AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months of 2016

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
Fax	+372 630 2814
E-mail	baltika@baltikagroup.com
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 – 31 December 2016

CONTENTS

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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 31 December 2016 the Group employed 1,049 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 31 Dec 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, FOURTH QUARTER AND 12 MONTHS OF 2016

Baltika Group's fourth quarter resulted in net profit in the amount of 620 thousand euros, which is 287 thousand euros improvement over the same period comparative result in the previous year. The result of last year fourth quarter was net loss of 4,641 thousand euros and comparative figure of continued operations was a profit of 333 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 are presented as discontinued operation.

In the fourth quarter Baltika's revenue was 12,704 thousand euros, decreasing 6% compared to same period last year. Revenue growth was largest with 19% in wholesale and franchise and were 923 thousand euros. The increase in revenue is mainly attributable to Russian retail market's transition to franchise partner and Monton women's collection entrance to German department store chain Peek & Cloppenburg. Within year the number of Monton selling Peek & Cloppenburg department stores increased from 3 to 25.

In addition to wholesale channel the franchise is actively being developed as well. At the beginning of October Baltika signed a franchise agreement with Serbian enterprise Victoria Elegans d.o.o., who will open Baltika's brands representing store Monton&More in Novi Sad Serbia in March 2017. Monton&More is a Baltika's new store concept to increase international sales, in addition to Monton other Baltika's brands are represented in these stores as well. At the end of fourth quarter there were 33 franchise stores, forming 26% of total stores portfolio.

Retail revenue in fourth quarter decreased by 8% compared to same period last year and was 11,413 thousand euros. Revenue from Baltika Group's e-store Andmorefashion.com increased 12% in the fourth quarter and was 310 thousand euros. Countries with largest e-store sales were Estonia, Lithuania, Latvia, Russia and Finland. The e-commerce sales volume increased most in Lithuania where revenue increased 48% compared to same period last year.

Baltika's gross profit margin in the fourth quarter was 51.8%, which is 3.8 percentage points higher than the comparative 48.0% margin in the same period last year. Gross profit margin has increased due to better intake margin and lower mark-downs. Gross profit in the fourth quarter was 6,575 thousand euros, which is 98 thousand euros more than in same period last year.

Baltika's 2016 revenue totalled 46,993 thousand euros, which is 4% less than in the previous year.

In the year total resulted in a net profit 177 thousand euros. In the last year the net loss was 6,359 thousand euros and the comparative result from continued operations was a loss in amount of 844 thousand euros.

One of the reasons behind the improved results is the decision to leave from unprofitable high risk retail markets in Ukraine and Russia and transfer those brand stores over to franchise partner. This has allowed to increase franchise channel revenue while minimizing the risks and to keep Baltika's brands on these complicated markets.

In addition, the results have improved as well due to more effective gross profit margin management and decrease in distribution and administrative expense. The year gross profit amounted 23,497 thousand euros i.e. 421 thousand euros more than in last year and distribution, administrative and general expense has decreased almost 800 thousand euros.

In a year 2017 Baltika will continue with chosen course and strategy. Baltika's objective in home markets: in Estonia, Latvia and Lithuania is to maintain and strengthen their current position and the company's objective is also to grow outside Baltics through wholesale and franchise.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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

- At the beginning of October Baltika signed a franchise agreement with Serbian enterprise Victoria Elegans d.o.o., who will open the first Monton&More multibrand store in Novi Sad Serbia in March 2017.
- On 22nd of October in Tallinn Kultuurikatel during Tallinna Fashion Week Baltman – the first men's fashion brand in Estonia – presented its special collection to celebrate the 25th anniversary of Baltman.
- At the last week of October in Riga Fashion Week, which is the most influential fashion event in Baltics, Ivo Nikkolo presented its 2017 spring-summer collection, which received a warm feedback from Estonian, Latvian and Lithuanian fashion-audience. In addition, an overview of the collection was published in Vogue Russia and Elle Italy websites.
- At the beginning of November Monton marketing team won Digitegu 2016 ("*Digital deed 2016"*) award for the best e-mail marketing.
- In the fourth quarter one new Baltman retail store was opened in Riga Mols shopping centre. In October, two freshly renovated Baltika's brand shops: Monton and Mosaic were opened in Kaunas Mega shopping centre. Both stores were upgraded into modern and fashionable stores using some of the new brand concept store elements which will provide better costumer experience.

REVENUE

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

Baltika's continued operations fourth quarter sales revenue decreased 6% compared to same period last year and was 12,704 thousand euros. Growth was largest with 19% in wholesale and franchise and was 923 thousand euros. In addition to wholesale and franchise the e-commerce sales revenue grew 12% and was 310 thousand euros. Retail sales revenue in the fourth quarter was 11,413 thousand euros, decreasing 8% compared to same period last year. In a year total Baltika's revenue totalled 46,993 thousand euros, which is 4% less than last year. Wholesale and franchise showed the highest growth with 21% in a year total as well.

Revenue by activity

Continued operations

EUR thousand	4 Q 2016	4 Q 2015	+/-	12M 2016	12M 2015	+/-
Retail	11,413	12,413	-8%	39,678	42,730	-7%
Wholesale & Franchise	923	777	19%	6,029	4,976	21%
E-com sales	310	276	12%	1,063	975	9%
Other	58	39	47%	223	125	78%
Total	**12,704**	**13,505**	**-6%**	**46,993**	**48,806**	**-4%**

Revenue including discontinued operations

EUR thousand	4 Q 2016	4 Q 2015	+/-	12M 2016	12M 2015	+/-
Retail[1]	11,413	13,551	-16%	39,678	47,222	-16%
Wholesale & Franchise	923	777	19%	6,029	4,976	21%
E-com sales	310	276	12%	1,063	975	9%
Other	58	39	46%	223	125	78%
Total	**12,704**	**14,643**	**-13%**	**46,993**	**53,298**	**-12%**

[1]2015 retail revenue includes Russian market sales

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

Stores and sales area

As at 31 December 2016 Group had 128 stores, among which 33 franchise stores. In the fourth quarter one new Baltman retail store was opened in Mols shopping centre in Riga. Russian franchise store portfolio increased due to local retail transition to franchise.

From retail markets Latvia's and Lithuania's average operating area has decreased, while in Estonia there has been an increase of 6%. The decrease in Latvia and Lithuania is mainly caused by moving stores to smaller areas.

Stores by market

	31 Dec 2016	31 Dec 2015	Average area change*
Estonia	44	44	6%
Lithuania	29	29	-1%
Latvia	22	22	-5%
Ukraine[1]	16	15	0%
Russia[2]	12	6	424%
Belarus[1]	2	2	0%
Spain[1]	3	5	0%
Total stores	**128**	**123**	
Total sales area, m2	**23,211**	**21,532**	**12%**

*average area change also takes into account the time 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 are with a total sales area of 2,424 m^2. Eight of Russian franchise stores with a total area of 1,940 m^2 were in comparative period part of Russian retail which is retail segment discontinued operation.

Retail

Fourth quarter continued operations retail revenue decreased 8% compared to same period last year and was 11,413 thousand euros. October's results were supported by strong outerwear sales, however November and December sales results did not meet expectations. November results were influenced by the fact that midseason sale campaign did not meet the customer's changed expectations and needs. In addition, the results of Lithuania's shopping centres' marketing campaign did not meet the expectations. December sales results were negatively impacted by decreased outerwear sales as well as the modest response to the year-end collection.

Retail sales by market

EUR thousand	4 Q 2016	4 Q 2015	+/-	Share	12M 2016	12M 2015	+/-	Share
Estonia	5,249	5,575	-6%	46%	18,643	19,431	-4%	47%
Lithuania	3,182	3,591	-11%	28%	10,875	12,107	-10%	28%
Latvia	2,982	3,247	-8%	26%	10,160	11,192	-9%	26%
Total	**11,413**	**12,413**	**-8%**	**100%**	**39,678**	**42,730**	**-7%**	**100%**
Russia*	0	1,138	-100%	-	0	4,492	-100%	-

*Discontinued operations

Estonian sales decreased the least but due to increased sales area the sales efficiency decreased most in Estonia in the fourth quarter. For the full year, sales efficiency decreased the most in Lithuania. In addition to decreased sales Lithuania's result was impacted by planned on-going store renovations to improve the customer experience.

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

	4 Q 2016	4 Q 2015	+/-	12M 2016	12M 2015	+/-
Estonia	227	251	-10%	205	226	-9%

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

Lithuania	193	210	-8%	163	180	-10%
Latvia	258	275	-6%	223	234	-5%
Total	**223**	**243**	**-8%**	**195**	**213**	**-8%**

Brands

Despite the fact that the sales revenue of Baltika's largest brand Monton has decreased compared to last year results, the men's collection revenue was decent, increasing 7% in fourth quarter and 2% over year.

Retail revenue by brands

EUR thousand	4 Q 2016	4 Q 2015	+/-	Share	12M 2016	12M 2015	+/-	Share
Monton	5,150	5,218	-1%	45%	16,983	17,623	-4%	43%
Mosaic	3,389	3,799	-11%	30%	12,210	13,706	-11%	31%
Baltman	1,266	1,429	-11%	11%	4,687	4,866	-4%	12%
Ivo Nikkolo	1,093	1,200	-9%	10%	3,949	4,037	-2%	10%
Bastion	513	567	-9%	4%	1,735	1,826	-5%	4%
Other	2	200	-99%	0%	114	672	-83%	0%
Total	**11,413**	**12,413**	**-8%**	**100%**	**39,678**	**42,730**	**-7%**	**100%**

Sales in other channels

In the fourth quarter of 2016 revenue from wholesale and franchise was 923 thousand euros increasing 146 thousand euros i.e. 19% compared to same period last year. The Increase in volume is mainly attributable to increased sales to Peek & Cloppenburg department stores and Russian retail market's transition to a franchise partner. As at the end of the year, the Monton collection was sold in 25 Peek & Cloppenburg department stores across Europe, in a year the number of department stores selling Monton have increased by 22. In addition to the 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 Baltika's brand store Monton&More in March 2017 in Novi Sad Serbia. Monton&More is a Baltika Group's new store concept to increase the international sales, in addition to Monton other Baltika's brands are represented in these stores as well. Serbian Monton&More store will initially sell Monton, Mosaic and Bastion collections. The number of Baltika's brands representing stores at the end of the year was 33, forming 26% of total stores portfolio.

E-shop revenue increased 12% in fourth quarter and amounted 310 thousand euros. In total, orders were placed from 27 countries. Countries with the largest sales are Estonia, Lithuania, Latvia, Russia and Finland, the e-commerce sales volume increased most in Lithuania where the sales increased 48% compared to same period last year. The best-selling brand in e-store was Monton which comprised 35% of sales. For the full year, e-commerce sales revenue increased 9% and was 1,063 thousand euros, from which 33% was sale of Monton, 27% Mosaic, 22% Ivo Nikkolo, 13% Bastion and 5% Baltman. The most popular product departments were cardigans and dresses, of which 6,300 and 5,200 pieces were sold respectively.

OPERATING EXPENSES AND NET PROFIT

The company's gross profit margin in the fourth quarter was 51.8%, which is 3.8 percentage points higher than the 48.0% margin in the same period last year. For the full year, the gross profit margin is 50.0%, which constitutes increase of 2.7 percentage points compared to last year. The gross profit margin has improved due to better purchasing price and lower mark down. The quarterly gross profit was 6,575 thousand euros, which makes the year's gross profit 23,497 thousand euros i.e. 421 thousand euros more than last year's comparative result.

Distribution expense in the fourth quarter was 5,242 thousand euros, decreasing 6% compared to the same period last year. In the head-office distribution expense has decreased by 9% i.e. 140 thousand euros due to more efficient processes, in the Baltics retail markets expense has decreased by 4% i.e. 173 thousand euros. For the full year, distribution expense have decreased by 674 thousand euros i.e. 3% compared to last year.

In the fourth quarter general and administrative expense was 630 thousand euros, decreasing 8% i.e. 53 thousand euros compared to same period last year. In a year total general and administrative expense was 2,504 thousand euros, which is 4% i.e. 99 thousand euros less than in last year.

The distribution and general expense ratio to revenue in the fourth quarter of 2016 stayed on last year same period level and was 46.2%. Despite the decrease in costs the expense ratio for the full year has increased 0.2 percentage points. Increase in ratio is caused by decrease in sales.

Other operating net revenue in the fourth quarter was 95 thousand euros and the operating profit was 798 thousand euros. In same period last year the operating profit was 521 thousand euros. For the full year, in 2016 the operating profit was 701 thousand euros.

The net financial expense in the fourth quarter was 173 thousand euros, which is 26 thousand euros more than in the same period last year.

The fourth quarter resulted in a net profit in the amount of 620 thousand euros. Net loss in the same period in the previous year was 4,641 thousand euros and the comparative result from continued operations was a profit in the amount of 333 thousand euros. The full year resulted in net profit of 177 thousand euros, the comparative result in last year from continued operations was a loss in the amount of 844 thousand euros and with discontinued operations net loss in the amount of 6,359 thousand euros.

FINANCIAL POSITION

As at 31 December 2016, Baltika Group inventories totalled 11,096 thousand euros, increasing 672 thousand euros compared to last year-end. Goods and goods purchased for resale inventories have increased by 3% i.e. 297 thousand euros and fabrics and accessories inventories have increased by 6% i.e. 116 thousand euros. Compared to last year the prepayments to suppliers have increased 22% i.e. 103 thousand euros and work-in-progress has decreased by 5% i.e. 4 thousand euros.

As at 31 December 2016 trades receivable were 1,956 thousand euros, which is 349 thousand euros more than at the end of last year. Trades receivable have mainly increased due to increase in wholesale and franchise sales, where they have longer payment periods.

As at 31 December 2016 the total borrowings amounted to 7,031 thousand euros, which signifies together with the usage of overdraft facility increase of 710 thousand euros compared to the last year-end (31 December 2015: 6,321 thousand euros). At the end of July Baltika received investment loan in amount of 2,000 thousand euros, from which 1,500 thousand euros was taken into use in the third quarter, this is one of the main reasons behind the increase of borrowings.

In the fourth quarter purchase of fixed assets was made in the amount of 247 thousand euros and deprecation was 322 thousand euros. Property, plant and equipment and intangible assets at residual value decreased by 156 thousand euros compared to last year-end and were 4,698 thousand euros.

The fourth quarter operating activities cash-flow was 2,357 thousand euros (IV quarter 2015: 2,806 thousand euros). Input to the investment activity was 201 thousand euros (IV quarter 2015: 493 thousand euros). Bank loan repayments were made in the amount of 256 thousand euros. Group's fourth quarter total cash flow was 193 thousand euros (IV quarter 2015: 44 thousand euros), which results a cash balance in amount of 419 thousand euros (2015: 398 thousand euros).

As at 31 December 2016 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 6,612 thousand euros, which is 713 thousand euros more than at the end of last year. The net debt to equity ratio was 133% as at 31 December 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 increase in usage of overdraft).

PEOPLE

As at 31 December 2016 Baltika Group employed 1,049 people that is 125 people less than as at 31 December 2015 (1,174): 487 (31.12.2015: 601, among who 79 are Russian retail market employees) in the retail system, 380 (31.12.2015: 387) in manufacturing and 182 (31.12.2015: 186) at the head office and logistics centre. The 2016 twelve months' average number of staff in Group was 1,073 (12 months 2015 with Russian retail market staff: 1,210).

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

Baltika Group continued operations employees' remuneration expense in twelve months amounted to 10,502 thousand euros (12 months 2015: 10,740 thousand euros). The accrued remuneration without social security tax, of the member of the Supervisory Council and Management Board totalled 267 thousand euros (2015: 238 thousand euros).

KEY FIGURES OF THE GROUP (IV QUARTER AND 12 MONTHS 2016)

	Q4 2016	Q4 2015[1]	Q4 2015	Q4 2014	Q4 2013	Q4 2012
Revenue (EUR thousand)	12,704	13,505	14,643	15,807	16,694	16,188
Retail sales (EUR thousand)	11,413	12,413	13,551	14,056	15,754	15,528
Share of retail sales in revenue	89.8%	91.9%	92.5%	88.9%	94.4%	95.9%
Gross margin	51.8%	48.0%	48.8%	50.2%	54.3%	56.1%
EBITDA (EUR thousand)	1,123	864	-3,049	1,001	1,444	1,874
Net profit (EUR thousand)	620	333	-4,641	420	865	1,075
EBITDA margin	8.8%	6.4%	-20.8%	6.3%	8.6%	11.6%
Operating margin	6.3%	3.9%	-29.4%	4.3%	6.0%	9.1%
EBT margin	4.9%	2.8%	-30.4%	3.3%	6.1%	8.0%
Net margin	4.9%	2.5%	-31.7%	2.7%	5.2%	6.6%

Sales activity key figures	12M and 31 Dec 2016	12M and 31 Dec 2015[1]	12M and 31 Dec 2015	12M and 31 Dec 2014	12M and 31 Dec 2013	12M and 31 Dec 2012
Revenue (EUR thousand)	46,993	48,806	53,298	57,127	58,353	56,332
Retail sales (EUR thousand)	39,678	42,730	47,222	51,424	54,592	52,665
Share of retail sales in revenue	84.4%	87.6%	88.6%	90.0%	93.6%	93.5%
Share of exports in revenue	56.4%	56.6%	60.2%	65.2%	66.5%	68.0%
Number of stores in retail	95	95	105	105	124	113
Number of stores	128	123	133	128	126	113
Sales area at the end of period (sqm)	17,161	17,046	19,883	20,232	23,852	22,210
Number of employees (end of period)	1,049	1,095	1,174	1,228	1,345	1,288
Gross margin	50.0%	47.3%	47.7%	50.8%	53.5%	54.5%
EBITDA (EUR thousand)	2,004	944	-3,425	567	2,252	3,725
Net profit (EUR thousand)	177	-844	-6,359	-1,263	102	805
EBITDA margin	4.3%	1.9%	-6.4%	1.0%	3.9%	6.6%
Operating margin	1.5%	-0.6%	-10.6%	-1.2%	1.1%	3.5%
EBT margin	0.4%	-1.6%	-11.6%	-2.0%	0.5%	1.9%
Net margin	0.4%	-1.7%	-11.9%	-2.2%	0.2%	1.4%
Inventory turnover	2.17	2.16	2.21	2.09	2.09	2.37

Other ratios[2]						
Current ratio	1.1	1.3	1.3	1.6	1.5	1.8
Net gearing ratio	133.2%	123.2%	123.2%	74.9%	38.7%	41.0%
Return on equity	3.8%	-92.8%	-92.8%	-13.4%	1.0%	8.9%
Return on assets	0.9%	-28.1%	-28.1%	-5.4%	0.4%	2.8%

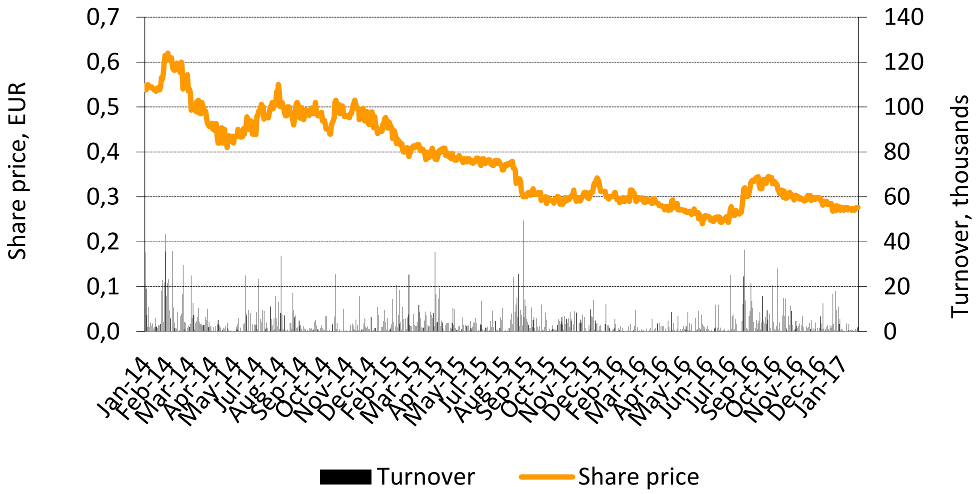
[1]In connection with Baltika's exit from the Russian retail business, the sales activity key figures of the fourth quarter and 12 months of 2015 presents only results of continued operations.
[2]Other ratios include impact of continued and discontinued operations.

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
28 February 2017

Maigi Pärnik-Pernik
Member of the Management Board
28 February 2017

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the fourth quarter and 12 months of 2016 as presented on pages 13-33.

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
28 February 2017

Maigi Pärnik-Pernik
Member of the Management Board
28 February 2017

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Current assets			
Cash and cash equivalents	3	419	398
Trade and other receivables	4	1,956	1,607
Inventories	5	11,096	10,424
Total current assets		**13,471**	**12,429**
Non-current assets			
Deferred income tax asset		228	234
Other non-current assets	4	522	584
Property, plant and equipment	6	3,022	2,910
Intangible assets	7	1,676	1,944
Total non-current assets		**5,448**	**5,672**
TOTAL ASSETS		**18,919**	**18,101**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	8	5,835	3,009
Trade and other payables	9,10	6,923	6,709
Total current liabilities		**12,758**	**9,718**
Non-current liabilities			
Borrowings	8	1,196	3,312
Other liabilities	9	0	283
Total non-current liabilities		**1,196**	**3,595**
TOTAL LIABILITIES		**13,954**	**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 profit (loss) for the period		177	-6,359
TOTAL EQUITY		**4,965**	**4,788**
TOTAL LIABILITIES AND EQUITY		**18,919**	**18,101**

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	4 Q 2016	4 Q 2015	2016	2015
Continuing operations					
Revenue	12,13	12,704	13,505	46,993	48,806
Client bonus provision	10	23	-70	23	-70
Revenue after client bonus provision		12,727	13,435	47,016	48,736
Cost of goods sold	14	-6,152	-6,958	-23,519	-25,660
Gross profit		**6,575**	**6,477**	**23,497**	**23,076**
Distribution costs	15	-5,242	-5,555	-20,336	-21,010
Administrative and general expenses	16	-630	-683	-2,504	-2,603
Other operating income	17	95	282	44	242
Operating profit (loss)		**798**	**521**	**701**	**-295**
Finance costs	18	-173	-147	-519	-508
Profit (loss) before income tax		**625**	**374**	**182**	**-803**
Income tax expense		-5	-41	-5	-41
Net profit (loss) from continuing operations		**620**	**333**	**177**	**-844**
Net loss for the period from discontinued operations	21	**0**	**-4,974**	0	-5,515
Net profit (loss) for the period		**620**	**-4,641**	**177**	**-6,359**
Basic earnings per share from net profit (loss) for the period, EUR	19	0.02	-0.11	0.00	-0.16
From continuing operations		0.02	0.01	0.00	-0.02
From discontinued operations		0.00	-0.12	0.00	-0.14
Diluted earnings per share from net profit (loss) for the period, EUR	19	0.02	-0.11	0.00	-0.16
From continuing operations		0.02	0.01	0.00	-0.02
From discontinued operations		0.00	-0.12	0.00	-0.14

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	4 Q 2016	4 Q 2015	2016	2015
Net profit (loss) for the period	**620**	**-4,641**	**177**	**-6,359**
Other comprehensive income				
Items that subsequently might be classified to profit or loss:				
Currency translation differences	0	2,754	0	2,723
Total other comprehensive income	**0**	**2,754**	**0**	**2,723**
Total comprehensive income (loss)	**620**	**-1,887**	**177**	**-3,636**
Total comprehensive loss attributable to equity shareholders arises from:				
Continuing operations	620	333	177	-844
Discontinued operations	0	-2,220	0	-2,792

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

CONSOLIDATED CASH FLOW STATEMENT

	Note	4 Q 2016	4 Q 2015	2016	2015
Operating activities					
Continuing operations:					
Operating profit (loss)		798	521	701	-295
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-16	322	332	1,288	1,234
Gain (loss) from sale, impairment of PPE, non-current assets, net		2	-12	15	-14
Other non-monetary income (expenses)		-105	559	2	-327
Changes in working capital:					
Change in trade and other receivables	4	715	594	-292	29
Change in inventories	5	175	1,322	-672	2,042
Change in trade and other payables	9	566	-66	-283	-19
Interest paid		-117	-90	-305	-300
Interest received		0	0	7	0
Income tax paid		1	0	0	-12
Discontinued operations		0	-354	0	-77
Net cash generated (used in) from operating activities		**2,357**	**2,806**	**460**	**2,261**
Investing activities					
Continuing operations:					
Acquisition of property, plant and equipment, intangibles	6, 7	-201	-493	-1,207	-1,208
Proceeds from disposal of PPE		2	6	50	6
Discontinued operations		0	0	0	-7
Net cash used in investing activities		**-199**	**-487**	**-1,157**	**-1,209**
Financing activities					
Received borrowings	8	0	0	1,500	0
Repayments of borrowings	8	-256	-163	-807	-985
Change in bank overdraft	8	-1,661	-2,061	194	-226
Repayments of finance lease		-48	-51	-145	-153
Repayment of convertible notes		0	0	-24	0
Net cash used in financing activities		**-1,965**	**-2,275**	**718**	**-1,364**
Total cash flows		**193**	**44**	**21**	**-312**
Cash and cash equivalents at the beginning of the period	3	**226**	**354**	**398**	**710**
Effect of exchange gains on cash and cash equivalents		0	0	0	0
Cash and cash equivalents at the end of the period	3	**419**	**398**	**419**	**398**
Change in cash and cash equivalents		**193**	**44**	**21**	**-312**

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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	-6,359	0	-6,359
Other comprehensive income	0	0	0	0	2,723	2,723
Total comprehensive profit (loss)	**0**	**0**	**0**	**-6,359**	**2,723**	**-3,636**
Equity-settled share-based transactions	0	-313	0	0	0	-313
Balance as at 31 Dec 2015	**8,159**	**496**	**1,182**	**-5,049**	**0**	**4,788**
Profit for the period	0	0	0	177	0	177
Total comprehensive profit	**0**	**0**	**0**	**177**	**0**	**177**
Balance as at 31 Dec 2016	**8,159**	**496**	**1,182**	**-4,872**	**0**	**4,965**

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 fourth quarter ended 31 December 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 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 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 Group's foreign exchange risk is related to purchases done and amounts owed in foreign currencies. 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).

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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:

Average currencies	2016	2015
USD (US dollar)	-0.23%	24.54%

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

Balance-sheet date rates (31 Dec 2016; 31 Dec 2015)	
USD (US dollar)	-3.18%

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.

In 2016 the Group hedged foreign currency risk using forward contracts which are recorded in the statement of financial position at fair value through profit and loss. No instruments were used to hedge foreign currency risk in 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.

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 in the amount of 1,196 thousand euros at 31 December 2016 and 312 thousand euros 31 December 2015 were subject to a floating 6 month interest rate based on Euribor (Note 8). 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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

As at 31 December 2016 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted to 1,713 thousand euros (31 December 2015: 1,455 thousand euros) on a net basis after allowances.

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 assesses the sufficiency of cash and cash equivalents to settle liabilities and finance the Group's strategic goals on a regular basis by monitoring 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 unused limit of the Group´s overdraft facilities as at 31 December 2016 was 2,380 thousand euros (31 December 2015: 2,574 thousand euros).

Financial liabilities by maturity at 31 December 2016

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans (Note 8)[2]	3,685	2,807	1,110	3,917
Finance lease liabilities (Note 8)	346	202	155	357
Convertible bonds (Note 8)	3,000	3,126	0	3,126
Trade payables (Note 9)	3,259	3,259	0	3,259
Other financial liabilities	30	30	0	30
Total	**10,320**	**9,424**	**1,265**	**10,689**

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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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.

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 133%. In the end of 2015 the ratio was 123%. The deterioration of the ratio is driven by the loss earned in 2015 due to one time write-offs related to the sale of Russian subsidiaries (Note 21) and by the increase in borrowings (loan taken and increase in usage of overdraft). The Group also monitors other ratios e.g. net debt to EBITDA and net debt to share capital. Based on the above, the Group deems the capital structure to be in an acceptable range.

Net gearing ratio

	31 Dec 2016	**31 Dec 2015**
Interest carrying borrowings (Note 8)	7,031	6,297
Cash and bank (Note 3)	-419	-398
Net debt	6,612	5,899
Total equity	4,965	4,788
Net gearing ratio	**133%**	**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 31 December 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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

NOTE 3 Cash and cash equivalents

	31 Dec 2016	31 Dec 2015
Cash at hand	110	102
Cash at bank and overnight deposits	309	296
Total	**419**	**398**

All cash and cash equivalents are in euros.

NOTE 4 Trade and other receivables

Short-term trade and other receivables	31 Dec 2016	31 Dec 2015
Trade receivables, net	1,467	1,186
Other prepaid expenses	195	189
Tax prepayments and tax reclaims, thereof	280	213
Value added tax	280	209
Other taxes	0	4
Other current receivables	14	19
Total	**1,956**	**1,607**

Long-term assets		
Non-current lease prepayments	276	278
Other long-term receivables	246	306
Total	**522**	**584**

All trade and other receivables are in euros.

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

31 Dec 2016	Baltic region	Eastern European region	Other regions	Total
Not due	459	784	22	1,265
Up to 1 month past due	16	1	75	92
1-3 months past due	3	0	38	41
3-6 months past due	15	0	37	52
Over 6 months past due	17	0	0	17
Total	**510**	**785**	**172**	**1,467**

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

	31 Dec 2016	31 Dec 2015
Fabrics and accessories	1,906	1,790
Work-in-progress	78	82
Finished goods and goods purchased for resale	8,885	8,588
Allowance for impairment of finished goods and goods purchased for resale	-340	-500
Prepayments to suppliers	567	464
Total	**11,096**	**10,424**

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments	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	491	105	559	1	1,156
Disposals	-2	1	0	0	-1
Reclassifications to inventory	-85	-49	-61	0	-195
Depreciation	-280	-198	-467	0	-945
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	544	91	589	0	1,224
Disposals	-20	0	-87	0	-107
Reclassification	0	1	-1	-1	-1
Depreciation	-339	-151	-514	0	-1,004
31 December 2016					
Acquisition cost	**2,838**	**4,718**	**4,813**	**0**	**12,369**
Accumulated depreciation	-1,746	-4,310	-3,291	0	-9,347
Net book amount	**1,092**	**408**	**1,522**	**0**	**3,022**

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	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	80	0	-28	0	52
Impairment	-8	0	0	-885	-893
Amortisation	-250	-44	0	0	-294
Currency translation differences	0	0	0	-101	-101
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	23	0	0	0	23
Disposals	-1	0	0	0	-1
Amortisation	-246	-44	0	0	-290
31 December 2016					
Acquisition cost	**2,092**	**1,243**	**0**	**509**	**3,844**
Accumulated depreciation	-1,787	-381	0	0	-2,168
Net book amount	**305**	**862**	**0**	**509**	**1,676**

NOTE 8 Borrowings

	31 Dec 2016	31 Dec 2015
Current borrowings		
Current portion of bank loans	1,019	1,380
Overdraft	1,620	1,426
Current portion of finance lease liabilities	196	179
Share options (Note 11)	3,000	0
Other short term borrowings	0	24
Total	**5,835**	**3,009**
Non-current borrowings		
Non-current bank loans	1,046	0
Non-current finance lease liabilities	150	312
Convertible bonds, share options (Note 11)	0	3,000
Total	**1,196**	**3,312**
Total borrowings	**7,031**	**6,321**

During the reporting period, the Group made loan repayments in the amount of 807 thousand euros (2015: 985 thousand euros). Group´s overdraft facilities with the banks were used in the amount of 1,620 thousand euros as at 31 December 2016 (31 December 2015: 1,426 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 472 thousand euros, including 214 thousand euros interest expense from the convertible bonds of related party (2015: 475 thousand euros, including 200 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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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 31 December 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%	3,685
J-Bonds	6.50%	3,000
Total		**6,685**

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	6.50%	3,000
Total		**5,806**

NOTE 9 Trade and other payables

	31 Dec 2016	**31 Dec 2015**
Current liabilities		
Trade payables	3,259	3,640
Tax liabilities, thereof	1,603	1,570
Personal income tax	220	229
Social security taxes and unemployment insurance premium	536	559
Value added tax	770	744
Other taxes	77	38
Payables to employees[1]	991	995
Other accrued expenses[2]	527	49
Customer prepayments	166	71
Other current payables	30	2
Total	**6,576**	**6,327**
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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

Trade payables and other accrues expenses in denominated currency

	31 Dec 2016	31 Dec 2015
EUR (euro)	2,630	2,382
USD (US dollar)	1,156	1,258
Total	**3,786**	**3,640**

NOTE 10 Provisions

	30 Dec 2016	31 Dec 2015
Client bonus provision	347	370
Other provision	0	12
Total	**347**	**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.

NOTE 11 Equity

Share capital and reserves

	31 Dec 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 31 December 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 31 December 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 31 Dec 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.

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

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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 31 December 2016

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30,86%
2. Clearstream Banking Luxembourg S.A. clients	5,726,142	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	10,650,111	26,12%
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 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:

- 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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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	Whole-sale[1]	Total
4 Quarter 2016			
Revenue (from external customers)	11,413	1,291	12,704
Segment profit[2]	2,975	81	3,056
Incl. depreciation and amortisation	-228	-18	-246
4 Quarter 2015			
Revenue (from external customers)	12,414	1,091	13,505
Segment profit[2]	3,043	60	3,103
Incl. depreciation and amortisation	-204	-19	-223
12M 2016 and as at 31 Dec 2016			
Revenue (from external customers)	39,678	7,315	46,993
Segment profit[2]	7,126	1,108	8,234
Incl. depreciation and amortisation	-859	-75	-934
Inventories of segments	4,392	0	4,392
12M 2015 and as at 31 Dec 2015			
Revenue (from external customers)	42,730	6,076	48,806
Segment profit[2]	7,264	696	7,960
Incl. depreciation and amortisation	-758	-97	-855
Inventories of segments	4,465	0	4,465

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

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

Reconciliation of segment profit to consolidated operating profit

	4 Q 2016	4 Q 2015	2016	2015
Total segment profit	3,056	3,103	8,234	7,960
Unallocated expenses:[1]				
Costs of goods sold and distribution costs	-1,723	-2,181	-5,073	-5,970
Administrative and general expenses	-630	-683	-2,504	-2,585
Other operating income (expenes), net	95	282	44	300
Operating profit (loss)	**798**	**521**	**701**	**-295**

[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

	31 Dec 2016	31 Dec 2015
Total inventories of segments	4,392	4,465
Inventories in Parent company and production company	6,704	5,959
Inventories on statement of financial position	**11,096**	**10,424**

NOTE 13 Revenue

	4 Q 2016	4 Q 2015	2016	2015
Sale of goods in retail channel	11,413	12,413	39,678	42,730
Sale of goods in wholesale and e-commerce channel	1,233	1,054	7,092	5,951
Other sales	58	38	223	125
Total	**12,704**	**13,505**	**46,993**	**48,806**

Sales by geographical (client location) areas

	4 Q 2016	4 Q 2015	2016	2015
Estonia	5,654	5,770	20,487	21,199
Lithuania	3,248	3,591	11,086	12,241
Latvia	3,082	3,359	10,658	11,700
Russia	299	236	1,812	1,039
Ukraine	289	214	1,179	978
Finland	68	36	602	679
Germany	81	37	403	92
Spain	-92	90	403	541
Belarus	22	155	188	248
Other countries	53	17	175	89
Total	**12,704**	**13,505**	**46,993**	**48,806**

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

NOTE 14 Cost of goods sold

	4 Q 2016	4 Q 2015	2016	2015
Materials and supplies	4,623	5,248	19,012	20,843
Payroll costs in production	890	820	3,493	3,385
Operating lease expenses	171	165	677	661
Other production costs	112	99	405	393
Depreciation of assets used in production (Note 6,7)	21	38	92	127
Change in allowance for inventories	335	588	-160	251
Total	**6,152**	**6,958**	**23,519**	**25,660**

NOTE 15 Distribution costs

	4 Q 2016	4 Q 2015	2016	2015
Payroll costs	2,349	2,512	9,165	9,669
Operating lease expenses	1,615	1,607	6,348	6,235
Advertising expenses	341	441	1,319	1,396
Depreciation and amortisation (Note 6,7)	273	263	1,071	996
Fuel, heating and electricity costs	129	133	506	523
Municipal services and security expenses	90	91	344	329
Fees for card payments	70	94	241	333
Information technology expenses	53	42	180	162
Travel expenses	35	32	163	179
Consultation and management fees	37	79	121	242
Communication expenses	26	28	104	109
Other sales expenses[1]	224	233	774	837
Total	**5,242**	**5,555**	**20,336**	**21,010**

[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

	4 Q 2016	4 Q 2015	2016	2015
Payroll costs	310	309	1,208	1,145
Operating lease expenses	113	109	440	443
Information technology expenses	49	66	216	246
Bank fees	24	64	153	180
Depreciation and amortisation (Note 6,7)	28	31	125	111
Fuel, heating and electricity expenses	18	21	68	83
Management, juridical-, auditor´s and other consulting fees	24	22	58	117
Other administrative expenses[1]	64	61	236	278
Total	**630**	**683**	**2,504**	**2,603**

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

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

NOTE 17 Other operating income and expenses

	4 Q 2016	4 Q 2015	2016	2015
Gain (loss) from sale, impairment of PPE	-2	-2	-15	4
Other operating income	83	340	90	347
Foreign exchange gain (-loss)	2	8	-35	-36
Fines, penalties and tax interest	15	-3	15	-3
Other operating expenses	-3	-61	-11	-70
Total	**95**	**282**	**44**	**242**

NOTE 18 Finance income and costs

	4 Q 2016	4 Q 2015	2016	2015
Interest cost	-127	-115	-472	-475
Other finance costs	-46	-32	-47	-33
Total	**-173**	**-147**	**-519**	**-508**

NOTE 19 Earnings per share

Basic earnings per share		4 Q 2016	4 Q 2015	2016	2015
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	40,795
Net loss from continuing operations		620	333	177	-844
Net profit (loss) from discontinued operations		0	-4,974	0	-5,515
Basic earnings per share	**EUR**	**0,02**	**-0,11**	**0,00**	**-0,16**
Basic earnings per share (continuing operations)	EUR	0,02	0,01	0,00	-0,02
Basic earnings per share (discontinued operations)	EUR	0,00	-0,12	0,00	-0,14
Diluted earnings per share	**EUR**	**0,02**	**-0,11**	**0,00**	**-0,16**
Diluted earnings per share (continuing operations)	EUR	0,02	0,01	0,00	-0,02
Diluted earnings per share (discontinued operations)	EUR	0,00	-0,12	0,00	-0,14

In the three and twelve months ended on 31 December 2016, the Group had no dilutive instruments. Instruments that could potentially dilute basic earnings per share are J-bonds and the share option program. Their dilutive effect is contingent on the share price and the weather the Group has generated a profit. In 2015, it was assumed that the Share option program would be converted into ordinary shares and the weighted average number of share options that are dilutive was 230 thousand.

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: 0.37 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];

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

- 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

Purchases	**4 Q 2016**	**4 Q 2015**	**2016**	**2015**
Services	6	67	24	355
Kokku	**6**	**67**	**24**	**355**

Sales	**4 Q 2016**	**4 Q 2015**	**2016**	**2015**
Goods	0	0	0	7
Kokku	**0**	**0**	**0**	**7**

In 2016, AS Baltika bought mostly management services from the related parties. In 2015, AS Baltika bought mostly management, communication and other services from the related parties.

Balances with related parties

	31 Dec 2016	**31 Dec 2015**
Other current loans and interests (Note 8, 9)	2,973	2,804
Trade payables (Note 9)	0	17
Payables to related parties total	**2,973**	**2,821**

Information about the loans and interest to related parties is in Note 8 and 11.

All transactions in 2016 as well as in 2015 reporting periods and balances with related parties as at 31 December 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.

Compensation for the members of the Management Board and Supervisory Council

	4 Q 2016	**4 Q 2015**	**2016**	**2015**
Salaries of the members of the Management Board	58	56	253	224
Remuneration of the members of the Supervisory Council	4	4	14	14
Total	**62**	**60**	**267**	**238**

As at 31 December 2016 there were two Management Board Members and as at 31 December 2015 there were three Management Board Members. As at 31 December 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.

Baltika Group Consolidated interim report for the IV quarter and 12 months of 2016 (in thousands euros, unaudited)

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.

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.

An extract of the revenue and expenses of discontinued operation

	4 Q 2016	4 Q 2015	12M 2016	12M 2015
Discontinued operation				
Revenue	0	1 138	0	4 492
Expenses	0	-1 163	0	-5 020
Other operating expense and income tax	0	-304	0	-342
Net loss for the reporting period	**0**	**-329**	**0**	**-870**
Loss from remeasurement of assets classified as held for sale	0	-4 645	0	-4 645
Net loss for the reporting period	**0**	**-4 974**	**0**	**-5 515**

Consolidated cash-flow of the discontinued operation

	4 Q 2016	4 Q 2015	12M 2016	12M 2015
Net cash used in operating activities	0	-354	0	-77
Net cash used in investing activities	0	0	0	-7
Total cash flows	**0**	**-354**	**0**	**-84**
Cash and cash equivalents at the beginning of the period	**0**	**354**	**0**	**84**
Effect of exchange gains on cash and cash equivalents	0	0	0	0
Cash and cash equivalents at the end of the period	**0**	**0**	**0**	**0**
Change in cash and cash equivalents	**0**	**-354**	**0**	**-84**

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 Management Board of Amiraali Invest Oy,
Member of the Board of Directors, KJK Management SA,
Member of the Board of Directors, KJK Capital Oy.
Baltika shares held on 31 December 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,
Baltika shares held on 31 December 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
Other assignments
Member of the Management board of Non-profit organization AIPPI Estonian workgroup
Baltika shares held on 31 December 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 UAB D Investiciju Valdymas,
Member of the Board of Bostads AB Blåklinten Oy,
Chairman of the Supervisory Council of Salva Kindlustuse AS,
Chairman of the Supervisory Council of AS PRFoods,
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 JSC Rigas Dzirnavnieks,
Chairman of the Board of Directors, KJK Management SA,
Chairman of the Board of Directors, KJK Capital Oy,
Member of the Board of AS Baltic Mill.
Baltika shares held on 31 December 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 31 December 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 31 December 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 31 December 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”).