo Nikkolo products in the comparable period.

E-com sales revenue for the third quarter was 200 thousand euros, decreasing by 36% compared to the same period last year. The result of the e-store in the third quarter of 2021 is not fully comparable, because in the comparable period the Group had two e-stores, Monton and Ivo Nikkolo, therefore the result of the e-store in the third quarter of last year included the sale of discounted products of the discontinued brands Baltman and Monton through the Monton e-store shop. The Monton e-shop was finally closed in September 2021.

The gross profit for the third quarter was 1,321 thousand euros, decreasing by 45% compared to the same period last year (Q3 2021: 1,921 thousand euros). The Group's gross profit margin was 54% in the third quarter, an improvement of 4 percentage points compared to the same period last year (Q3 2021: 50%). The increase in raw material and transportation prices and the strengthening of the US dollar led to a significant cost increase in the price and delivery of goods. Despite the increase in prices, the Group has been able to improve the gross margin thanks to well-managed discounts and partially passing on price increases to customers.

The Group's distribution and administration expenses were 2,022 thousand euros in the third quarter, decreasing by 28% compared to the same period last year (Q3 2021: 2,590 thousand euros). The decrease in retail costs is related to general cost savings and the closing of unprofitable stores. The group's general administrative expenses have remained at a similar level to the same period last year.

The Group ended the quarter with cash and cash equivalents of 282 thousand euros, using the bank's overdraft facility in the amount of 2,042 thousand euros (out of the limit of 3,000 thousand euros) at the end of the quarter.

Baltika continues to implement its strategy:

1. We develop modern, high-quality products in our women's fashion brand Ivo Nikkolo, which is available in Estonia, Latvia and Lithuania and in our e-store.
2. We continue with the development of our omnichannel strategy and e-store functionalities.
3. We continue to open new Ivo Nikkolo concept stores in the Baltics. At the end of November this year, we will open a new Ivo Nikkolo concept store in the Panorama shopping centre in Vilnius.

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 October 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 October 2022. Also, on 8th October 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 begins on 01.11.2022 and lasts for three years.

REVENUE

The sales revenue of the Group in the third quarter was 2,427 thousand euros, decreasing by 36% compared to the same period last year.

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

The Group's nine-month sales revenue was 6,810 thousand euros, decreasing by 26% compared to the same period last year.

Sales revenue by channel

EUR thousand	3 Q 2022	3 Q 2021	+/-	9M 2022	9M 2021	+/-
Retail	2,221	3,492	-36%	6,092	7,390	-18%
E-com sales	200	310	-36%	708	1,658	-57%
Other	6	15	-57%	11	108	-90%
Total	**2,427**	**3,817**	**-36%**	**6,810**	**9,156**	**-26%**

Stores and sales area

As of September 30, 2022, the Group had 28 stores. In the third quarter, 2 stores were closed (the Veerenni store in Tallinn Estonia and the Valleta center store in Valmieras Latvia) and 1 new outlet store was opened in the Arsenal center in Tallinn.

Stores by market

	30 September 2022	30 September 2021	Average area change*
Estonia	12	17	-40%
Lithuania	9	9	2%
Latvia	7	9	-29%
Total stores	**28**	**35**	
Total sales area, sqm	**6,967**	**9,547**	**-27%**

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

Retail

Retail sales in the third quarter were 2,221 thousand euros, decreasing by 36% compared to the same period last year.

Nine-month retail sales were 6,092 thousand euros, decreasing by 18% compared to the same period last year.

Retail sales by market

EUR thousand	3 Q 2022	3 Q 2021	+/-	Share	9M 2022	9M 2021	+/-	Share
Estonia	1,025	1,775	-42%	46%	2,811	4,600	-39%	46%
Lithuania	599	857	-30%	27%	1,710	1,622	5%	28%
Latvia	597	860	-31%	27%	1,571	1,168	35%	26%
Total	**2,221**	**3,492**	**-36%**	**100%**	**6,092**	**7,390**	**-18%**	**100%**

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

	3 Q 2022	3 Q 2021	+/-	9M 2022	9M 2021	+/-
Estonia	112	105	7%	90	108	-17%
Lithuania	84	102	-18%	80	106	-24%
Latvia	107	98	9%	92	100	-8%
Total	**102**	**103**	**-1%**	**87**	**115**	**-24%**

Brands

The largest share is the Group's only brand Ivo Nikkolo, whose sales revenue in the third quarter through all channels made up approximately 99% of the Group's total sales revenue. Ivo Nikkolo's sales revenue for the third quarter was 2,415 thousand euros, decreasing by 8% compared to the same period last year. The decrease in Ivo Nikkolo's sales revenue is related to the closure of unprofitable stores and the fact that in 2021 Ivo Nikkolo went through a renewal course and the transitional collection was stylistically similar to Monton. In addition, during the transition season, customers found the Ivo Nikkolo collection still in the Monton stores. These circumstances supported the sales revenue of Ivo Nikkolo products in the comparison period.

As of nine months, the sale of Ivo Nikkolo products accounts for 98% of the Group's total sales revenue. The nine-month sales revenue of Ivo Nikkolo products from all channels totalled 6,686 thousand euros, increasing by 48% compared to the same period last year.

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	3 Q 2022	3 Q 2021	+/-	Share	9M 2022	9M 2021	+/-	Share
Monton	3	913	-100%	0%	84	2,853	-97%	1%
Mosaic	0	0	0%	0%	0	28	-100%	0%
Baltman	0	175	-100%	0%	28	692	-96%	0%
Ivo Nikkolo	2,216	2,404	-8%	100%	5,989	3,817	57%	98%
Bastion	2	0	0%	0%	6	0	0%	0%
Total	**2,221**	**3,492**	**-36%**	**100%**	**6,106**	**7,390**	**-17%**	**100%**

Sales in other channels

E-com sales revenue in third quarter was 200 thousand euros, decreasing by 36% compared to the same period last year. The result of the e-store in the third quarter of 2021 is not fully comparable, because in the comparable period the Group had two e-stores, Monton and Ivo Nikkolo, therefore the result of the e-store in the third quarter of last year included the sale of discounted products of the discontinued brands Baltman and Monton through the Monton e-store shop. The Monton e-shop was finally closed in September 2021.

GROSS PROFIT AND GROSS MARGIN

The gross profit for the quarter was 1,321 thousand euros, decreasing by 600 thousand euros compared to the same period last year (Q3 2021: 1,921 thousand euros). The Group's gross profit margin was 54% in the third quarter, an improvement of 4 percentage points compared to the same period last year (Q3 2021: 50%). The increase in raw material and transportation prices and the strengthening of the US dollar led to a significant increase in costs for the delivery of goods. Despite the increase in prices, the Group has been able to improve the gross margin thanks to well-managed discounts and partially passing on price increases to customers.

The Group's nine-month gross profit was 3,358 thousand euros, decreasing by 1,091 thousand euros compared to the same period last year (9M 2021: 4,449 thousand euros). The Group's nine-month gross profit margin was 49%, improving by 1 percentage point compared to the same period last year (9M 2021: 48%).

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

The Group's distribution and administrative expenses were 2,022 thousand euros in the third quarter, decreasing by 28% compared to the same period last year (Q3 2021: 2,590 thousand euros). The decrease in retail costs is related to general cost savings and the closing of unprofitable stores. The Group's administrative expenses have remained at a similar level to the same period last year.

The distribution and general administration expenses of the Group for nine months were 6,289 thousand euros, decreasing by 13% compared to the same period last year (9M 2021: 7,262 thousand euros).

OPERATING AND NET PROFIT

The result of the operating and net profit of the third quarter was significantly affected by 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 sale transaction, the Group received a one-time profit in the amount of 7,436 thousand euros, which explains the increase in operating and net profit in the third quarter and nine months compared to the same periods last year. The operating profit for the third quarter was 6,670 thousand euros, in the same period last year the Group had an operating loss of 300 thousand euros. The Group's result for the third quarter, without taking into account the sale of the Ivo Nikkolo trademarks, was an operating loss of 766 thousand euros.

The Group's nine-month operating profit was 4,489 thousand euros. The nine-month result, without taking into account the sale of Ivo Nikkolo trademarks, was an operating loss of 2,947 thousand euros. The result of the comparable period was an operating loss of 1,759 thousand euros.

The net profit for the quarter was 6,611 thousand euros, the result for the comparable period was a net loss of 392 thousand euros. The result for the quarter, without taking into account the sale of the Ivo Nikkolo trademarks, was a net loss of 825 thousand euros.

The Group's nine-month net profit was 4,265 thousand euros. The nine-month result, without taking into account the sale of Ivo Nikkolo trademarks, was a net loss of 3,171 thousand euros. In the comparable period, there was a net loss of 2,010 thousand euros.

FINANCIAL POSITION

As at 30 September 2022, the Group's cash and cash equivalents amounted to 282 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 2,042 thousand euros (out of the limit of 3,000 thousand euros).

At the end of the quarter, the Group's inventories totalled 2,414 thousand euros, decreasing by 77 thousand euros, i.e., 3% compared to the end of the previous year. The inventory level remained stable and is at an optimal level. In subsequent periods, inventory levels are expected to increase due to increased purchasing and transportation costs and from previous inventory orders that have been brought forward to avoid supply chain delays.

Fixed assets were acquired in the third quarter for 314 thousand euros and depreciation was 136 thousand euros. The residual value of fixed assets has increased by 290 thousand euros compared to the end of the previous year and was 1,776 thousand euros.

Right of use assets as of 30 September 2022 amounted to 5,046 thousand euros. The assets have decreased by 909 thousand euros compared to year end, with new contracts amounting to 956 thousand euros, 1,685 thousand euros decreased due to depreciation, 270 thousand euros decreased due to contracts, most of which are related to the termination of shop leases through restructuring.

As of 30 September 2022, the total debt was 8,632 thousand euros, which together with the change in overdraft represents a decrease in debt of 113 thousand euros compared to the end of the previous year (31.12.2021: 8,745 thousand euros).

As of September 30, 2022, the company's equity was 4,577 thousand euros. The Group's equity has increased by 4,265 thousand euros compared to the end of the previous year (31:12.2021: 312 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 third quarter was -276 thousand euros (Q3 2021: 974 thousand euros). In the third quarter, 333 thousand euros (Q3 2021: 92 thousand euros) were put into investment activities. Net cash used in investing activities for the third quarter was 1,688 thousand euros (Q3 2021: -92 thousand euros). Cash flows from financing activities include repayments of lease obligations with interest of 617 thousand euros. The part of overdrafts decreased by 831 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 third quarter amounted to -124 thousand euros (Q3 2021: 1 thousand euros).

As at 30 September 2022, Group's net debt (interest-bearing debt less cash and cash equivalents) was 7,350 thousand euros, which is 781 thousand euros less than at the end of the previous year (31.12.2021: 8,131 thousand euros). The decrease in net debt is mainly related to the Group's strategic decision to sell some of the Ivo Nikkolo trademarks and continue using the trademarks under an exclusive license. The sales price of the trademarks was 8,000 thousand euros, and the money will be received by the Group in four different instalments, the last payment to the Group will take place at the end of 2024. As of the end of the third quarter, the Group had received 2,000 thousand euros from the transaction. The net debt to equity ratio as of 30 September 2022 was 161% (31 December 2021: 2 606%). The Group's liquidity ratio has gone down over the quarter (30 September 2022 and 31 December 2021) from 0.85 to 0.64 due to a decrease in current assets.

PEOPLE

As at 30 September 2022 Baltika Group employed 142 people, which is 31 people less than at 31 December 2021 (173), thereof 105 (31.12.2021: 133) in the retail system, and 37 (31.12.2021: 40) at the head office.

Baltika Group employees' remuneration expense in 9 months of the year amounted to 2,050 thousand euros (9 months 2021: 2,369 thousand euros). The remuneration expense of the members of the Supervisory Board and Management Board totalled 180 thousand euros (9 months 2021: 377 thousand euros).

ONGOING QUARTER

Ivo Nikkolo's fall collection has been well received. In October, sales of Ivo Nikkolo products through all channels increased by 10 percent compared to the same period in 2021. Retail sales efficiency (sales per m2 per month, EUR) was 138 EUR, increasing by 23% compared to October last year. The increase in the turnover of Ivo Nikkolo products is an important sign that the demand for our products remains even if the general purchasing power of customers decreases.

In the fourth quarter, the Group will continue with general cost savings and productivity enhancements to make the business even smoother and more efficient. In the fourth quarter, the Group plans to close three stores, two of which are unprofitable (one each in Estonia and Lithuania) and one store in Estonia that does not match the profile of Ivo Nikkolo stores. The closing of the store in Lithuania will be replaced by a new Ivo Nikkolo concept store.

In the fourth quarter, the focus is also on marketing activities. In October, we started an extensive brand awareness campaign in Latvia and Lithuania, which will last until the end of the year. In October, Ivo Nikkolo presented a modern feminine clothing and accessory collection at Riga Fashion Week (11.10.2022) and Tallinn Fashion Week (20.10.2022).

By the fourth quarter of 2022, the overall market situation for inventory purchases will be more negative due to external factors compared to the same period last year, mainly due to increased inventory prices and transportation costs. To avoid possible delays in the supply chain, the Group has brought inventory orders forward, therefore an increase in inventory levels is expected in the following periods.

KEY FIGURES OF THE GROUP (III QUARTER OF 2022)

	Q3 2022	Q3 2021	Q3 2020	Q3 2019	Q3 2018
Revenue (EUR thousand)	2,427	3,817	5,658	9,758	11,026
Retail sales (EUR thousand)	2,221	3,492	5,204	8,835	9,404
Share of retail sales in revenue	91%	91.5%	92%	90.5%	85.3%
Gross margin	54%	50.3%	51%	45.9%	45.6%
EBITDA (EUR thousand)[1]	7,343	534	803	845	-407
Net profit (EUR thousand)[2]	6,611	-392	-516	-1,242	-814
EBITDA margin[3]	303%	14.0%	14.2%	8.7%	-3.7%
Operating margin[4]	275%	-7.9%	-5.7%	-9.4%	-6.1%
EBT margin[5]	272%	-10.3%	-9.1%	-12.7%	-7.4%
Net margin[6]	272%	-10.3%	-9.1%	-12.7%	-7.4%

Sales activity key figures	**9M and 30 September 2022**	**9M and 30 September 2021**	**9M and 30 September 2020**	**9M and 30 September 2010**	**9M and 30 September 2018**
Revenue (EUR thousand)	6,810	9,156	15,502	29,491	32,410
Retail sales (EUR thousand)	6,106	7,390	13,595	26,272	27,257
Share of retail sales in revenue	89.7%	80.7%	87.7%	89.1%	84.1%
Number of stores in retail	28	35	72	84	93
Number of stores	28	35	72	84	120
Sales area (sqm) (end of period)	6,967	9,547	15,004	16,321	17,416
Number of employees (end of period)	142	198	381	841	991
Gross margin	49.3%	48.6%	48.1%	49.7%	49.2%
EBITDA (EUR thousand)[7]	6,614	1,152	6,090	3,021	-457
Net profit (EUR thousand)[8]	4,265	-2,011	975	-3,300	-1,669
EBITDA margin[9]	97.1%	12.6%	39.3%	10.2%	-1.4%
Operating margin[10]	65.9%	-19.2%	10.4%	-7.6%	-3.9%
EBT margin[11]	62.6%	-22.0%	6.3%	-11.2%	-5.1%
Net margin[12]	62.6%	-22.0%	6.3%	-11.2%	-5.1%
Inventory turnover	2.95	3.78	1.99	2.78	2.05

Other ratios	**9M and 30 September 2022**	**9M and 30 September 2021**	**9M and 30 September 2020**	**9M and 30 September 2010**	**9M and 30 September 2018**
Current ratio	0.64	0.7	0.96	0.88	1.1
Net gearing ratio	161%	1436.0%	1466.0%	1359.0%	266.7%
Return on equity[13]	13127.8%	-139.5%	80.9%	384.3%	-38.3%
Return on assets[14]	35.9%	-12.9%	3.8%	-12.1%	-9.1%

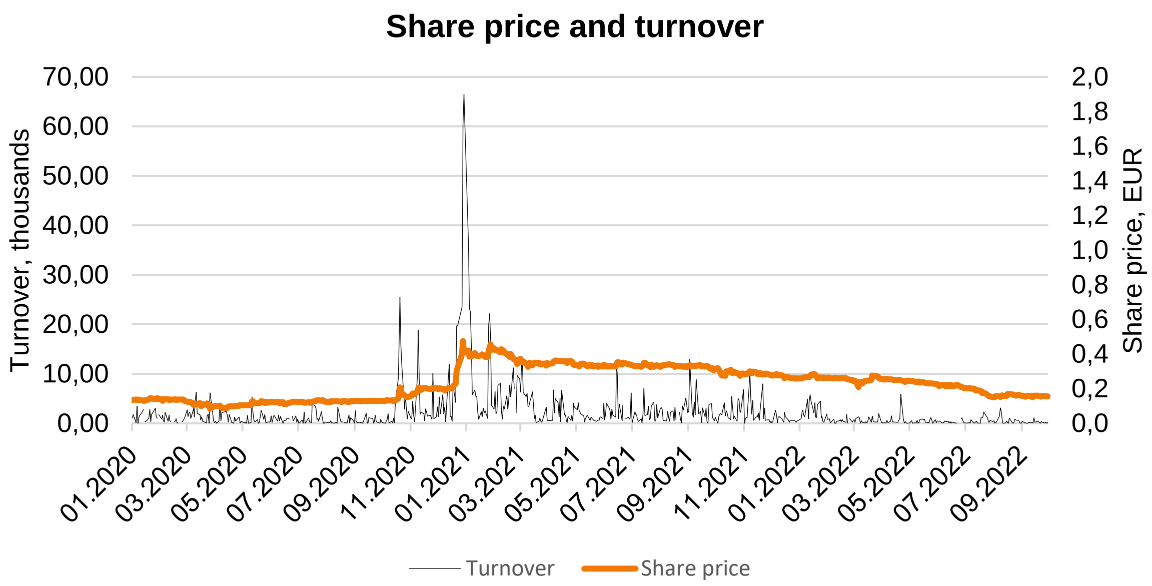
[1]Q3 2022 EBITDA without the impact of the sale of the Ivo Nikkolo trademarks was -93 thousand euros
[2]Q3 2022 result without the impact of the sale of the Ivo Nikkolo trademarks was a net loss of 825 thousand euros
[3]Q3 2022 EBITDA margin without the impact of the sale of the Ivo Nikkolo trademarks was -4%
[4]Q3 2022 operating profit margin without the impact of the sale of the Ivo Nikkolo trademarks was -34%
[5]Q3 2022 EBT margin without the impact of the sale of the Ivo Nikkolo trademarks was -34%
[6]Q3 2022 net margin without the impact of the sale of the Ivo Nikkolo trademarks was -34%

[7]The 9 months 2022 EBITDA without the impact of the sale of the Ivo Nikkolo trademarks was -822 thousand euros.
[8]The result for 9 months 2022 without the impact of the sale of the Ivo Nikkolo trademarks was a net loss of 3,171 thousand euros
[9]The 9 months 2022 EBITDA margin without the impact of the sale of the Ivo Nikkolo trademarks was -12%
[10]The 9 months 2022 operating profit margin without the impact of the sale of the Ivo Nikkolo trademarks was -43%
[11]The 9 months 2022 EBT margin without the impact of the sale of the Ivo Nikkolo trademarks was -47%
[12]The 9 months 2022 net margin without the impact of the sale of the Ivo Nikkolo trademarks was -47%
[13]The 9-month return on equity without the impact of the sale of the Ivo Nikkolo trademarks was -9762%
[14]The 9-month return on assets without the impact of the sale of the Ivo Nikkolo trademarks was -27%

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
4 November 2022

Margus Olesk
Member of The Management Board, CFO
4 November 2022

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter of 2022 as presented on pages 15-29.

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
4 November 2022

Margus Olesk
Member of The Management Board, CFO
4 November 2022

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sept 2022	31 Dec 2021
ASSETS			
Current assets			
Cash and cash equivalents		282	614
Trade and other receivables	5	194	696
Inventories	6	2,414	2,491
Total current assets		**2,890**	**3,801**
Non-current assets			
Deferred income tax asset		80	80
Trade and other receivables	5	5,716	0
Other non-current assets	5	162	172
Property, plant and equipment	7	1,181	855
Right-of-use assets	9	5,046	5,956
Intangible assets	8	595	631
Total non-current assets		**12,781**	**7,694**
TOTAL ASSETS		**15,671**	**11,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	10	356	364
Lease liabilities	9	1,884	1,692
Trade and other payables	11,12	2,310	2,438
Total current liabilities		**4,550**	**4,494**
Non-current liabilities			
Borrowings	10	3,201	2,425
Lease liabilities	9	3,191	4,264
Trade and other payables	11,12	151	0
Total non-current liabilities		**6,543**	**6,689**
TOTAL LIABILITIES		**11,094**	**11,183**
EQUITY			
Share capital at par value	13	5,408	5,408
Reserves	13	4,431	4,431
Retained earnings		-9,527	-6,627
Net profit (loss) for the period		4,265	-2,900
TOTAL EQUITY		**4,577**	**312**
TOTAL LIABILITIES AND EQUITY		**15,671**	**11,495**

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3Q 2022	3Q 2021	9m 2022	9m 2021
Revenue	14, 15	2,427	3,817	6,810	9,156
Cost of goods sold		-1,106	-1,896	-3,452	-4,707
Gross profit		**1,321**	**1,921**	**3,358**	**4,449**
Distribution costs		-1,706	-2,287	-5,340	-6,124
Administrative and general expenses		-316	-303	-949	-1,138
Other operating income (-expense)	16	7,372	369	7,420	1,054
Operating profit (loss)		**6,670**	**-300**	**4,489**	**-1,759**
Finance costs		-59	-92	-224	-251
Profit (loss) before income tax		**6,611**	**-392**	**4,265**	**-2,010**
Income tax expense		0	0	0	0
Net profit (loss) for the period		**6,611**	**-392**	**4,265**	**-2,010**
Total comprehensive income (loss) for the period		**6,611**	**-392**	**4,265**	**-2,010**
Basic earnings per share from net profit (loss) for the period, EUR	17	0.12	-0.01	0.08	-0.04
Diluted earnings per share from net profit (loss) for the period, EUR	17	0.12	-0.01	0.08	-0.04

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	3Q 2022	3Q 2021	9m 2022	9m 2021
Cash flows from operating activities					
Operating profit (loss)		6,670	-300	4,489	-1,759
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles		637	810	2,043	2,883
Loss on sale of property, plant and equipment		299	28	367	43
Gain on sale of intangible assets		-7,436	0	-7,436	0
Changes in working capital:					
Change in trade and other receivables	5	5	-41	514	90
Change in inventories		-370	172	77	513
Change in trade and other payables	11	-68	308	-128	64
Interest paid and other financial expense		-14	-3	-45	-6
Net cash generated from operating activities		**-276**	**974**	**-118**	**1,828**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangibles	7, 8	-333	-92	-1,062	-169
Proceeds from disposal of PPE and intangible assets		2,021	0	2,021	0
Net cash used in investing activities		**1,688**	**-92**	**959**	**-169**
Cash flows from financing activities					
Received borrowings	10	0	0	1,000	0
Repayments of borrowings	10	-89	-89	-267	-204
Change in bank overdraft	10	-831	33	56	718
Finance lease payments		0	0	-21	-4
Repayments of lease liabilities, principle	9	-551	-747	-1,742	-2,613
Repayments of lease liabilities, interest		-66	-78	-198	-210
Net cash generated from (used in) financing activities		**-1,536**	**-881**	**-1,173**	**-2,313**
Total cash flows		**-124**	**1**	**-332**	**-654**
Cash and cash equivalents at the beginning of the period		**406**	**772**	**614**	**1,427**
Cash and cash equivalents at the end of the period		**282**	**773**	**282**	**773**
Change in cash and cash equivalents		**-124**	**1**	**-332**	**-654**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

	Share capital	Reserves	Retained earnings	Total equity attributable to owners of the Parent
Balance as at 31 December 2020	**5,408**	**3,931**	**-6,627**	**2,712**
Net profit (loss) for the reporting period	0	0	-2,010	-2,010
Total comprehensive income (loss)	**0**	**0**	**-2,010**	**-2,010**
Balance as at 30 September 2021	**5,408**	**3,931**	**-8,637**	**702**
Balance as at 31 December 2021	**5,408**	**4,431**	**-9,527**	**312**
Net profit (loss) for the reporting period	**0**	**0**	4,265	4,265
Total comprehensive income (loss)	**0**	**0**	**4,265**	**4,265**
Balance as at 30 September 2022	**5,408**	**4,431**	**-5,262**	**4,577**

NOTES TO CONSOLIDATED INTERIM REPORT

NOTE 1 General Information

Baltika Group, with the parent company AS Baltika, is an international fashion retailer. Baltika develops and operates fashion brand Ivo Nikkolo. Baltika employs a business model, which means that it controls various stages of the fashion process: design, supply chain management, distribution/logistics, wholesale and retail. AS Baltika's shares are listed on the Nasdaq Tallinn Stock Exchange. The largest shareholder and the only company holding more than 20% of shares (Note 13) of AS Baltika is KJK Fund Sicav-SIF (on ING Luxembourg S.A. account).

NOTE 2 Basis for Preparation

The consolidated condensed interim financial statements of the Group for the third quarter ended 30 September 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 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 in the third quarter.

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

On 8th October 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 October 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

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).

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

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	**30 Sept 2022**	**31 Dec 2021**
Trade receivables, net	38	41
Other prepaid expenses	122	100
Tax prepayments and tax reclaims, thereof	18	47
Value added tax	18	47
Other current receivables	-2	508
Total	**194**	**696**
Long-term trade and other receivables		
Other receivables[1]	5,716	0
Total	**5,716**	**0**

Other long-term assets		
Non-current lease prepayments	162	172
Total	**162**	**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 5,716 thousand euros (note 17).

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

NOTE 6 Inventories

	30 Sept 2022	31 Dec 2021
Fabrics and accessories	1	2
Finished goods and goods purchased for resale	2,338	2,556
Allowance for impairment of finished goods and goods purchased for resale	-100	-100
Prepayments to suppliers	175	33
Total	**2,414**	**2,491**

NOTE 7 Property, plant and equipment

During the reporting period, the Group invested a total of 767 thousand euros in property, plant and equipment (in the comparable period, the total investment volume was 127 thousand euros. The most important investments are related to the opening of three new Ivo Nikkolo concept stores (two stores were opened in Riga and one store in Tallinn).

During the reporting period, the Group wrote off property, plant and equipment in the carrying amount of 118 thousand euros (in the comparable period in the carrying amount of 68 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 reporting period, the Group invested a total of 294 thousand euros in intangible assets (in the comparable period, the total amount of investments was 42 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 42 thousand euros during the reporting period.

During the reporting period, 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.

NOTE 9 Finance lease

During the reporting period, the Group signed four new lease agreements for the use of commercial premises. When entering into lease agreements, the Group recorded 956 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 735 thousand euros).

In addition to the above, the Group closed ten unprofitable stores during the reporting period. As a result of the closure of unprofitable stores, the right to use assets and lease liabilities in the amount of 270 thousand euros (in the comparable period, because of the termination of lease agreements, the right to use assets and lease liabilities decreased in the amount of 975 thousand euros).

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

NOTE 10 Borrowings

	30 Sept 2022	31 Dec 2021
Current borrowings		
Current portion of bank loans	356	356
Current portion of finance lease liabilities	0	8
Total	**356**	**364**
Non-current borrowings		
Non-current bank loans	89	356
Non-current overdraft	2,041	1,985
Loans received from related parties (note 19)	1,000	0
Other non-current liabilities	71	84
Total	**3,201**	**2,425**
Total borrowings	**3,557**	**2,789**

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

During the reporting period, the Group made bank loan repayments in the amount of 267 thousand euros (2021: 204 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 2,042 thousand euros as at 30 September 2022 (31 December 2021: 1,985 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 249 thousand euros (2021: 251 thousand euros), 9 months interests from lease liabilities recognised under IFRS 16 in the amount of 197 thousand euros (9 months 2021: 210 thousand euros).

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	2,486
Total		**2,486**

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 6-month Euribor)	EURIBOR +2.00%	2,697
Total		**2,697**

NOTE 11 Trade and other payables

	30 Sept 2022	31 Dec 2021
Current liabilities		
Trade payables	1,408	1,032
Tax liabilities, thereof	519	759
Personal income tax	*43*	*68*
Social security taxes and unemployment insurance premium	*251*	*329*
Value added tax	*192*	*361*
Other taxes	*33*	*1*
Payables to employees[1]	259	329
Other current payables[2]	42	140
Other accrued expenses	29	16
Customer prepayments	47	57
Total	**2,304**	**2,333**

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

Non-current liabilities		
Other non-current liabilities[2]	151	0
Total	**151**	**0**
Total trade and other payables	**2,455**	**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 169 thousand euros (current liability is 18 thousand euros and non-current liability is 151 thousand euros).

Trade payables and other accrues expenses in denominated currency

	30 Sept 2022	31 Dec 2021
EUR (euro)	1,274	1,045
USD (US dollar)	163	3
Total	**1,437**	**1,048**

NOTE 12 Provisions

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

NOTE 13 Equity

Share capital and reserves

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

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

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

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

Shareholders as at 30 September 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	347,795	0.64%
5. Kaima Capital Eesti OÜ	231,578	0.43%
6. SWEDBANK AS CLIENTS	154,382	0.29%
7. Tarmo Kõiv	114,002	0.21%
8. PAAVO KAIS	105,000	0.19%
9. Other shareholders	2,232,963	4.13%
Total	**54,079,485**	**100%**

The members of the Management Board and Supervisory Board and their close relatives owned Baltika shares as of 30 September 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%).

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

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
3 Q 2022				
Revenue (from external customers)	2,221	200	6	2,427
Segment profit (loss)[2]	-273	4	1	-268
Incl. depreciation and amortisation	-97	-6	0	-103
3 Q 2021				
Revenue (from external customers)	3,492	310	15	3,817
Segment profit (loss)[2]	312	5	-2	315
Incl. depreciation and amortisation	-97	-6	0	-103
9M 2022 and as at 30 September 2022				
Revenue (from external customers)	6,106	708	-2	6,810
Segment profit (loss)[2]	-1,276	26	1	-1,249
Incl. depreciation and amortisation	-263	-17	0	-280
Inventories of segments	1,373			1,373
9M 2021 and as at 30 September 2021				
Revenue (from external customers)	7,390	1,657	109	9,156
Segment profit (loss)[2]	-57	108	31	82
Incl. depreciation and amortisation	-324	-17	0	-341
Inventories of segments	1,746			1,746

[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

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Total segment profit	-268	315	-1 249	82
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-117	-266	-733	-1,757
Administrative and general expenses	-316	-718	-949	-1,138
Other operating income (expenses), net	7,372	369	7,420	1,054
Operating profit (loss)	**6,670**	**-300**	**4,489**	**-1,759**

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

Reconciliation of segment inventories to consolidated inventories

	30 Sept 2022	31 Dec 2021
Total inventories of segments	1,373	1,915
Inventories in Parent company and production company	1,041	576
Inventories on statement of financial position	**2,414**	**2,491**

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

NOTE 15 Revenue

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Sale of goods in retail channel	2,221	3,492	6,106	7,389
Sale of goods in wholesale and franchise channel	4	2	-13	67
Sale of goods in e-commerce channel	200	310	708	1,657
Other sales	2	13	11	43
Total	**2,427**	**3,817**	**6,810**	**9,156**

Sales by geographical (client location) areas

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Estonia	1,147	1,975	3,216	5,550
Latvia	641	1,290	1,723	1,949
Lithuania	634	530	1,838	1,577
Other countries	5	22	33	80
Total	**2,427**	**3,817**	**6,810**	**9,156**

NOTE 16 Other operating income and expenses

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Gain (loss) from sale, impairment of PPE	-16	-29	-84	-43
Gain (loss) from sale, impairment of tangible assets[1]	7,436	0	7,436	0
Other operating income[2]	0	446	133	1,154
Foreign exchange gain (-loss)	-24	-3	-35	-6
Other operating expenses	-24	-45	-30	-51
Total	**7,372**	**369**	**7,420**	**1,054**

[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 reporting period.

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 October 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 October 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 October 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 third 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 30.09.2022, 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		3 Q 2022	3 Q 2021	9m 2022	9m 2021
Weighted average number of shares (thousand)	pcs	54,079	54,079	54,079	54;079
Net loss from continuing operations		6,611	-392	4,265	-2,010
Basic earnings per share	**EUR**	**0.12**	**-0.03**	**0.08**	**-0.04**
Diluted earnings per share	**EUR**	**0.12**	**-0.03**	**0.08**	**-0.04**

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 0.17 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

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Services purchased	0	6	2	18
Total	**0**	**6**	**2**	**18**

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

Balances with related parties

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

All transactions in 2022 as well as in 2021 reporting periods and balances with related parties as at 30 September 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 III quarter of 2022 (in thousand euros, unaudited)

Compensation for the members of the Management Board and Supervisory Board

	3 Q 2022	3 Q 2021	9m 2022	9m 2021
Salaries of the members of the Management Board	15	78	170	360
Remuneration of the members of the Supervisory Council	3	4	10	17
Total	**18**	**82**	**180**	**377**

Changes in the Management Board and Supervisory Board

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

- AS Baltika'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 begins 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 30 September 2022: 0

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

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

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

AS BALTIKA MANAGEMENT BOARD

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