AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2016

Commercial name	AS Baltika
Commercial registry number	10144415
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Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2016 – 31 December 2016
Reporting period	1 January 2016 – 30 September 2016

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BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer. Baltika develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo. Baltika employs a vertically integrated business model, which means that it controls all stages of the fashion process: design, manufacturing, 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 exchange group NASDAQ.

As at 30 September 2016 the Group employed 1,060 people (31 December 2015: 1,174).

The parent company is located and has been registered at 24 Veerenni in Tallinn, Estonia.

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 Sept 2016	Holding as at 31 Dec 2015
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman[1]	Estonia	Retail	100%	100%
SIA Baltika Latvija[2]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[2]	Lithuania	Retail	100%	100%
OOO “Olivia“[3]	Russia	Retail	0%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%

[1]Interest through a subsidiary.
[2]Interest through Baltman OÜ
[3]OOO “Olivia” consolidation group, which also includes OOO “Plazma“ and OOO “Stelsing“ was sold 22 February 2016.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS OF 2016

Baltika Group's third quarter resulted in net loss in the amount of 296 thousand euros, which is an increase of 354 thousand euros compared to the same period last year. The result of the same period last year was a loss of 650 thousand euros and the comparative figure for continued operations was a loss of 520 thousand euros.

In connection with Baltika Group's exit from the Russian retail business, which represented a major line of business of the Group, the 2015 results of the Russian companies' retail operations are presented as a discontinued operation.

In the third quarter Baltika's revenue from continued operations stayed close to last year's level and was 11,966 thousand euros. The largest revenue growth of 45% was in wholesale and franchise, totalling 2,141 thousand euros. Revenue increased mainly due to the Russian retail market's transition over to the franchise partner and Monton women's collection's entrance to the German department store chain Peek & Cloppenburg. As at the end of September the Monton collection was sold in 19 Peek & Cloppenburg department stores in Europe, from November the number of Monton collection selling department stores will be 25. At the beginning of October Baltika signed a franchise agreement with Serbian enterprise Victoria Elegans d.o.o., who will open the first Monton and Mosaic brand store in Novi Sad Serbia at the beginning of 2017. At the end of the third quarter there were 33 franchise stores, forming 26% of the total stores portfolio.

E-store andmorefashion.com revenue increased 20% in the third quarter and was 249 thousand euros. Countries with the largest sales were Estonia, Latvia, Lithuania, Russia and Finland.

Retail revenue decreased by 7% compared to same period last year and was 9,547 thousand euros. At the same time the retail gross profit margin has increased 2.6 percentage points from 49.1% to 51.7% due to a more effective intake margin management process and lower mark-downs. E-com and wholesale and franchise gross profit margin has increased as well.

Gross profit was 5,432 thousand euros in the third quarter, which is 81 thousand euros higher than in the same period last year.

Baltika's total revenue in the first three quarters of 2016 was 34,289 thousand euros, which is 3% less than in the same period last year. Baltika ended the first nine months with net loss in the amount of 443 thousand euros. The result of the same period last year was a net loss in the amount of 1,719 thousand euros and the comparative figure for continued operations was a net loss in the amount of 1,176 thousand euros. In addition to exiting from the Ukrainian and Russian retail markets and more effective gross profit margin management the results have improved due to costs control as well. Distribution, administrative and general expenses have decreased 2% compared to last year.

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

- On 27th of July 2016 AS Swedbank and AS Baltika signed an agreement amendment according to which Baltika will get an investment loan in the amount of 2 million euros during a one-year period with a repayment period of 4 years. The amendment also contains a 20 month extension for the repayment of the existing loan in the amount of 1 million euros. The Loan interest margin remained unchanged.

- On 24th of August 2016 Baltika Group presented its fashion brands autumn/winter collection in the No99 theatre. For the first time in the history of the fashion show, it was broadcasted in all Baltika Group's home markets – Estonia, Latvia and Lithuania via Delfi.

- On 21st-25th of September 2016 a delegation of 22 Estonian design brands, including three of Baltka's fashion brands – Baltman, Ivo Nikkolo and Monton, participated in the Washington DC Fashion Week. The aim of taking Estonian fashion and design to Washington was to introduce strong Estonian brands in the US, to create long-lasting cooperation opportunities and to develop e-commerce of the sector.

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- In the third quarter two new Monton franchise stores were opened in Ukraine and five low profit franchise stores were closed, three in Spain and one in both Ukraine and Russia.

- At the beginning of October Baltika signed a franchise agreement with Serbian enterprise Victoria Elegans d.o.o., who will open the first Monton and Mosaic brand store in Novi Sad, Serbia at the beginning of 2017.

REVENUE

Management report presents only the results of continuing operations unless indicated otherwise.

Baltika's third quarter sales revenue from continuing operations stayed close to last year level and was 11,966 thousand euros. The largest revenue growth of 45% was in wholesale and franchise, totalling 2,141 thousand euros. Retail sales in the third quarter were 9,547 thousand euros, decreasing 7% compared to the same period last year.

Revenue by activity

Continuing operations

EUR thousand	3 Q 2016	3 Q 2015	+/-	9M 2016	9M 2015	+/-
Retail	9,547	10,290	-7%	28,265	30,317	-7%
Wholesale & Franchise	2,141	1,477	45%	5,106	4,198	22%
E-com sales	249	208	20%	753	699	8%
Other	29	27	7%	165	87	90%
Total	**11,966**	**12,002**	**0%**	**34,289**	**35,301**	**-3%**

Revenue including discontinued operations

EUR thousand	3 Q 2016	3 Q 2015	+/-	9M 2016	9M 2015	+/-
Retail[1]	9,547	11,437	-17%	28,265	33,671	-16%
Wholesale & Franchise	2,141	1,477	45%	5,106	4,198	22%
E-com sales	249	208	20%	753	699	8%
Other	29	27	7%	165	87	90%
Total	**11,966**	**13,149**	**-9%**	**34,289**	**38,655**	**-11%**

[1]2015 retail revenue includes Russian market sales

Stores and sales area

As at 30 September 2016 the Group had 127 stores, including 33 franchise stores. In the third quarter two new Monton franchise stores were opened in Ukraine: in July in Kiev and at the end of August in Zaporogie. During the third quarter three franchise stores with low profitability were closed in Tenerife, Spain and one store in both Moscow, Russia and in Kiev, Ukraine. The Russian franchise store portfolio increased due to local retail transition to franchise.

From retail markets, Latvia is the only market where the average store space has decreased. The decrease is mainly caused by moving stores to smaller spaces.

Stores by market

	30 Sept 2016	30 Sept 2015	Average area change*
Estonia	44	44	7%
Lithuania	29	28	0%
Latvia	21	22	-6%
Ukraine[1]	16	15	1%
Russia[2]	12	5	439%
Belarus[2]	2	2	0%

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Spain[2]	3	5	13%
Total stores	**127**	**121**	
Total sales area, sqm	**23,485**	**21,462**	**13%**

*average area change also takes into account the time that the store is closed for renovation

[1]Operating franchise shops in Ukraine, Belarus and Spain are with a total sales area of 3,626 m^2.

[2]Russian franchise shops have a total sales area of 2,765 m^2. Eight of the Russian franchise stores with a total area of 2,281 m^2 were part of Russian retail which belongs to discontinued operation in retail segment in the comparative period.

Retail

Third quarter retail revenue from continuing operations decreased by 7% compared to the same period last year and was 9,547 thousand euros. The result was mainly influenced by an unexpectedly slow start to the season due to very warm weather from the middle of August to the middle of the September, especially in Lithuania and Latvia.

Retail sales by market

EUR thousand	3 Q 2016	3 Q 2015	+/-	Share	9M 2016	9M 2015	+/-	Share
Estonia	4,546	4,691	-3%	48%	13,394	13,856	-3%	47%
Lithuania	2,613	2,967	-12%	27%	7,694	8,516	-10%	28%
Latvia	2,388	2,632	-9%	25%	7,177	7,945	-10%	25%
Total	**9,547**	**10,290**	**-7%**	**100%**	**28,265**	**30,317**	**-7%**	**100%**
Russia*	0	1,147	-100%	-	0	3,354	-100%	-

*Discontinued operations

Lithuania's average operating area is on the last year level, but due to decreased revenue the sales area efficiency has decreased the most. In addition to above mentioned Lithuania's result was also influenced by planned store renovations to improve the customer experience.

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

	3 Q 2016	3 Q 2015	+/-	9M 2016	9M 2015	+/-
Estonia	197	214	-8%	197	217	-9%
Lithuania	161	177	-9%	153	170	-10%
Latvia	210	220	-4%	211	221	-4%
Total	**188**	**203**	**-7%**	**186**	**202**	**-8%**

Brands

In the third quarter Baltman brand revenue continued to increase (6% compared to same period last year). The Baltman revenue increase was supported by increased sales area and by a strong collection which has increased smart casual product selection.

Retail revenue by brands

EUR thousand	3 Q 2016	3 Q 2015	+/-	Share	9M 2016	9M 2015	+/-	Share
Monton	4,112	4,445	-7%	43%	11,832	12,405	-5%	42%
Mosaic	2,941	3,182	-8%	31%	8,821	9,907	-11%	31%
Baltman	1,129	1,063	6%	12%	3,421	3,437	0%	12%
Ivo Nikkolo	931	959	-3%	10%	2,857	2,837	1%	10%
Bastion	424	451	-6%	4%	1,222	1,259	-3%	4%
Other	10	190	-95%	0%	112	472	-76%	1%
Total	**9,547**	**10,290**	**-7%**	**100%**	**28,265**	**30,317**	**-7%**	**100%**

Sales through other channels

In the third quarter of 2016 the sales result of wholesale and franchise was 2,141 thousand euros, increasing 664 thousand euros i.e. 45%. The increase in volume is mainly due to the Russian retail market's transition over to a franchise partner and increase in wholesale to the Peek & Cloppenburg department stores chain. As at the end of September the Monton collection was sold in 19 Peek & Cloppenburg department stores in Europe, from November the number of Monton collection selling department stores will be 25. In addition to increase in wholesale Baltika's franchise partners portfolio is increasing as well. At the beginning of October Baltika signed a franchise agreement with Serbian enterprise Victoria Elegans d.o.o., who will open the first Monton and Mosaic brand store in Novi Sad Serbia at the beginning of 2017. At the end of the third quarter there were 33 franchise stores, forming 26% of the total stores portfolio.

Sales of e-shop increased in the third quarter by 20% and amounted to 249 thousand euros. The orders were made from a total of 30 countries. Countries with the largest sales are Estonia, Latvia, Lithuania, Russia and Finland, in Russia e-com had the highest sales growth with an increase of 63% compared to same period last year. The best-selling brand in the e-store was Monton which comprised 35% of all sales.

OPERATING EXPENSES AND NET PROFIT

The company's gross profit margin in the third quarter was 45.4%, which is 0.8 percentage points higher than the 44.6% margin the same period last year. The nine months gross profit margin is 49.4% which means improvement of 2.4 percentage points compared to the same period last year. The gross profit margin has improved due to better purchasing prices and lower mark downs. Quarterly gross profit was 5,432 thousand euros, which makes the nine months gross profit 16,992 thousand euros i.e. 322 thousand euros more than last year's comparative result.

Distribution expense in the third quarter was 4,985 thousand euros, decreasing 4% compared to the same period last year. In the head-office distribution expense has decreased by 7% i.e. 98 thousand euros due to more efficient processes and in the Baltic retail markets distribution expense has decreased by 2% i.e. 89 thousand euros. In nine months total distribution expenses have decreased by 361 thousand euros i.e. 2% compared to same period last year.

In the third quarter general and administrative expense was 605 thousand euros, increasing 5% i.e. 28 thousand euros compared to same period last year. In nine months total general and administrative expense was 1,874 thousand euros, which is 2% i.e. 46 thousand euros less than in nine months last year.

Distribution and general expense ratio to revenue in the third quarter of 2016 was 47%. The expense ratio has decreased by 1 percentage point compared to the same period last year.

Other operating net expense in the third quarter was 14 thousand euros and the operating loss was 172 thousand euros. In the same period last year, the operating loss was 398 thousand euros.

Net financial expense in the third quarter was 124 thousand euros, which is 2 thousand euros more than in the same period last year.

The third quarter resulted in a net loss in the amount of 296 thousand euros. The net loss in the same period in the previous year was 650 thousand euros and the comparative result from continuing operations was a loss in the amount of 520 thousand euros. Nine months resulted in a net loss of 443 thousand euros, the result in same period last year from continuing operations was a loss in the amount of 1,176 thousand euros and with discontinued operations a net loss in the amount of 1,719 thousand euros.

FINANCIAL POSITION

As at 30 September 2016, Baltika Group inventories totalled 11,271 thousand euros, increasing 847 thousand euros compared to last year-end. Compared to the same seasonal position on 30 September last year, inventories have decreased by 1,117 thousand euros, out of which a decrease of 642 thousand euros is from exiting the Russian retail market. The continuing operations' finished goods and goods purchased for resale balance has decreased by 6% i.e. 558 thousand euros and the prepayments to suppliers have decreased by 3% i.e. 11 thousand euros. Compared to last year the inventories of fabrics and accessories have increased by 7% i.e. 91 thousand euros and the work-in-progress inventories has increased by 3% i.e. 3 thousand euros.

As at 30 September 2016 trade receivables were 2,678 thousand euros, which is 1,071 thousand euros more than at the end of last year. Compared to the same seasonal position on 30 September 2015, trade receivables have increased by 62 thousand euros. Trade receivables have mainly increased due to an increase in wholesale and franchise sales, where the customers have longer payment periods.

As at 30 September 2016 total borrowings amounted to 9,004 thousand euros, which signifies together with the usage of overdraft facility, an increase of 2,683 thousand euros compared to the last year-end (31 December 2015: 6,321 thousand euros). At the end of July Baltika received an investment loan in the amount of 2,000 thousand euros, out of which 1,500 thousand euros was taken into use. This is one of the main reasons behind the increase in borrowings.

In the third quarter Baltika purchased fixed assets in the amount of 345 thousand euros and recorded depreciation of 321 thousand euros. Property, plant and equipment and intangible assets at net book value decreased by 29 thousand euros compared to last year-end and was 4,825 thousand euros.

The cash-flows from operating activities in the third quarter were -1,241 thousand euros (III quarter 2015: -247 thousand euros). The company's cash-flows from operating activities deteriorated due to larger payments for trade and other payables – a decrease of 1,149 thousand euros. Cash-flows from investment activity were -327 thousand euros (III quarter 2015: -181 thousand euros). Bank loan repayments were made in the amount of 225 thousand euros and a loan in amount of 1,500 thousand euros was taken into use. The Group's total cash flow in the third quarter was -28 thousand euros (III quarter 2015: -208 thousand euros).

As at 30 September 2016 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 8,778 thousand euros, which is 2,879 thousand euros more than at the end of last year. The net debt to equity ratio was 202% as at 30 September 2016 (31 December 2015: 123%). The deterioration of the ratio is driven by the increase in borrowings (loan taken at the end of July and an increase in the usage of overdraft).

PEOPLE

As at 30 September 2016 the Baltika Group employed 1,060 people that is 114 people less than as at 31 December 2015 (1,174): 494 (31.12.2015: 601, including 79 Russian retail market employees) in the retail system, 380 (31.12.2015: 387) in manufacturing and 186 (31.12.2015: 186) in the head office and logistics centre. The 2016 first nine months' average number of staff in Group was 1,080 (9 months 2015 with Russian retail market staff: 1,217).

Baltika Group continuing operations' employee remuneration expense in the first nine months amounted to 7,849 thousand euros (9 months 2015: 8,089 thousand euros). The accrued remuneration with taxes, of the member of the Supervisory Council and Management Board totalled 274 thousand euros (2015: 237 thousand euros).

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KEY FIGURES OF THE GROUP (III QUARTER AND 9 MONTHS 2016)

	Q 3 2016	Q 3 2015[1]	Q 3 2015	Q 3 2014	Q 3 2013	Q 3 2012
Revenue (EUR thousand)	11,966	12,002	13,149	14,648	14,209	14,344
Retail sales (EUR thousand)	9,547	10,290	11,437	12,664	12,949	13,229
Share of retail sales in revenue	79.8%	85.7%	87.0%	86.5%	91.0%	92.2%
Gross margin	45.4%	44.6%	45.1%	49.0%	48.9%	51.8%
EBITDA (EUR thousand)	151	-86	-181	579	-266	728
Net profit (EUR thousand)	-296	-520	-650	151	-784	201
EBITDA margin	1.3%	-0.7%	-1.4%	4.0%	-1.9%	5.1%
Operating margin	-1.4%	-3.3%	-4.0%	2.0%	-4.6%	2.2%
EBT margin	-2.5%	-4.3%	-4.9%	1.1%	-5.5%	1.4%
Net margin	-2.5%	-4.3%	-4.9%	1.0%	-5.5%	1.4%

Sales activity key figures	**9M and 30 Sept 2016**	**9M and 30 Sept 2015[1]**	**9M and 30 Sept 2015**	**9M and 30 Sept 2014**	**9M and 30 Sept 2013**	**9M and 30 Sept 2012**
Revenue (EUR thousand)	34,289	35,301	38,655	41,320	41,659	40,144
Retail sales (EUR thousand)	28,265	30,317	33,671	37,368	38,838	37,137
Share of retail sales in revenue	82.4%	85.9%	87.1%	90.4%	93.2%	92.5%
Share of exports in revenue	56.7%	57.1%	60.8%	65.9%	67.0%	68.0%
Number of stores in retail	94	94	104	102	119	106
Number of stores	127	121	131	120	119	106
Sales area at the end of period (sqm)	17,094	17,044	19,881	19,867	23,192	21,536
Number of employees (end of period)	1,060	1,111	1,196	1,215	1,311	1,253
Gross margin	49.4%	47.0%	47.3%	50.7%	53.2%	53.9%
EBITDA (EUR thousand)	882	80	-376	-434	806	1,851
Net profit (EUR thousand)	-443	-1,176	-1,719	-1,638	-763	-270
EBITDA margin	2.6%	0.2%	-1.0%	-1.1%	1.9%	4.6%
Operating margin	-0.3%	-2.3%	-3.5%	-3.3%	-0.8%	1.2%
EBT margin	-1.3%	-3.3%	-4.5%	-4.0%	-1.8%	-0.6%
Net margin	-1.3%	-3.3%	-4.4%	-4.1%	-1.8%	-0.7%
Inventory turnover	2.15	2.01	2.05	2.02	2.10	2.27

Other ratios[2]						
Current ratio	1.0	1.3	1.3	2.1	1.6	1.9
Net gearing ratio	202.0%	117.5%	117.5%	94.6%	57.5%	66.4%
Return on equity	-10.1%	-21.1%	-21.1%	-16.9%	-7.4%	-2.9%
Return on assets	-2.3%	-7.3%	-7.3%	-7.1%	-3.2%	-8.0%

[1]In connection with Baltika's exit from the Russian retail business, the sales activity key figures of the third quarter and 9 months of 2015 presents only results of continued operations.
[2]Other ratios include the impact of continuing and discontinued operations.

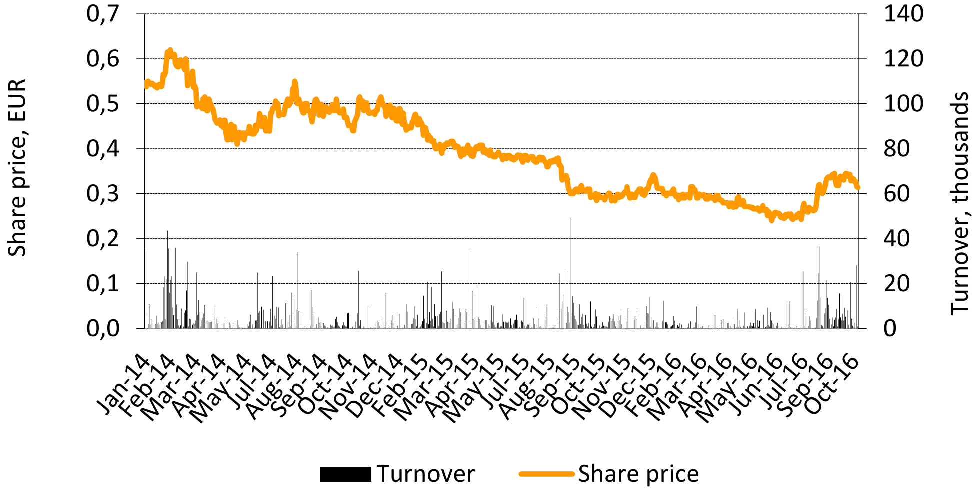
Definitions of key ratios

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.

Meelis Milder
Chairman of the Management Board
31 October 2016

Maigi Pärnik-Pernik
Member of the Management Board
31 October 2016

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 and 9 months of 2016 as presented on pages 12-33.

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.

Meelis Milder
Chairman of the Management Board
31 October 2016

Maigi Pärnik-Pernik
Member of the Management Board
31 October 2016

Baltika Group Consolidated interim report for the III quarter and 9 months of 2016 (in thousands euros, unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sept 2016	31 Dec 2015
ASSETS			
Current assets			
Cash and cash equivalents	3	226	398
Trade and other receivables	4	2,678	1,607
Inventories	5	11,271	10,424
Total current assets		**14,175**	**12,429**
Non-current assets			
Deferred income tax asset		234	234
Other non-current assets	4	418	584
Property, plant and equipment	6	3,093	2,910
Intangible assets	7	1,732	1,944
Total non-current assets		**5,477**	**5,672**
TOTAL ASSETS		**19,652**	**18,101**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	8	7,498	3,009
Trade and other payables	9,10	6,303	6,709
Total current liabilities		**13,801**	**9,718**
Non-current liabilities			
Borrowings	8	1,506	3,312
Other liabilities	9	0	283
Total non-current liabilities		**1,506**	**3,595**
TOTAL LIABILITIES		**15,307**	**13,313**
EQUITY			
Share capital at par value	11	8,159	8,159
Share premium		496	496
Reserves	11	1,182	1,182
Retained earnings		-5,049	1,310
Net loss for the period		-443	-6,359
TOTAL EQUITY		**4,345**	**4,788**
TOTAL LIABILITIES AND EQUITY		**19,652**	**18,101**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Continuing operations					
Revenue	12,13	11,966	12,002	34,289	35,301
Cost of goods sold	14	-6,534	-6,651	-17,367	-18,701
Gross profit		**5,432**	**5,351**	**16,922**	**16,600**
Distribution costs	15	-4,985	-5,172	-15,094	-15,455
Administrative and general expenses	16	-605	-577	-1,874	-1,920
Other operating income (-expense)	17	-14	0	-51	-40
Operating loss		**-172**	**-398**	**-97**	**-815**
Finance costs	18	-124	-122	-346	-361
Loss before income tax		**-296**	**-520**	**-443**	**-1,176**
Income tax expense		0	0	0	0
Net loss from continuing operations		**-296**	**-520**	**-443**	**-1,176**
Net loss for the period from discontinued operations	**21**	**0**	**-130**	0	-543
Net loss for the period		**-296**	**-650**	**-443**	**-1,719**
Basic earnings per share from net loss for the period, EUR	19	-0.01	-0.01	-0.01	-0.04
From continuing operations		-0.01	-0.01	-0.01	-0.03
From discontinued operations		-	0.00	-	-0.01
Diluted earnings per share from net loss for the period, EUR	19	-0.01	-0.01	-0.01	-0.04
From continuing operations		-0.01	-0.01	-0.01	-0.03
From discontinued operations		-	0.00	-	-0.01

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Net loss for the period	**-296**	**-650**	**-443**	**-1,719**
Other comprehensive loss				
Items that subsequently might be classified to profit or loss:				
Currency translation differences	0	-386	0	-31
Total comprehensive loss	**-296**	**-1,036**	**-443**	**-1,750**
Total comprehensive loss attributable to equity shareholders arises from:				
Continuing operations	-296	-520	-443	-1,176
Discontinued operations	0	-516	0	-574

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CONSOLIDATED CASH FLOW STATEMENT

	Note	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Operating activities					
Continuing operations:					
Operating profit (loss)		-172	-398	-97	-815
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-16	321	312	966	902
Gain (loss) from sale, impairment of PPE, non-current assets, net		1	-1	13	-6
Other non-monetary expenses		-145	-181	116	-510
Changes in working capital:					
Change in trade and other receivables	4	-632	-646	-1 008	-825
Change in inventories	5	588	870	-847	719
Change in trade and other payables	9	-1 149	-97	-849	12
Interest paid		-53	-69	-171	-211
Income tax paid		0	0	-1	-10
Discontinued operations		0	-37	0	80
Net cash generated (used in) from operating activities		**-1 241**	**-247**	**-1 878**	**-664**
Investing activities					
Continuing operations:					
Acquisition of property, plant and equipment, intangibles	6, 7	-327	-181	-943	-712
Proceeds from disposal of PPE		0	0	0	121
Discontinued operations		0	0	0	-10
Net cash used in investing activities		**-327**	**-181**	**-943**	**-601**
Financing activities					
Received borrowings	8	1 500	0	1 500	0
Repayments of borrowings	8	-225	-274	-551	-822
Change in bank overdraft	8	331	573	1 855	1 835
Repayments of finance lease		-66	-51	-155	-102
Net cash used in financing activities		**1 540**	**248**	**2 649**	**911**
Total cash flows		**-28**	**-180**	**-172**	**-354**
Cash and cash equivalents at the beginning of the period	3	**254**	**562**	**398**	**710**
Effect of exchange gains on cash and cash equivalents		0	-28	0	-2
Cash and cash equivalents at the end of the period	3	**226**	**354**	**226**	**354**
Change in cash and cash equivalents		**-28**	**-208**	**-172**	**-356**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total
Balance as at 31 Dec 2014	**8,159**	**809**	**1,182**	**1,310**	**-2,723**	**8,737**
Loss for the period	0	0	0	-1,719	0	-1,719
Other comprehensive income (loss)	0	0	0	0	-31	-31
Total comprehensive loss	**0**	**0**	**0**	**-1,719**	**-31**	**-1,750**
Balance as at 30 Sept 2015	**8,159**	**809**	**1,182**	**-409**	**-2,754**	**6,987**
Balance as at 31 Dec 2015	**8,159**	**496**	**1,182**	**-5,049**	**0**	**4,788**
Loss for the period	0	0	0	-443	0	-443
Total comprehensive loss	**0**	**0**	**0**	**-443**	**0**	**-443**
Balance as at 30 Sept 2016	**8,159**	**496**	**1,182**	**-5,492**	**0**	**4,345**

NOTES TO CONSOLIDATED INTERIM REPORT

NOTE 1 Accounting policies and methods used in the preparation of the interim report

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer that develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo. The Group employes a vertically integrated business model which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, logistics and whole-, franchise- and retail sales. AS Baltika's shares are listed on the Nasdaq Tallinn Stock Exchange. The largest shareholder and the only company holding more than 20% of shares (Note 11) of AS Baltika is KJK Fund Sicaf-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the third quarter ended 30 September 2016 has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The interim report should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2015, which has been prepared in accordance with International Financial Reporting Standards. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015. New and revised standards and interpretations effective from 1 January 2016 do not have a significant impact on the Group's financial statements as of preparing the interim financial report.

All information in the financial statements is presented in thousands euros, unless stated otherwise.

This interim report has not been audited or otherwise reviewed by auditors, and includes only the Group's consolidated reports and does not include all of the information required for full annual financial statements.

NOTE 2 Financial risks

In its daily activities, the Group is exposed to different types of risks, managing these risks 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 input 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. The management of the Group considers all the risks as significant risks for the Group.

The basis for risk management in the Group are the requirements set by the Tallinn Stock Exchange, 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 Group plays a major role in managing risks and approving risk procedures. The Supervisory Council of the Group supervises the Management Board's risk management activities.

Market risk

Foreign exchange risk

In 2016 and 2015 all sales from continuing operations were made in euros. In 2015 sales were conducted in RUB only in the discontinued Russian market. The majority of raw materials used in production are acquired from the European Union and goods purchased for resale are acquired outside of the European Union. The main currencies used for purchases are EUR (euro) and USD (US dollar).

The Group uses mainly euros when trading with partners in the European Monetary Union. In addition, a change in the economic environment and relative appreciation/depreciation of a local currency may greatly affect the purchasing power of customers in the market of the respective segment.

The Group's results are affected by the fluctuations in foreign currency rates. The changes in average foreign currency rates against the euro in the reporting period were the following:

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Average currencies	9M 2016	9M 2015
USD (US dollar)	-0.18%	17.75%

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

Balance-sheet date rates (30 Sept 2016; 31 Dec 2015)	
USD (US dollar)	-2.52%

Foreign exchange risk arises only from trade payables (Note 9), as cash and cash equivalents (Note 3), trade receivables (Note 4), borrowings (Note 8) are in euro and thereof not open to foreign exchange risk.

No instruments were used to hedge foreign currency risk in 2016 and 2015. The Management monitors changes of foreign currency constantly and assesses if the changes exceed the risk tolerance determined by the Group. If feasible, foreign currencies collected are used for the settling of liabilities denominated in the same currency. Additionally the Group uses the ability to regulate retail prices, reduces expenses and if necessary restructures the Group's internal transactions.

Interest rate risk

As the Group's cash and cash equivalents carry a fixed interest rate and the Group has no other significant interest-bearing assets, the Group's revenues and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from current and non-current borrowings issued with a floating interest rate. Interest rate risk is primarily caused by the potential fluctuations of Euribor or Eonia and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

Non-current borrowings of 1,506 thousand euros as at 30 September 2016 (312 thousand euros as at 31 December 2016) were subject to a floating 6 month interest rate based on Euribor. The Group analyses its interest rate exposure on a regular basis. Various scenarios for reducing risks are considered. These scenarios include refinancing, renewal of existing positions and alternative financing.

During the current or the previous reporting period the Group has not used any hedging instruments to manage the risks arising from interest rate fluctuations.

Price risk

The Group is not exposed to price risk with respect to financial instruments as it does not hold any equity securities.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, also from deposits under other receivables and trade receivables.

Cash and cash equivalents

For banks and financial institutions, mostly independently rated parties with a minimum rating of "A" are accepted as long-term counterparties in the Baltic states.

Trade receivables

Sales to retail customers are settled in cash or using major credit cards, thus no credit risk is involved except the risk arising from financial institutions selected as approved counterparties.

The credit policy for wholesale customers is based on the following actions: monitoring credit amounts, past experience and other factors. For some wholesale clients prepayments or payment guarantees through the bank are required. For some contractual clients no collaterals are required to secure the trade receivables but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

As at 30 September 2016 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted to 2,587 thousand euros (31 December 2015: 1,770 thousand euros) on a net basis after allowances.

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Liquidity risk

Liquidity risk is the potential risk that the Group has limited or insufficient financial (cash) resources to meet the obligations arising from the Group's activities. Management monitors the sufficiency of cash and cash equivalents to settle the liabilities and finance the Group's strategic goals on a regular basis using rolling cash forecasts.

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, bond issuances, monitoring the terms of receivables and purchase contracts. The Group´s current account/overdraft facility is in use for more flexible management of liquid assets, enabling some Group companies to use the Group's resources up to the limit established by the Parent company. The unused limit of the Group´s overdraft facilities as at 30 September 2016 was 719 thousand euros (31 December 2015: 2,574 thousand euros).

Financial liabilities by maturity at 30 September 2016

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 8)[2]	5,610	4,397	1,491	5,888
Finance lease liabilities (Note 8)	394	177	234	411
Convertible bonds (Note 8)	3,000	3,624	0	3,624
Trade payables (Note 9)	2,981	2,981	0	2,981
Other financial liabilities	23	23	0	23
Total	**12,008**	**11,202**	**1,725**	**12,927**

Financial liabilities by maturity at 31 December 2015

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 8)[2]	2,806	2,880	0	2,880
Finance lease liabilities (Note 8)	491	188	328	516
Convertible bonds (Note 8)	3,024	24	3,624	3,648
Trade payables (Note 9)	3,640	3,640	0	3,640
Other financial liabilities	2	2	0	2
Total	**9,963**	**6,734**	**3,952**	**10,686**

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

Operational risk

The Group's operations are mostly affected by the cyclical nature of economies in target markets and changes in competitive positions, as well as risks related to specific markets, especially non-European Union markets – Russia, Ukraine, Belarus).

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

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

The most important operating risk arises from the Group's inability to produce collections which would meet customer expectations and the goods that cannot be sold when expected and as budgeted.

To ensure good collections, the Group employs a strong team of designers who monitor and are aware of fashion trends by using internationally acclaimed channels. Such a structure, procedures and information systems have been set up at the Group which help daily monitoring of sales and balance of inventories and using the information in subsequent activities. In order to avoid supply problems, cooperation with the world's leading procurement intermediaries as well as material-manufacturers has been expanded.

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The inherent risk factor in selling clothes is the weather. When creating collections and planning the volume as well as timing of sales, regular weather conditions are assumed in the target markets – in case weather conditions differ significantly from normal conditions, the actual sales results may differ significantly from the budget.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for interest groups and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as interest carrying borrowings less cash and cash equivalents.

The Group aims to maintain the net gearing ratio under 50%. At the end of the reporting period the ratio was 202%. In the end of 2015 the ratio was 123%. The deterioration of the ratio is driven by the increase in borrowings (loan taken and increase in usage of overdraft).

Net gearing ratio

	30 Sept 2016	31 Dec 2015
Interest carrying borrowings (Note 8)	9,004	6,297
Cash and bank (Note 3)	-226	-398
Net debt	8,778	5,899
Total equity	4,345	4,788
Net gearing ratio	**202%**	**123%**

Fair value

The Group estimates that the fair values of the assets and liabilities measured in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 30 September 2016 and 31 December 2015.

Trade receivables and payables are measured at amortized cost. Management estimates that their carrying value approximates fair value as they are mostly short term.

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

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NOTE 3 Cash and cash equivalents

	30 Sept 2016	31 Dec 2015
Cash at hand	89	102
Cash at bank and overnight deposits	137	296
Total	**226**	**398**

All cash and cash equivalents are in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	30 Sept 2016	31 Dec 2015
Trade receivables, net	2,169	1,186
Other prepaid expenses	229	189
Tax prepayments and tax reclaims, thereof	272	213
Value added tax	272	209
Other taxes	0	4
Other current receivables	8	19
Total	**2,678**	**1,607**
Long-term assets		
Non-current lease prepayments	276	278
Other long-term receivables	142	306
Total	**418**	**584**

All trade and other receivables are in euros.

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

30 Sept 2016	Baltic region	Eastern European region	Other regions	Total
Not due	532	1,045	144	1,721
Up to 1 month past due	8	117	67	192
1-3 months past due	0	0	87	87
3-6 months past due	23	0	128	151
Over 6 months past due	0	0	18	18
Total	**563**	**1,162**	**444**	**2,169**

31 Dec 2015	Baltic region	Eastern European region	Other regions	Total
Not due	362	444	71	877
Up to 1 month past due	78	9	22	109
1-3 months past due	4	0	39	43
3-6 months past due	1	0	140	141
Over 6 months past due	0	0	16	16
Total	**445**	**453**	**288**	**1,186**

NOTE 5 Inventories

	30 Sept 2016	31 Dec 2015
Fabrics and accessories	1,481	1,790
Work-in-progress	82	82
Finished goods and goods purchased for resale	9,376	8,588
Allowance for impairment of finished goods and goods purchased for resale	0	-500
Prepayments to suppliers	332	464
Total	**11,271**	**10,424**

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NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2014					
Acquisition cost	**2,330**	**5,143**	**5,253**	**0**	**12,726**
Accumulated depreciation	-1,547	-4,535	-3,749	0	-9,831
Net book amount	**783**	**608**	**1,504**	**0**	**2,895**
Additions	460	102	532	1	1,095
Disposals	-29	-5	-8	0	-42
Depreciation	-234	-164	-362	0	-760
Currency translation differences	2	0	0	0	2
30 September 2015					
Acquisition cost	**2,558**	**4,964**	**5,370**	**1**	**12,893**
Accumulated depreciation	-1,576	-4,423	-3,704	0	-9,703
Net book amount	**982**	**541**	**1,666**	**1**	**3,190**
31 December 2015					
Acquisition cost	**2,452**	**4,736**	**4,491**	**1**	**11,680**
Accumulated depreciation	-1,545	-4,269	-2,956	0	-8,770
Net book amount	**907**	**467**	**1,535**	**1**	**2,910**
Additions	461	64	457	2	984
Disposals	-20	0	-32	0	-52
Reclassification	0	1	2	-3	0
Impairment	-7	0	-4	0	-11
Depreciation	-245	-97	-396	0	-738
30 September 2016					
Acquisition cost	**2,868**	**4,773**	**4,844**	**0**	**12,485**
Accumulated depreciation	-1,772	-4,338	-3,282	0	-9,392
Net book amount	**1,096**	**435**	**1,562**	**0**	**3,093**

Information about discontinued operations in Note 21.

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NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Pre-payments	Goodwill	Total
31 December 2014					
Acquisition cost	**2,132**	**1,243**	**28**	**1,495**	**4,898**
Accumulated depreciation	-1,425	-293	0	0	-1,718
Net book amount	**707**	**950**	**28**	**1,495**	**3,180**
Additions	26	0	2	0	28
Amortisation	-173	-33	0	0	-206
Currency translation differences	0	0	0	-12	-12
30 September 2015					
Acquisition cost	**2,155**	**1,243**	**30**	**1,483**	**4,911**
Accumulated depreciation	-1,595	-326	0	0	-1,921
Net book amount	**560**	**917**	**30**	**1,483**	**2,990**
31 December 2015					
Acquisition cost	**2,261**	**1,243**	**0**	**509**	**4,013**
Accumulated depreciation	-1,732	-337	0	0	-2,069
Net book amount	**529**	**906**	**0**	**509**	**1,944**
Additions	14	0	2	0	16
Amortisation	-196	-32	0	0	-228
30 September 2016					
Acquisition cost	**2,275**	**1,243**	**2**	**509**	**4,029**
Accumulated depreciation	-1,928	-369	0	0	-2,297
Net book amount	**347**	**874**	**2**	**509**	**1,732**

NOTE 8 Borrowings

	30 Sept 2016	31 Dec 2015
Current borrowings		
Current portion of bank loans	1,026	1,380
Current bank loans	3,281	1,426
Current portion of finance lease liabilities	191	179
Share options (Note 11)	3,000	0
Other short term borrowings	0	24
Total	**7,498**	**3,009**
Non-current borrowings		
Non-current bank loans	1,303	0
Non-current finance lease liabilities	203	312
Convertible bonds, share options (Note 11)	0	3,000
Total	**1,506**	**3,312**
Total borrowings	**9,004**	**6,321**

During the reporting period, the Group made loan repayments in the amount of 551 thousand euros (2015: 822 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 3,281 thousand euros as at 30 September 2016 (31 December 2015: 1,426 thousand euros).

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Interest expense from all interest carrying borrowings in the reporting period amounted to 345 thousand euros, including 135 thousand euros interest expense from the convertible bonds of related party (2015: 361 thousand euros, including 126 thousand euros interest expense from the loan of related party).

The Group leases various production equipment, cars, furniture and equipment for shops under finance leases.

Changes in 2016

In June the repayment date of the overdraft agreement (in amount of 1,000 thousand euros) was extended until July 2017.

In July an annex under the existing facility agreement was signed, which extended the other overdraft´s repayment date until July 2017 (in the amount of 3,000 thousand euros). With the same annex the existing loan repayment period was extended by 20 months and an additional investment loan in the amount of 2,000 thousand euros was taken, which will be repaid during the next 4 years. In the third quarter 1,500 thousand euros from the new loan was taken into use.

Changes in 2015

In April an annex under the existing facility agreement was signed, which extended overdraft´s repayment date until July 2016 (in the amount of 3,000 thousand euros). The annex removed the option to increase and decrease the overdraft limit according to seasonality. In December the second overdraft's repayment date was extended until June 2016 in the amount of 1,000 thousand euros.

Interest carrying loans and bonds of the Group as at 30 September 2016

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia and 6-month Euribor)	EURIBOR or EONIA +4.6%	5,610
J-Bonds (Note 11)	6.50%	3,000
Total		**8,610**

Interest carrying loans and bonds of the Group as at 31 December 2015

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR or EONIA +4.6%	2,806
Borrowings at fixed interest rate (Note 11)	6.50%	3,000
Total		**5,806**

NOTE 9 Trade and other payables

	30 Sept 2016	31 Dec 2015
Current liabilities		
Trade payables	2,981	3,640
Tax liabilities, thereof	1,395	1,570
Personal income tax	213	229
Social security taxes and unemployment insurance premium	521	559
Value added tax	597	744
Corporate income tax liability	1	0
Other taxes	63	38
Payables to employees[1]	976	995
Other current payables	23	2
Other accrued expenses	501	49
Customer prepayments	57	71
Total	**5,933**	**6,327**

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Non-current liabilities		
Other liabilities	0	283

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

Information about the liabilities to related parties is in Note 20.

Trade payables and other accrues expenses in denominated currency

	30 Sept 2016	31 Dec 2015
EUR (euro)	2,714	3,618
USD (US dollar)	768	22
Total	**3,482**	**3,640**

NOTE 10 Provisions

	30 Sept 2016	31 Dec 2015
Client bonus provision	370	370
Other provision	0	12
Total	**370**	**382**

Short description of the provision

Baltika customer loyalty program "AndMore" motivates clients by allowing them to earn future discounts on purchases made today (bonus euros). Accumulated bonuses are valid for six months from the customer´s last purchase. Program conditions are described in detail on company´s website.

Assumptions used

The provision is calculated using assumptions made by Management as described in the Group´s consolidated annual financial statements for the year ended 31 December 2015. As at 30 September 2016 and 31 December 2015 the provision is recognised in the amount of 370 thousand euros.

NOTE 11 Equity

Share capital and reserves

	30 Sept 2016	31 Dec 2015
Share capital	8,159	8,159
Number of shares (pcs)	40,794,850	40,794,850
Nominal value of share (EUR)	0.20	0.20
Statutory reserve	1,182	1,182

As at 30 September 2016 and 31 December 2015, under the Articles of Association, the company's minimum share capital is 5,000 thousand euros and the maximum share capital is 20,000 thousand euros. All shares have been paid for. As at 30 September 2016 and 31 December 2015 share capital consists of ordinary shares, that are listed on the Nasdaq Tallinn Stock Exchange.

Convertible bonds and share option program

	Issue date	Share subscription period	Number of convertible bonds 30 Sept 2016	Number of convertible bonds 31 Dec 2015
J-Bond	28 July 2014	15 July 2017 – 30 July 2017	600	600

- J-bonds

On 28 April 2014 the Annual General Meeting of shareholders decided to issue convertible bonds with bondholder option in the total amount of 3 million euros. The decision was to issue 600 convertible bonds with the issuance price of 5,000 euros. The three-year convertible bonds carry an annual interest rate of 6.5% and give its owner the right to subscribe for 10,000 Baltika´s shares at a price of 0.50 euros per share.

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Bonds were partly issued to a related party (510 bonds in the amount of 2,550 thousand euros) (Note 20).

Share option program

On 27 April 2015 the Annual General Meeting of shareholders decided to conditionally increase share capital by up to 1,000,000 registered shares with a nominal value of 0.20 euro subscription price of 0.20 euro related to the share option program. The share options granted to the Management Board members vest three years after signing the option agreement if the Baltika share price increase conditions are fulfilled.

Shareholders as at 30 September 2016

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	5,728,872	14.04%
3. BMIG OÜ*	4,750,033	11.64%
4. SKANDINAVISKA ENSKILDA BANKEN S.A.	3,407,305	8.35%
5. Svenska Handelsbanken clients	1,320,000	3.24%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	1,013,735	2.48%
Persons related to members of Management Board	334,183	0.82%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.46%
7. Other shareholders	10,647,381	26.11%
Total	**40,794,850**	**100.00%**

Shareholders as at 31 December 2015

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	5,724,872	14.03%
3. BMIG OÜ*	4,750,033	11.64%
4. SKANDINAVISKA ENSKILDA BANKEN S.A.	3,414,700	8.37%
5. Svenska Handelsbanken clients	1,458,000	3.57%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	1,000,000	2.45%
Persons related to members of Management Board	331,183	0.81%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.46%
7. Other shareholders	10,522,721	25.81%
Total	**40,794,850**	**100.00%**

*OÜ BMIG is under the control of the Management Board member of the Parent company.

The Parent company does not have a controlling shareholder or group of shareholders jointly controlling the entity.

NOTE 12 Segments

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

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

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- Baltic region consists of operations in Estonia, Latvia and Lithuania;
- Previously Eastern-Europe. This segment has been presented as discontinued operations and is no longer included in segment information as Baltika Group finished operations in Russia.

The Parent company's Management Board measures the performance of the operating segments based on external revenue and profit (loss). External revenue amounts provided to the Management Board are measured in a manner consistent with that of the financial statements. The segment profit (loss) is an internal measure used in the internally generated reports to assess the performance of the segments and comprises the segment's gross profit (loss) less operating expenses directly attributable to the segment, except for other operating income and expenses. The amounts provided to the Management Board with respect to inventories are measured in a manner consistent with that of the financial statements. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment based on the operations of the segment and the physical location of the inventories.

The Management Board monitors the Group´s results also by shops and brands. The Group makes decisions on a shop-by-shop basis, using aggregated information for decision making. For segment reporting the Management Board has decided to disclose the information by distribution channel. Most of the Management Board's decisions related to investments and resource allocation are based on the segment information disclosed in this Note.

Data on the revenue, profit (loss), depreciation and amortisation of the segments are disclosed for continued operations. The comparative figures of 2015 have been restated as results from the Russian market are shown as discontinued operations (previously presented as Retail, Eastern Europe). From 2016 onwards the former Russian retail continued as franchise and will be reported in the Wholesale segment.

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

	Retail, Baltic region	Wholesale[1]	Total
3 Quarter 2016			
Revenue (from external customers)	9,547	2,419	11,966
Segment profit[2]	1,286	441	1,727
Incl. depreciation and amortisation	-218	-19	-237
3 Quarter 2015			
Revenue (from external customers)	10,290	1,712	12,002
Segment profit[2]	1,300	186	1,486
Incl. depreciation and amortisation	-198	-19	-217
9M 2016 and as at 30 Sept 2016			
Revenue (from external customers)	28,265	6,024	34,289
Segment profit[2]	4,151	1,027	5,178
Incl. depreciation and amortisation	-631	-57	-688
Inventories of segments	5,309	0	5,309
9M 2015 and as at 30 Sept 2015			
Revenue (from external customers)	30,317	4,984	35,301
Segment profit[2]	4,291	711	5,002
Incl. depreciation and amortisation	-554	-57	-611
Inventories of segments	5,439	0	5,439

[1]The wholesale segment includes the sale of goods to wholesale and franchise customers, materials and sewing services and the sales from e-commerce.

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[2]The segment profit (loss) is the segment operating profit (loss).

Reconciliation of segment profit to consolidated operating profit

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Total segment profit	1,727	1,486	5,178	5,002
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-1,280	-1,307	-3,350	-3,857
Administrative and general expenses	-605	-577	-1,874	-1,920
Other operating income (expenses), net	-14	0	-51	-40
Operating profit (loss)	**-172**	**-398**	**-97**	**-815**

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

Reconciliation of segment inventories to consolidated inventories

	30 Sept 2016	31 Dec 2015	30 Sept 2015
Total inventories of segments	5,309	4,465	5,439
Discontinued operations inventories	0	0	642
Inventories in Parent company and production company	5,962	5,959	6,307
Inventories on statement of financial position	**11,271**	**10,424**	**12,388**

NOTE 13 Revenue

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Sale of goods in retail channel	9,547	10,290	28,265	30,317
Sale of goods in wholesale and e-commerce channel	2,390	1,685	5,859	4,897
Other sales	29	27	165	87
Total	**11,966**	**12,002**	**34,289**	**35,301**

Sales by geographical (client location) areas

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Estonia	5,021	5,157	14,833	15,151
Lithuania	2,669	3,006	7,838	8,611
Latvia	2,524	2,770	7,576	8,340
Russia	729	196	1,513	718
Ukraine	383	375	890	928
Finland	134	167	534	581
Spain	169	188	495	634
Germany	217	33	322	55
Belarus	65	89	166	211
Other countries	55	21	122	72
Total	**11,966**	**12,002**	**34,289**	**35,301**

NOTE 14 Cost of goods sold

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Materials and supplies	5,354	5,506	14,394	15,588
Payroll costs in production	900	865	2,603	2,565
Operating lease expenses	169	163	506	495
Other production costs	91	88	293	294
Depreciation of assets used in production (Note 6,7)	20	29	71	89
Changes in inventories	0	0	-500	-330
Total	**6,534**	**6,651**	**17,367**	**18,701**

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NOTE 15 Distribution costs

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Payroll costs	2,260	2,325	6,816	7,157
Operating lease expenses	1,578	1,569	4,733	4,628
Advertising expenses	326	323	978	955
Depreciation and amortisation (Note 6,7)	268	257	798	733
Fuel, heating and electricity costs	118	126	377	390
Municipal services and security expenses	83	85	254	238
Fees for card payments	58	81	171	238
Travel expenses	42	47	128	147
Information technology expenses	39	46	127	120
Consultation and management fees	29	60	84	162
Communication expenses	26	22	78	81
Other sales expenses1	158	231	550	606
Total	**4,985**	**5,172**	**15,094**	**15,455**

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

NOTE 16 Administrative and general expenses

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Payroll costs	285	257	898	836
Operating lease expenses	108	110	327	334
Information technology expenses	51	56	167	180
Bank fees	51	42	129	116
Depreciation and amortisation (Note 6,7)	33	26	97	80
Fuel, heating and electricity expenses	14	14	50	62
Management, juridical-, auditor´s and other consulting fees	12	17	34	95
Other administrative expenses1	51	55	172	217
Total	**605**	**577**	**1,874**	**1,920**

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

NOTE 17 Other operating income and expenses

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Gain (loss) from sale, impairment of PPE	0	0	-13	6
Other operating income	1	0	7	7
Foreign exchange gain (-loss)	-15	3	-37	-44
Other operating expenses	0	-3	-8	-9
Total	**-14**	**0**	**-51**	**-40**

NOTE 18 Finance income and costs

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Interest cost	-124	-122	-345	-361
Other finance costs	0	0	-1	0
Total	**-124**	**-122**	**-346**	**-361**

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NOTE 19 Earnings per share

Basic earnings per share		**3 Q 2016**	**3 Q 2015**	**9M 2016**	**9M 2015**
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	40,795
Net loss from continuing operations		-296	-520	-443	-1,176
Net loss from discontinued operations		0	-130	0	-543
Basic earnings per share	EUR	-0.01	-0.01	-0.01	-0.04
Basic earnings per share (continuing operations)	EUR	-0.01	-0.01	-0.01	-0.03
Basic earnings per share (discontinued operations)	EUR	-	0.00	-	-0.01
Diluted earnings per share	**EUR**	**-0.01**	**-0.01**	**-0.01**	**-0.04**
Diluted earnings per share (continuing operations)	EUR	-0.01	-0.01	-0.01	-0.03
Diluted earnings per share (discontinued operations)	EUR	-	0.00	-	-0.01

In the three and nine months ended on 30 September 2016 as well as 2015 the Group had no dilutive instruments. The J-bonds and the share option program could have been dilutive if the Group had made a profit.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Nasdaq Tallinn Stock Exchange in the reporting period was 0.29 euros (2015: 0.39 euros).

NOTE 20 Related parties

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

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

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 11);
- members of the Management Board and the Supervisory Council[1];
- close family members of the persons stated above;
- entities under the control or significant influence of the members of the Management Board and Supervisory Council.

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

Transactions with related parties

	3 Q 2016		**3 Q 2015**		**9M 2016**		**9M 2015**	
	Purchases	**Sales**	**Purchases**	**Sales**	**Purchases**	**Sales**	**Purchases**	**Sales**
Goods	0	0	0	3	0	0	0	7
Services	3	0	54	0	9	0	288	0
Total	**3**	**0**	**54**	**3**	**9**	**0**	**288**	**7**

In 2015 AS Baltika bought mostly management, communication and other services from related parties.

Balances with related parties

	30 Sept 2016	**31 Dec 2015**
Other current loans and interest (Note 8, 9)	2,926	2,804
Trade payables (Note 9)	0	17
Payables to related parties total	**2,926**	**2,821**

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Information about the loans and interest to related parties is Note 8.

All transactions in 2016 as well as in 2015 reporting periods and balances with related parties as at 30 September 2016 and 31 December 2015 were with entities under the control or significant influence of the members of the Management Board and Supervisory Council and close family members. As at 30 September 2016 and 31 December 2015 the balances from borrowings, interests are partly with counterparty, who is also an owner that has significant influence.

Compensation for the members of the Management Board and Supervisory Council

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Salaries of the members of the Management Board	61	70	260	223
Remuneration of the members of the Supervisory Council	5	5	14	14
Total	**66**	**75**	**274**	**237**

As at 30 September 2016 there were two Management Board Members and as at 31 December 2015 there were three Management Board Members. As at 30 September 2016 and 31 December 2015 there were five Supervisory Council Members.

On 30 January 2015 the Supervisory Board of AS Baltika suspended Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave. From 1 February 2016 Management Board member responsible for the finance function and for the disclosure of information on the exchange is again Maigi Pärnik-Pernik.

From March 17, 2016 the Supervisory Council of AS Baltika decided to recall Kati Kusmin from the Management Board.

Convertible bonds (J-bonds) are partly issued to related parties (Note 11).

In 2015 share options were issued to the Management Board members under the share option program.

NOTE 21 Discontinued operations

Changes in 2016

In the end of 2015 AS Baltika decided to exit Russian retail market to reduce economic and political risks. In the fourth quarter of 2015, prior to the sale, AS Baltika classified all assets of the disposal group as held for sale and re-measured to nil.

On 22 February 2016 AS Baltika signed an agreement by which all Russian subsidiaries' shares were sold to Osaühing Ellipse Group. Baltika Group´s brands will continue to be sold in the Russian market through a 5-year franchise agreement.

The agreed consideration received for the Russian entities was 463 thousand euros and a payment schedule was agreed for 5 years. Receiving the amount depends on Russian entities financial results and therefore the receivable has not been recorded.

As the Russian market represented a major line of business in the Group´s activities, and its operations and cash flows can be clearly distinguished from other Group´s operations and cash flows, its results are reported as discontinued operations in the current period report comparative period.

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An extract of the revenue and expenses of discontinued operation

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Discontinued operation				
Revenue	0	1,147	0	3,354
Expenses	0	-1,249	0	-3,857
Other operating expense and income tax	0	-28	0	-40
Net loss for the reporting period	**0**	**-130**	**0**	**-543**

Consolidated cash-flow of the discontinued operation

	3 Q 2016	3 Q 2015	9M 2016	9M 2015
Net cash used in operating activities	0	-37	0	80
Net cash used in investing activities	0	0	0	-10
Total cash flows	**0**	**-37**	**0**	**70**
Cash and cash equivalents at the beginning of the period	**0**	**190**	**0**	**83**
Effect of exchange gains on cash and cash equivalents	0	0	0	0
Cash and cash equivalents at the end of the period	**0**	**153**	**0**	**153**
Change in cash and cash equivalents	**0**	**-37**	**0**	**70**

AS BALTIKA SUPERVISORY COUNCIL

JAAKKO SAKARI MIKAEL SALMELIN
Chairman of the Supervisory Council since 23 May 2012, Member of the Supervisory Council since 21.06.2010
Partner, KJK Capital Oy
Master of Science in Finance, Helsinki School of Economics
Other assignments:
  Member of the Management Board of KJK Fund SICAV-SIF,
  Member of the Board of Directors, KJK Management SA,
  Member of the Board of Directors, KJK Capital Oy.
Baltika shares held on 30 September 2016: 0

TIINA MÕIS
Member of the Supervisory Council since 03.05.2006
Chairman of the Management Board of AS Genteel
Degree in Economical Engineering, Tallinn University of Technology
Other assignments:
  Member of the Supervisory Councils of AS LHV Pank and AS LHV Group,
  Member of Estonian Accounting Standards Board.
Baltika shares held on 30 September 2016: 977,837 shares (on AS Genteel account)

REET SAKS
Member of the Supervisory Council since 25.03.1997
Attorney at Raidla Ellex Law Office
Degree in Law, University of Tartu
Baltika shares held on 30 September 2016: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Council since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Other assignments:
Member of the Supervisory Council of AS Tallink Grupp,
Member of the Board of Oy Tallink Silja Ab,
Member of the Board of KJK Invest Oy,
Member of the Board of Aurejärvi Varainhoito Oy,
Member of the Board of UAB Malsena Plius,
Member of the Board of Bostads AB Blåklinten Oy,
Member of the Supervisory Council of Toode AS,
Vice-chairman of the Board of AAS BAN,
Vice-chairman of the Management Board of Amber Trust Management SA,
Chairman of the Management Board of Amber Trust II Management SA,
Chairman of the Management Board of KJK Fund SICAV-SIF,
Chairman of the Management Board of KJK Fund II SICAV-SIF,
Chairman of the Supervisory Council of Salva Kindlustuse AS,
Chairman of the Supervisory Council of AS PRFoods,
Chairman of the Supervisory Council of JSC Rigas Dzirnavnieks,
Chairman of the Board of Directors, KJK Management SA,
Chairman of the Board of Directors, KJK Capital Oy.
Baltika shares held on 30 September 2016: 24 590 shares (on Kaima Capital Eesti OÜ account)

VALDO KALM
Member of the Supervisory Council since 20.04.2012
Chairman of the Board of Port of Tallinn
Automation and telemechanics, Tallinn University of Technology
Baltika shares held on 30 September 2016: 0

AS BALTIKA MANAGEMENT BOARD

MEELIS MILDER
Chairman of the Management Board, Group CEO
Chairman of the Board since 1991, in the Group since 1984
Degree in Economic Cybernetics, University of Tartu
Baltika shares held on 30 September 2016: 1,013,735 shares[1]

MAIGI PÄRNIK-PERNIK
Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika shares 30 September 2016: 0

[1]Member of the Management Board of AS Baltika also own shares through the holding company OÜ BMIG (see Corporate governance annual report section "Management Board").