



Baltika Group

AS BALTIKA

Consolidated interim report for the first quarter of 2017

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Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2017 – 31 December 2017
Reporting period	1 January 2017 – 31 March 2017

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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 31 March 2017 the Group employed 1,047 people (31 December 2016: 1,049).

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 Mar 2017	Holding as at 31 Dec 2016
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%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%

¹Interest through a subsidiary.

²Interest through Baltman OÜ

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FIRST QUARTER OF 2017

Baltika Group's first quarter resulted in net loss in the amount of 590 thousand euros. The result of last year first quarter was net loss of 493 thousand euros.

Group's 2017 first quarter revenue increased by 2% compared to the same period last year and was 10,575 thousand euros. Retail revenue was 8,524 thousand euros, increasing 1% compared to same period last year, the highest retail sales growth with 4% was in Estonia.

Wholesale and franchise revenue in first quarter was 1,845 thousand euros, increase of 3%. Growth in sales revenue was supported by higher sales volumes to Peek & Cloppenburg department stores chain and entrance to new franchise market in Serbia: on 8th of March Baltika's brands representing store Monton AndMore was opened in Novi Sad, Serbia. At the end of first quarter there were 33 Baltika's brands representing franchise stores, forming 26% of total stores portfolio.





Baltika Group's e-store Andmorefashion.com sales revenue increased 38% and was 349 thousand euros. In total orders were placed from 31 countries. Countries with the largest sales are Estonia, Latvia, Lithuania, Russia and Finland. The best-selling brands in e-store were Monton and Ivo Nikkolo.

The company's gross profit margin in the first quarter was 48.8%, which is 1.8 percentage points lower than the 50.6% margin in the same period last year. Retail gross profit margin was mainly impacted by winter products over-supply in Baltics retail markets and thus higher mark-downs which in addition competed with the full prize new season products sales. In addition the first quarter gross profit margin was impacted by changing sales campaign beginning to March (in previous year sales campaign started in April). The first quarter gross profit was 5,250 thousand euros, decreasing 1% i.e. 61 thousand euros compared to last year.

Due to increased Baltics retail market sales area the distribution expense in the first quarter increased 1%, at the same time general expense decreased 2%. The distribution and general expense ratio to revenue in the quarter was 53.2% i.e. within year the costs ratio to revenue has decreased by 0.8 percentage points.

One of the company's objectives for 2017 was the revenue growth in all of the sales channels, which in first quarter was met. At the same time the increase of retail revenue came partly from deeper mark-downs, which decreased gross profit and thus the company ended the first quarter with 97 thousand euros bigger net loss than in previous year.

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

-  On 7th of March 2017 Monton, Mosaic, Ivo Nikkolo, Baltman and Bastion presented their 2017 spring-summer collection in Hansaplant gardening centre. Fashion show was also broadcasted via Baltika's e-store Andmorefashion.com.
-  On 8th of March 2017 first Baltika's fashion brands representing store in Serbia was opened in Novi Sad in cooperation with Serbian franchise partner Victoria Elegans d.o.o.
-  On 17th of March 2017 Monton, who is celebrating its 15th anniversary this year, presented within the Tallinn Fashion Week a special collection inspired by the magic of opposites, of which the majority of items are handmade.
-  On 22nd of March 2017 the Supervisory Board decided to propose to the Annual General Meeting of shareholders, to issue new convertible bonds with bondholder option in the total amount of 4.5 million euros. The proposal is to issue 900 convertible bonds with the issuance price of 5,000 euros. Bonds shall be subscribed during the time period starting from 14 July and ending 16 August 2017. Bonds carry an annual interest rate of 6.0% and will give its owner the right to subscribe 15,625 shares of the AS Baltika with the subscription price of 0.32 euros. The aim of the bond issuance is to refinance the bonds issued in 2014.

- At the end of March Monton store with new concept was opened in Tallinn Viru Keskus shopping centre. As at the end of the quarter Group had 128 stores among which 95 stores belong to Baltika's own retail network.

REVENUE

Baltika's first quarter sales revenue increased 2% compared to same period last year and was 10,757 thousand euros. Growth was largest with 38% in e-store and was 349 thousand euros. In the first quarter retail revenue was 8,524 thousand euros, increasing 1% compared to same period last year.

Revenue by activity

EUR thousand	1 Q 2017	1 Q 2016	+/-
Retail	8,524	8,428	1%
Wholesale & Franchise	1,845	1,784	3%
E-com sales	349	252	38%
Other	39	41	-5%
Total	10,757	10,505	2%

Stores and sales area

As at 31 March 2017 Group had 128 stores, among which 33 franchise stores. In March one new retail store was opened – Monton brand store in Viru Keskus shopping centre and in Riga Galleria in Riga. Monton store was opened under the new Monton AndMore concept. One new store was added into franchise stores' portfolio – at the beginning of March Monton AndMore franchise store was opened in new franchise market in Serbia.

Stores by market

	31 March 2017	31 March 2016	Average area change*
Estonia	44	44	6%
Lithuania	29	29	1%
Latvia	22	21	6%
Ukraine ¹	16	15	1%
Russia ¹	11	13	84%
Belarus ¹	2	2	2%
Spain ¹	3	6	-35%
Serbia ¹	1	-	-
Total stores	128	130	
Total sales area, sqm	23,889	23,891	0%

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

¹Franchise shops are with a total sales area of 6,464 m².

Retail

In first quarter retail revenue increased 1% compared to same period last year and was 8,524 thousand euros. Revenue increased the most in Estonian market: 4% i.e. 175 thousand euros.

Retail sales by market

EUR thousand	1 Q 2017	1 Q 2016	+/-	Share
Estonia	4,073	3,898	4%	48%
Lithuania	2,257	2,360	-4%	26%
Latvia	2,194	2,170	1%	26%
Total	8,524	8,428	1%	100%

If sales revenue increased in Estonia and Latvia then sales efficiency increased only in Estonia (+1%).

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

	1 Q 2017	1 Q 2016	+/-
Estonia	178	177	1%
Lithuania	135	140	-3%
Latvia	187	192	-3%
Total	166	168	-1%

Brands

In the first quarter Bastion brand had the largest growth in retail compared to same period last year. The sales growth of 9% was supported by the increase in sales area and Bastion revenue in the first quarter was 417 thousand euros.

Baltika's largest brand Monton retail revenue grew 5% in first quarter and was 3,574 thousand euros. Both, men's and women's collection revenue increased: 7% and 5% respectively. In addition to growth in revenue and sales area, Monton collection sales efficiency increased as well.

Retail revenue by brands

Thousand euros	1 Q 2017	1 Q 2016	+/-	Share
Monton	3,574	3,391	5%	42%
Mosaic	2,587	2,547	2%	30%
Baltman	983	1,036	-5%	12%
Ivo Nikkolo	963	985	-2%	11%
Bastion	417	382	9%	5%
Other	0	87	-100%	0%
Total	8,524	8,428	1%	100%

Sales in other channels

In the first quarter of 2017 revenue from wholesale and franchise was 1,845 thousand euros increasing 61 thousand euros i.e. 3% compared to same period last year. The Increase in volume is mainly attributable to increased sales volumes to Peek & Cloppenburg department stores chain and entrance to new franchise market: on 8th of March Baltika's brands representing store Monton AndMore was opened in Novi Sad Serbia. At the end of first quarter there were 33 Baltika's brands representing franchise stores, forming 26% of total stores portfolio.

In first quarter the highest revenue growth with 38% was in e-store. E-store revenue in first quarter was 349 thousand euros. In total orders were placed from 31 countries. Countries with the largest sales are Estonia, Latvia, Lithuania, Russia and Finland. The best-selling brand in e-store were Monton and Ivo Nikkolo. The number of e-store users increased 11% compared to same period in last year.

OPERATING EXPENSES AND NET PROFIT

The company's gross profit margin in the first quarter was 48.8%, which is 1.8 percentage points lower than the 50.6% margin in the same period last year. Retail gross profit margin decreased due to change in sales campaign period (from April to March). The quarterly gross profit was 5,250 thousand euros, which is 61 thousand euros less than last year's comparative result.

Distribution expense in the first quarter was 5,059 thousand euros, increasing 1% compared to the same period last year. Expense has grown in the head-office as well in retail markets. Increase in expense is mainly attributable to increased sales area in Baltic retail markets. If distribution expense has increased in first quarter then general and administrative expense has decreased by 2% and was 659 thousand euros. The distribution and general expense ratio to revenue in the quarter was 53.2% i.e. within year the costs ratio to revenue has decreased by 0.8 percentage points.

Other operating net expense in the first quarter was 2 thousand euros and the operating loss was 470 thousand euros. In same period last year the operating loss was 384 thousand euros.

The net financial expense in the first quarter was 120 thousand euros, which is 11 thousand euros more than in the same period last year.

The first quarter resulted in a net loss in the amount of 590 thousand euros. Net loss in the same period in the previous year was 493 thousand euros.

FINANCIAL POSITION

As at 31 March 2017, Baltika Group inventories totalled 11,090 thousand euros, decreasing 6 thousand euros compared to last year-end. Goods and goods purchased for resale inventories have increased by 2% i.e. 189 thousand euros. At the same time fabrics and accessories inventories have decreased by 398 thousand euros i.e. 2%. Compared to same seasonal state on 31 March last year inventories have increased by 542 thousand euros. The increase is mainly attributable to goods and goods purchased for resale inventories – increase of 7%. Fabrics and accessories inventories have decreased by 4%.

As at 31 March 2017 the total borrowings amounted to 8,873 thousand euros, which signifies together with the usage of overdraft facility increase of 1,824 thousand euros compared to the last year-end (31 December 2016: 7,031 thousand euros). The increase in borrowings is attributable to increase in usage of overdraft due to the seasonal business cycle.

In the first quarter purchase of fixed assets was made in the amount of 183 thousand euros and depreciation was 317 thousand euros. Property, plant and equipment and intangible assets at residual value decreased by 164 thousand euros compared to last year-end and were 4,534 thousand euros.

The first quarter operating activities cash-flow was -1,499 thousand euros (I quarter 2016: -1,629 thousand euros). Input to the investment activity was 155 thousand euros (I quarter 2016: 309 thousand euros). Bank loan repayments were made in the amount of 257 thousand euros. Group's first quarter total cash flow was 186 thousand euros (I quarter 2016: -208 thousand euros).

As at 31 March 2017 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 8,268 thousand euros, which is 1,656 thousand euros more than at the end of last year. The net debt to equity ratio was 189% as at 31 March 2017. Compared to same seasonal business cycle on 31 March 2016 Group's net debt to equity ratio is on comparable level (31 March 2016: 182%). Compared to last year end, 31 December 2016, the net debt to equity ratio has deteriorated mainly due to increase in borrowings (increased usage of overdraft) which is usual in first quarter. Current ratio has deteriorated in comparable states due to the fact that part of the non-current liabilities have turn into current liabilities (J-Bonds repayment date is in summer of 2017 and the intention is to refinance these bond by issuing new convertible bonds).

PEOPLE

As at 31 March 2017 Baltika Group employed 1,047 people that is 2 people less than as at 31 December 2016 (1,049): 483 (31.12.2016: 487) in the retail system, 380 (31.12.2016: 380) in manufacturing and 184 (31.12.2016: 182) at the head office and logistics centre. The 2017 first quarter's average number of staff in Group was 1,051 (I quarter 2016: 1,100).

Baltika Group employees' remuneration expense in first quarter amounted to 2,568 thousand euros (I quarter 2016: 2,552 thousand euros). The accrued remuneration of the member of the Supervisory Board and Management Board totalled 55 thousand euros (I quarter 2016: 75 thousand euros).

KEY FIGURES OF THE GROUP (I QUARTER 2017)

Sales activity key figures	3M and 31 March 2017	3M and 31 March 2016	3M and 31 March 2015¹	3M and 31 March 2015	3M and 31 March 2014	3M and 31 March 2013
Revenue (EUR thousand)	10,757	10,505	11,220	12,325	13,447	13,186
Retail sales (EUR thousand)	8,524	8,428	9,335	10,440	12,385	12,289
Share of retail sales in revenue	79.2%	80.2%	83.2%	84.7%	92.1%	93.2%
Share of exports in revenue	57.7%	58.2%	58.9%	62.6%	63.1%	68.5%
Number of stores in retail	95	94	91	102	123	112
Number of stores	128	130	117	128	125	112
Sales area at the end of period (sqm)	17,425	17,133	16,608	19,722	23,355	22,193
Number of employees (end of period)	1,047	1,103	1,123	1,216	1,334	1,299
Gross margin	48.8%	50.6%	45.4%	44.5%	47.1%	51.3%
EBITDA (EUR thousand)	-152	-59	-389	-718	-2,065	-154
Net profit (EUR thousand)	-590	-493	-783	-1,136	-2,482	-603
EBITDA margin	-1.4%	-0.6%	-3.5%	-5.8%	-15.4%	-1.2%
Operating margin	-4.4%	-3.7%	-5.9%	-8.3%	-17.8%	-4.0%
EBT margin	-5.5%	-4.7%	-7.0%	-9.2%	-18.4%	-4.6%
Net margin	-5.5%	-4.7%	-7.0%	-9.2%	-18.5%	-4.6%
Inventory turnover	1.99	1.84	1.96	2.02	2.14	2.26
Other ratios²						
Current ratio	1.0	1.2	1.8	1.8	1.5	1.8
Net gearing ratio	189.0%	182.1%	98.8%	98.8%	64.0%	65.1%
Return on equity	-12.9%	-8.2%	-12.8%	-12.8%	-23.1%	-6.5%
Return on assets	-3.1%	-2.2%	-4.8%	-4.8%	-10.2%	-2.3%

¹In connection with Baltika's exit from the Russian retail business at the beginning of the year 2016, the sales activity key figures of the first quarter of 2015 presents only results of continued operations.

²Other 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*

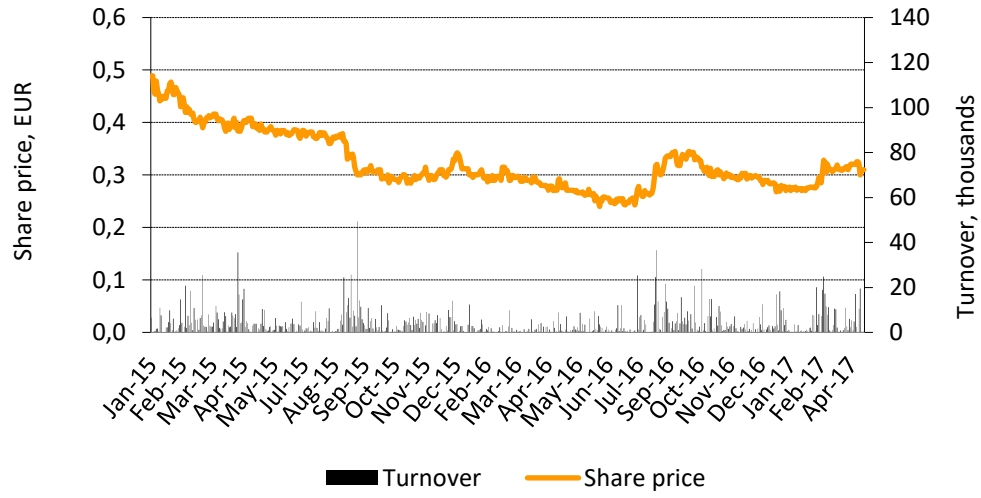
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)/Equity

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
27 April 2017



Maigi Pärnik-Pernik
Member of the Management Board
27 April 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 first quarter of 2017 as presented on pages 11-31.

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
27 April 2017



Maigi Pärnik-Pernik
Member of the Management Board
27 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Mar 2017	31 Dec 2016
ASSETS			
Current assets			
Cash and cash equivalents	3	605	419
Trade and other receivables	4	2,424	1,956
Inventories	5	11,090	11,096
Total current assets		14,119	13,471
Non-current assets			
Deferred income tax asset		228	228
Other non-current assets	4	522	522
Property, plant and equipment	6	2,901	3,022
Intangible assets	7	1,633	1,676
Total non-current assets		5,284	5,448
TOTAL ASSETS		19,403	18,919
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	8	7,896	5,835
Trade and other payables	9,10	6,155	6,923
Total current liabilities		14,051	12,758
Non-current liabilities			
Borrowings	8	977	1,196
Total non-current liabilities		977	1,196
TOTAL LIABILITIES		15,028	13,954
EQUITY			
Share capital at par value	11	8,159	8,159
Share premium		496	496
Reserves	11	1,182	1,182
Retained earnings		-4,872	-5,049
Net profit (loss) for the period		-590	177
TOTAL EQUITY		4,375	4,965
TOTAL LIABILITIES AND EQUITY		19,403	18,919

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 Q 2017	1 Q 2016
Revenue	12,13	10,757	10,505
Cost of goods sold	14	-5,507	-5,194
Gross profit		5,250	5,311
Distribution costs	15	-5,059	-5,001
Administrative and general expenses	16	-659	-669
Other operating income (expenses)	17	-2	-25
Operating loss		-470	-384
Finance costs	18	-120	-109
Loss before income tax		-590	-493
Income tax expense		0	0
Net loss for the period		-590	-493
Basic earnings per share from net profit (loss) for the period, EUR	19	-0.01	-0.01
Diluted earnings per share from net profit (loss) for the period, EUR	19	-0.01	-0.01

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	1 Q 2017	1 Q 2016
Net loss for the period	-590	-493
Other comprehensive income		
Total other comprehensive income	0	0
Total comprehensive loss	-590	-493

CONSOLIDATED CASH FLOW STATEMENT

	Note	1 Q 2017	1 Q 2016
Cash flows from operating activities			
Operating loss		-470	-384
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	14-16	316	316
Gain (loss) from sale, impairment of PPE, non-current assets, net		2	7
Other non-monetary income (expenses)		2	-62
Changes in working capital:			
Change in trade and other receivables	4	-468	-386
Change in inventories	5	6	-124
Change in trade and other payables	9	-823	-939
Interest paid		-64	-56
Income tax paid		0	-1
Net cash generated from operating activities		-1,499	-1,629
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangibles	6, 7	-157	-309
Proceeds from disposal of PPE		2	0
Net cash used in investing activities		-155	-309
Cash flows from financing activities			
Repayments of borrowings	8	-257	-163
Change in bank overdraft	8	2,146	1,923
Repayments of finance lease		-49	-30
Net cash used in financing activities		1,840	1,730
Total cash flows		186	-208
Cash and cash equivalents at the beginning of the period	3	419	398
Cash and cash equivalents at the end of the period	3	605	190
Change in cash and cash equivalents		186	-208

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
Balance as at 31 Dec 2015	8,159	496	1,182	-5,049	4,788
Loss for the period	0	0	0	-493	-493
Total comprehensive loss	0	0	0	-493	-493
Balance as at 31 Mar 2016	8,159	496	1,182	-5,542	4,295
Balance as at 31 Dec 2016	8,159	496	1,182	-4,872	4,965
Loss for the period	0	0	0	-590	-590
Total comprehensive loss	0	0	0	-590	-590
Balance as at 31 Mar 2017	8,159	496	1,182	-5,462	4,375

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 employs 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 first quarter ended 31 March 2017 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 2016, 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 2016. New and revised standards and interpretations effective from 1 January 2017 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 Board of the Group supervises the Management Board's risk management activities.

Market risk

Foreign exchange risk

In 2017 and 2016 all sales were made in euros. 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).

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	1 Q 2017	1 Q 2016
USD (US dollar)	-3.38%	-2.14%

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

Balance-sheet date rates (31 Mar 2017; 31 Dec 2016)

USD (US dollar)	1.42%
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Foreign exchange risk arises only from trade payables (Note 9) and cash and cash equivalents (Note 3) as trade receivables (Note 4), borrowings (Note 8) are in euro and thereof not open to foreign exchange risk.

In 2017 and 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. 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 977 thousand euros at 31 March 2017 and 1,196 thousand euros 31 December 2016 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.

As at 31 March 2017 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted to 2,136 thousand euros (31 December 2016: 1,713 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 March 2017 was 234 thousand euros (31 December 2016: 2,380 thousand euros).

Financial liabilities by maturity at 31 March 2017

	Carrying amount	Undiscounted cash flows ¹		Total
		1-12 months	1-5 years	
Loans (Note 8) ²	5,576	4,848	927	5,775
Finance lease liabilities (Note 8)	297	201	105	306
Convertible bonds (Note 8)	3,000	3,624	0	3,624
Trade payables (Note 9)	2,543	2,543	0	2,543
Other financial liabilities	55	55	0	55
Total	11,471	11,271	1,032	12,303

Financial liabilities by maturity at 31 December 2016

	Carrying amount	Undiscounted cash flows ¹		Total
		1-12 months	1-5 years	
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	3,624	0	3,624
Trade payables (Note 9)	3,259	3,259	0	3,259
Other financial liabilities	30	30	0	30
Total	10,320	9,922	1,265	11,187

¹For interest bearing borrowings carrying a floating interest rate based on Euribor, the last applied spot rate to loans has been used.

²Used overdraft facilities are shown under loans payable based on the contractual date of payment.

As at 31 March 2017, 92% of Group's financial liabilities will mature in the next 12-month period (31 December 2016: 89%). Significant part of that are convertible notes of 3,000 thousand euros. The convertible notes have a maturity date of 30 July 2017; however, the Group plans to refinance the convertible notes by issuing new convertible bonds (see Note 11). The Group has access to sufficient variety of sources of funding to meet the obligations arising from the Group's activities.

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.

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's long term goal is to maintain the net gearing ratio under 50%. At the end of the reporting period the ratio was 189%. In the end of 2016 the ratio was 133%. The deterioration of the ratio compared to the last quarter is influenced by the seasonality of the business characteristic to the first quarter and the resulting increased borrowings: compared to the first quarter last year, the ratio has remained stable (ratio at 31 Mar 2016: 182%). 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 Mar 2017	31 Dec 2016
Interest carrying borrowings (Note 8)	8 873	7 031
Cash and bank (Note 3)	-605	-419
Net debt	8 268	6 612
Total equity	4 375	4 965
Net gearing ratio	189%	133%

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 March 2017 and 31 December 2016.

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.

NOTE 3 Cash and cash equivalents

	31 Mar 2017	31 Dec 2016
Cash at hand	94	110
Cash at bank and overnight deposits	511	309
Total	605	419

Cash and cash equivalents by currency

	31 Mar 2017	31 Dec 2016
EUR (euro)	231	419
USD (US dollar)	374	0
Total	605	419

NOTE 4 Trade and other receivables

Short-term trade and other receivables	31 Mar 2017	31 Dec 2016
Trade receivables, net	1,890	1,467
Other prepaid expenses	202	195
Tax prepayments and tax reclaims, thereof	321	280
Value added tax	321	280
Other current receivables	11	14
Total	2,424	1,956

Long-term assets

Non-current lease prepayments	276	276
Other long-term receivables	246	246
Total	522	522

All trade and other receivables are in euros.

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

31 Mar 2017	Baltic region	Eastern European region	Other regions	Total
Not due	476	1,150	39	1,665
Up to 1 month past due	8	63	82	153
1-3 months past due	8	0	21	29
3-6 months past due	17	0	18	35
Over 6 months past due	2	0	6	8
Total	511	1,213	166	1,890

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

NOTE 5 Inventories

	31 Mar 2017	31 Dec 2016
Fabrics and accessories	1,508	1,906
Work-in-progress	79	78
Finished goods and goods purchased for resale	9,074	8,885
Allowance for impairment of finished goods and goods purchased for resale	0	-340
Prepayments to suppliers	429	567
Total	11,090	11,096

NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre- payments	Total
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	171	13	134	0	318
Disposals	0	0	-9	0	-9
Reclassifications	0	0	0	-1	-1
PPE impairment	-7	0	-4	0	-11
Depreciation	-77	-41	-119	0	-237
31 March 2016					
Acquisition cost	2,608	4,732	4,594	0	11,934
Accumulated depreciation	-1,614	-4,293	-3,057	0	-8,964
Net book amount	994	439	1,537	0	2,970
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
Additions	76	8	88	0	172
Disposals	-2	0	-28	0	-30
Depreciation	-95	-30	-138	0	-263
31 March 2017					
Acquisition cost	2,911	4,726	4,847	0	12,484
Accumulated depreciation	-1,840	-4,340	-3,403	0	-9,583
Net book amount	1,071	386	1,444	0	2,901

NOTE 7 Intangible assets

	Licenses, software and other	Trade- marks	Prepayments	Goodwill	Total
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
Amortisation	-68	-11	0	0	-79
31 March 2016					
Acquisition cost	2,261	1,243	0	509	4,013
Accumulated depreciation	-1,800	-348	0	0	-2,148
Net book amount	461	895	0	509	1,865
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
Additions	11	0	0	0	11
Amortisation	-43	-11	0	0	-54
31 March 2017					
Acquisition cost	2,103	1,243	0	509	3,855
Accumulated depreciation	-1,830	-392	0	0	-2,222
Net book amount	273	851	0	509	1,633

NOTE 8 Borrowings

	31 Mar 2017	31 Dec 2016
Current borrowings		
Current portion of bank loans	935	1,019
Overdraft	3,766	1,620
Current portion of finance lease liabilities	195	196
Share options (Note 11)	3,000	3,000
Total	7,896	5,835
Non-current borrowings		
Non-current bank loans	875	1,046
Non-current finance lease liabilities	102	150
Total	977	1,196
Total borrowings	8,873	7,031

During the reporting period, the Group made loan repayments in the amount of 257 thousand euros (2016: 163 thousand euros). Group's overdraft facilities with the banks were used in the amount of 3,766 thousand euros as at 31 March 2017 (31 December 2016: 1,620 thousand euros).

Interest expense from all interest carrying borrowings in the reporting period amounted to 120 thousand euros, including 46 thousand euros interest expense from the convertible bonds of related party (2016: 108 thousand euros, including 44 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 the 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.

Interest carrying loans and bonds of the Group as at 31 March 2017

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia and 6-month Euribor)	EURIBOR or EONIA +4.6%	5,873
J-Bonds	6.50%	3,000
Total		8,873

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 or 6-month Euribor)	EURIBOR or EONIA +4.6%	4,031
Borrowings at fixed interest rate	6.50%	3,000
Total		7,031

NOTE 9 Trade and other payables

	31 Mar 2017	31 Dec 2016
Current liabilities		
Trade payables	2,543	3,259
Tax liabilities, thereof	1,374	1,603
Personal income tax	210	220
Social security taxes and unemployment insurance premium	507	536
Value added tax	578	770
Other taxes	79	77
Payables to employees ¹	1,155	991
Other accrued expenses ²	588	527
Customer prepayments	93	166
Other current payables	55	30
Total	5,808	6,576

¹Payables 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

	31 Mar 2017	31 Dec 2016
EUR (euro)	2,605	2,630
USD (US dollar)	526	1,156
Total	3,131	3,786

NOTE 10 Provisions

	31 Mar 2017	31 Dec 2016
Client bonus provision	347	347
Total	347	347

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 2016.

NOTE 11 Equity

Share capital and reserves

	31 Mar 2017	31 Dec 2016
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 March 2017 and 31 December 2016, 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 March 2017 and 31 December 2016 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 Mar 2017	Number of convertible bonds 31 Dec 2016
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).

Conditional increase of share capital in 2017

On 22th of March 2017 the Supervisory Board of AS Baltika decided to propose to the Annual General Meeting of shareholders to issue convertible bonds with bondholder option in the total amount of 4.5 million euros. The proposal is to issue 900 convertible bonds with the issuance price of 5,000 euros. The subscription period is from 14 July 2017 to 16 August 2017. The convertible bond will carry an annual interest rate of 6% and gives its owner the right to subscribe for 15,625 Baltika’s share at subscription price of 0.32 euros. The main purpose for issuing new convertible bonds is to refinance the convertible bonds issued in 2014.

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 31 March 2017

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	5,727,710	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	1,200,000	2.94%
6. Members of Management and Supervisory Boards and their immediate family members		
Meelis Milder	1,013,735	2.48%
Persons related to members of Management Board	334,183	0.82%
Entities connected to Supervisory Board not mentioned above	1,002,427	2.46%
7. Other shareholders	10,768,543	26.41%
Total	40,794,850	100.00%

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 their immediate family members		
Meelis Milder	1,013,735	2,48%
Persons related to members of Management Board	334,183	0,82%
Entities connected to Supervisory Board not mentioned above	1,002,427	2,46%
7. Other shareholders	10,650,111	26,11%
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 channel and other sales channels (including wholesale, 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.

Description of segments and principal activities:

-  Retail segment - consists of retail operations in Estonia, Latvia and Lithuania. While the Management Board reviews separate reports for each region, the countries have been aggregated into one reportable segment as they share similar economic characteristics. Each

region sells the same products to similar classes of customers and use the same production process and the method to distribute their products.

- All other segments – consists of sale of goods to wholesale and franchise clients, materials and sewing services and e-commerce sales. None of these segments meet the reportable segments quantitative thresholds set out by IFRS 8 and are therefore aggregated into the All other segments category.

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.

The Management Board primarily uses a measure of revenue from external customers, segment profit, depreciation and amortisation and inventories to assess the performance of the operating segments. Information for the segments is disclosed below:

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

	Retail segment	All other segments ¹	Total
1 Quarter 2017 and as at 31 Mar 2017			
Revenue (from external customers)	8,524	2,233	10,757
Segment profit ²	578	408	986
Incl. depreciation and amortisation	-231	-18	-249
Inventories of segments	5,167	0	5,167
1 Quarter 2016 and as at 31 Mar 2016			
Revenue (from external customers)	8,428	2,077	10,505
Segment profit ²	614	339	953
Incl. depreciation and amortisation	-201	-19	-220
Inventories of segments	4,673	0	4,673

¹All other segments include sale of goods to wholesale and franchise clients, materials and sewing services and the sales from e-commerce.

²The segment profit is the segment operating profit.

Reconciliation of segment profit to consolidated operating profit

	1 Q 2017	1 Q 2016
Total segment profit	986	953
Unallocated expenses: ¹		
Costs of goods sold and distribution costs	-795	-643
Administrative and general expenses	-659	-669
Other operating income (expenses), net	-2	-25
Operating profit (loss)	-470	-384

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

Reconciliation of segment inventories to consolidated inventories

	31 Mar 2017	31 Dec 2016	31 Mar 2016
Total inventories of segments	5,167	4,392	4,673
Inventories in Parent company and production company	5,923	6,704	5,875
Inventories on statement of financial position	11,090	11,096	10,548

NOTE 13 Revenue

	1 Q 2017	1 Q 2016
Sale of goods in retail channel	8,524	8,428
Sale of goods in wholesale and franchise channel	1,845	1,784
Sale of goods in e-commerce channel	349	252
Other sales	39	41
Total	10,757	10,505

Sales by geographical (client location) areas

	1 Q 2017	1 Q 2016
Estonia	4,553	4,396
Latvia	2,347	2,314
Lithuania	2,320	2,412
Russia	589	404
Ukraine	328	351
Germany	157	71
Serbia	110	0
Spain	101	196
Austria	83	10
Belarus	78	68
Finland	76	257
Other countries	15	26
Total	10,757	10,505

NOTE 14 Cost of goods sold

	1 Q 2017	1 Q 2016
Materials and supplies	4,672	4,513
Payroll costs in production	871	879
Operating lease expenses	171	168
Other production costs	113	109
Depreciation of assets used in production (Note 6,7)	20	25
Change in allowance for inventories	-340	-500
Total	5,507	5,194

NOTE 15 Distribution costs

	1 Q 2017	1 Q 2016
Payroll costs	2,300	2,219
Operating lease expenses	1,593	1,578
Advertising expenses	330	341
Depreciation and amortisation (Note 6,7)	276	260
Fuel, heating and electricity costs	132	141
Municipal services and security expenses	82	90
Fees for card payments	51	51
Travel expenses	44	47
Information technology expenses	38	49
Communication expenses	26	26
Consultation and management fees	25	12
Other sales expenses ¹	162	187
Total	5,059	5,001

¹Other 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

	1 Q 2017	1 Q 2016
Payroll costs	330	319
Operating lease expenses	111	112
Information technology expenses	50	57
Bank fees	48	40
Depreciation and amortisation (Note 6,7)	20	31
Management, juridical-, auditor's and other consulting fees	26	21
Fuel, heating and electricity expenses	21	20
Other administrative expenses ¹	53	69
Total	659	669

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

NOTE 17 Other operating income and expenses

	1 Q 2017	1 Q 2016
Gain (loss) from sale, impairment of PPE	-2	-7
Other operating income	26	3
Foreign exchange gain (-loss)	-24	-18
Other operating expenses	-2	-3
Total	-2	-25

NOTE 18 Finance costs

	1 Q 2017	1 Q 2016
Interest cost	120	108
Other finance costs	0	1
Total	120	109

NOTE 19 Earnings per share

Basic earnings per share		1 Q 2017	1 Q 2016
Weighted average number of shares (thousand)	pcs	40,795	40,795
Net loss from continuing operations		-590	-493
Basic earnings per share	EUR	-0.01	-0.01
Diluted earnings per share	EUR	-0.01	-0.01





There were no dilutive instruments in the reporting period. 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 whether the Group has generated 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 (2016: 0.30 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 Board¹;
-  immediate family members of the persons stated above;
-  entities under the control or significant influence of the members of the Management Board and Supervisory Board.

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

Transactions with related parties

Purchases	1 Q 2017	1 Q 2016
Services	6	3
Kokku	6	3

In 2017 and 2016, AS Baltika bought mostly management services from the related parties.

Balances with related parties

	31 Mar 2017	31 Dec 2016
Other current loans and interests (Note 8, 9)	3,019	2,973
Payables to related parties total	3,019	2,973

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

All transactions in 2017 as well as in 2016 reporting periods and balances with related parties as at 31 March 2017 and 31 December 2016 were with entities under the control or significant influence of the members of the Management Board and Supervisory Board.

Compensation for the members of the Management Board and Supervisory Board

	1 Q 2017	1 Q 2016
Salaries of the members of the Management Board	51	71
Remuneration of the members of the Supervisory Board	4	4
Total	55	75

As at 31 December 2017 and 31 December 2016 there were two Management Board Members and five Supervisory Board Members.

Changes in the Management Board in 2016

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 Board 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.

AS BALTIKA SUPERVISORY BOARD



JAAKKO SAKARI MIKAEL SALMELIN

Chairman of the Supervisory Board since 23 May 2012, Member of the Supervisory Board 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,

Member of the Management Board, KJK Invest Oy,

Member of the Management Board of Amiraali Invest Oy.

Baltika shares held on 31 March 2017: 0



TIINA MÕIS

Member of the Supervisory Board 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 Board of AS LHV Pank and AS LHV Group,

Baltika shares held on 31 March 2017: 977,837 shares (on AS Genteel account)



REET SAKS

Member of the Supervisory Board 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 March 2017: 0

**LAURI KUSTAA ÄIMÄ**

Member of the Supervisory Board since 18.06.2009

Managing Director of Kaima Capital Oy

Master of Economics, University of Helsinki

Other assignments:

Member of the Supervisory Board 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 Kaima Capital Eesti OÜ,

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,

Member of the Board of KJK Serbian Holdings BV,

Member of the Board of AS Baltic Mill,

Member of the Board of KJK Investicije d.o.o,

Member of the Board of KJK Investicije 2 d.o.o,

Member of the Board of KJK Investicije 3 d.o.o,

Member of the Board of KJK Investicije 4 d.o.o,

Member of the Board of KJK Investicije 5 d.o.o,

Member of the Board of KJK Investicije 6 d.o.o,

Member of the Board of KJK Investicije 7 d.o.o,

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 Board of Salva Kindlustuse AS,

Chairman of the Supervisory Board of AS PRFoods,

Member of the Supervisory Board of Managetrade OÜ,

Member of the Supervisory Board of Toode AS,

Chairman of the Supervisory Board of JSC Rigas Dzirnāvnieks,

Chairman of the Board of Directors, KJK Management SA,

Chairman of the Board of Directors, KJK Capital Oy.

Baltika shares held on 31 March 2017: 24 590 shares (on Kaima Capital Eesti OÜ account)

**VALDO KALM**

Member of the Supervisory Board since 20.04.2012

Chairman of the Board of Port of Tallinn

Automation and telemechanics, Tallinn University of Technology

Other assignments:

Member of the Management Board of OÜ VK CO

Baltika shares held on 31 March 2017: 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 March 2017: 1,013,735 shares¹



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 March 2017: 0

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