



**Baltika Group**

## **AS BALTIKA**

### **Consolidated interim report for the IV quarter and 12 months of 2015**

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Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2015 – 31 December 2015
Reporting period	1 January 2015 – 31 December 2015



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## BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer. Baltika Group develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion, Ivo Nikkolo. Baltika uses a vertically integrated business model that combines collection design, manufacturing, supply chain management, logistics, wholesale and retailing.

The shares of AS Baltika are listed on the Tallinn Stock Exchange which belongs to the NASDAQ OMX Group.

As at 31 December 2015 the Group employed 1,174 people (31 December 2014: 1,228).

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

The Group consists of the following companies:

<b>Subsidiary</b>	<b>Location</b>	<b>Activity</b>	<b>Holding as at 31 Dec 2015</b>	<b>Holding as at 31 Dec 2014</b>
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman <sup>1</sup>	Estonia	Retail	100%	100%
SIA Baltika Latvija <sup>4</sup>	Latvia	Retail	100%	100%
UAB Baltika Lietuva <sup>4</sup>	Lithuania	Retail	100%	100%
OOO „Olivia“ <sup>1,2</sup>	Russia	Retail	100%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
OÜ Baltika TP <sup>3</sup>	Estonia	Real estate management	-	100%

<sup>1</sup>Interest through a subsidiary.

<sup>2</sup>OOO “Olivia” represents Russian consolidation group, which also includes OOO „Plazma“ and OOO „Stelsing“.

<sup>3</sup>OÜ Baltika TP and OÜ Baltika Retail merged. OÜ Baltika TP was deleted from the Commercial Registry on 14 May 2015. See also Note 22.

<sup>4</sup>SIA Baltika Latvija and UAB Baltika Lietuva are subsidiaries of OÜ Baltman



## MANAGEMENT REPORT

### BALTIKA'S UNAUDITED FINANCIAL RESULTS, FOURTH QUARTER AND 12 MONTHS OF 2015

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 entity's retail results are presented as discontinued operation and for comparability, the figures for 2014 have been adjusted accordingly.

Baltika's continued operations 2015 fourth quarter revenue was 13,505 thousand euros, decreasing by 602 thousand euros compared to same period last year. 2015 twelve months revenue was 48,806 thousand euros, which is 2% more than previous year's comparable figure.

In fourth quarter continued operations retail revenue was 12,413 thousand euros, which is 57 thousand euros more than in the same period last year. In addition to the revenue, which is on the last year level, gross profit margin has recovered as well. Unlike to this year previous quarters, when due to large inventories level and problems with purchasing price the retail gross profit margins were lower, the fourth quarter's retail sales margin is on the same level as last year.

Wholesale and franchise revenue decreased by 47% in fourth quarter. In addition to the high comparable base in the same period last year (in connection with new franchise stores openings), sales to Eastern-European, Estonian and Finnish partners decreased. In fourth quarter e-com sales increased 16% to 276 thousand euros. In year total sales grew two times (growth 102%) and total e-com revenue was 975 thousand euros.

Baltika ended fourth quarter with 333 thousand euros net profit from continued operations. Previous year same period continued operations' net profit was 386 thousand euros. 2015 net loss from continued operations is 844 thousand euros. In comparable period the net profit from continued operations was 297 thousand euros.

### Impact from Russian subsidiaries sale and results with discontinued operations

In fourth quarter Baltika received 66 thousand euros net loss from Russian retail, in addition Baltika made allowance reserve in amount of 263 thousand euros to sum left in a bankrupted bank *ООО Судостроительный банк*. In year total Russian retail ended with a 870 thousand euros net loss.

In connection with preparations for sale of Russian companies Baltika revalued all the Russian market assets down in fourth quarter. On Baltika's consolidated balance, all the Russian current and non-current assets in the amount of 791 thousand euros have been revalued down as at 31 December 2015. In addition to assets Baltika revalued down Russian entities goodwill in the amount of 885 thousand euros and expensed Russian market related currency differences in the amount of 2,969 thousand euros. At the end of year 2015 Baltika made in total 4,645 thousand euros non-cash write-offs recorded in profit and loss statement and non-cash profit in other comprehensive income was 2,969 thousand euros. Due to above-mentioned transactions Baltika's total assets and equity decreased in amount of 1,676 thousand euros.

With discontinued operations and with non-cash write-offs from sale of Russian market Baltika's fourth quarter reporting period resulted with a net loss of 4,641 thousand euros. In 2014 fourth quarter Baltika earned a net profit in amount of 420 thousand euros. In year total the net loss was 6,359 thousand euros, in comparable period net loss was 1,263 thousand euros.

Restructure of Baltika's Russian retail market operations i.e. ending retail operations and continuing operations with franchise partners, allows to focus more on profit-making Baltic markets and developing other sales channels (wholesale, franchise and e-com).

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

- ✚ From November 2<sup>nd</sup> 2015 Tiina Varamäe started working as an Estonian retail market Director and Member of the Board in Baltman OÜ. Tiina has a long work experience in Baltika in years 2004-2012 as a Head of Retail Operations Manager and as an Estonian Market Director.
- ✚ In fourth quarter, in October one new Ivo Nikkolo retail shop was opened in Lithuania, Klaipeda Akropolis shopping centre. At the beginning of November in Spain Tenerife Corner shopping



centre one new Monton store was added to the franchise channel. At the same time planned closing in Russia continued and Monton store in Krasnador Oz Mall shopping centre was closed.

- ✘ From February 1st 2016 Maigi Pärnik-Pernik continues working as a member of Management Board and is responsible for the finance functions and for the disclosure of information on the exchange.
- ✘ On 9th of February Baltika held a fashion show to launch spring-summer collection. The newest collections were shown in Baltika's headquarter and after the show collections were available in shops and in e-store.
- ✘ On 22 February 2016 Baltika signed an agreement with Ellipse Group to sell 100% of shares of Russia's retail operating company OOO Olivia that owns subsidiaries OOO Stelsing and OOO Plazma. Ellipse Group will continue to cooperate with Baltika as franchise partner and on 22 February cooperation agreement was signed for the next five years. The price received for the entities is approximately 400 thousand euros and it is structured as follows: entities shares sales price is 115 euros and in addition about 400 thousand euros receivable will remain from entities. Amount will be specified on 1 March 2016 according to the amount of inventories and other current assets; payment schedule is agreed for 5 years, but it will depend on Russian entities financial results.
- ✘ Baltika will end representing Blue Inc London brand in Baltics states under the franchise agreement due to low sales efficiency and will close four stores in Estonia and in Latvia during the first quarter. As a replacement in Tallinn Ülemiste shopping center Baltman store will be opened and in Riga Origo shopping centre Bastion store will be opened.

## REVENUE

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

Baltika's fourth quarter revenue from continuing operations decreased by 4% compared to the same period last year and was 13,505 thousand euros. The largest growth, 16%, was in e-com, which revenue was 276 thousand euros. Sales were strongly impacted from unusually warmer weather in the second half-year, thus autumn and winter collections selling periods were postponed. Wholesale and franchise sales in fourth quarter were 777 thousand euros, decreasing by 47% compared to the same period last year. The year in total Baltika's revenue growth was 2% and totalled 48,806 thousand euros. Retail sales increased by 1% and e-com sales 102% compared to last year. Wholesale and franchise sales decreased by 2%, decrease was mainly caused by Eastern markets', especially Russia's weak economic situation.

### Revenue by channels

#### Continued operations

EUR thousand	Q4 2015	Q4 2014	+/-	12M 2015	12M 2014	+/-
Retail	12,413	12,356	0%	42,730	42,163	1%
Wholesale & Franchise	777	1,476	-47%	4,976	5,054	-2%
E-com sales	276	238	16%	975	482	102%
Other	39	37	7%	125	166	-25%
<b>Total</b>	<b>13,505</b>	<b>14,107</b>	<b>-4%</b>	<b>48,806</b>	<b>47,865</b>	<b>2%</b>

#### Revenue including discontinued operations

EUR thousand	Q4 2015	Q4 2014	+/-	12M 2015	12M 2014	+/-
Retail	13,551	14,056	-4%	47,222	51,424	-8%
Wholesale & Franchise	777	1,476	-47%	4,976	5,054	-2%
E-com sales	276	238	16%	975	482	102%
Other	39	37	7%	125	167	-25%
<b>Total</b>	<b>14,643</b>	<b>15,807</b>	<b>-7%</b>	<b>53,298</b>	<b>57,127</b>	<b>-7%</b>



<sup>1</sup>Retail revenue includes results from discontinued operations. 2015 and 2014 retail revenue includes Russian market retail sales from full period and 2014 retail revenue also includes Ukrainian market sales from first four months.

### Stores and sales area

As at 31 December 2015 Group had 133 stores, among which 28 franchise stores and 10 stores in Russia, which belong to discontinued operations. The number of retail stores of continuing operations increased by one with the quarter. In fourth quarter there was one new Ivo Nikkolo store opened in Klaipeda Akropolis shopping centre. One new store was added into franchise stores portfolio as well – at the beginning of November new Monton franchise shop was opened in Tenerife, Spain.

### Stores by market

	31 Dec 2015	30 Dec 2014	Average area change*
Estonia	44	40	8%
Lithuania	29	28	0%
Latvia	22	22	1%
Russia <sup>1</sup>	10	15	-22%
Ukraine <sup>2</sup>	15	14	4%
Belarus <sup>3</sup>	2	2	49%
Spain <sup>3</sup>	6	3	897%
Russia <sup>3</sup>	5	4	597%
<b>Total stores</b>	<b>133</b>	<b>128</b>	
<b>Total sales area, sqm</b>	<b>24,371</b>	<b>24,077</b>	<b>4%</b>

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

<sup>1</sup>Russian retail is part of the discontinued operations. Russian retail stores will continue operating as franchise stores.

<sup>2</sup>In comparative figures Ukrainian retail is part of the discontinued operations. Operating franchise shops in Ukraine are with total sales area of 2 746 m<sup>2</sup>.

<sup>3</sup>Franchise shops in Belarus, Spain and Russia are with total sales area 1 742 m<sup>2</sup>.

### Retail

Fourth quarter retail revenue from continuing operations increased by 57 thousand euros compared to the same period last year and was 12,413 thousand euros. In year total retail sales growth was 1% and totalled 42,730 thousand euros.

The largest retail sales growth in fourth quarter and as well in year total was from Estonian market, increasing by 5% in both periods. In both periods Estonian market's sale formed 45% of retail revenue, which is 5,575 thousand euros in quarter and 19,431 thousand euros in the year. Other Baltics markets' sales revenue decreased in fourth quarter and in year total.

### Retail sales by market

EUR thousand	Q4 2015	Q4 2014	+/-	Share	12M 2015	12M 2014	+/-	Share
Estonia	5,575	5,328	5%	45%	19,431	18,452	5%	45%
Lithuania	3,591	3,661	-2%	29%	12,107	12,263	-1%	29%
Latvia	3,247	3,367	-4%	26%	11,192	11,448	-2%	26%
<b>Total</b>	<b>12,413</b>	<b>12,356</b>	<b>0%</b>	<b>100%</b>	<b>42,730</b>	<b>42,163</b>	<b>1%</b>	<b>100%</b>
Russia*	1,138	1,700	-33%	-	4,492	7,730	-42%	-
Ukraine*	0	0	0%	-	0	1,531	-100%	-

\*Discontinued operations



Due to warmer weather than usual, autumn and winter collection's consumers low shopping activity the fourth quarter sales efficiency was negative in all retail markets. In Estonia sales efficiency decreased by 4%, in Lithuania 3% and in Latvia 2%.

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

	Q4 2015	Q4 2014	+/-	12M 2015	12M 2014	+/-
Estonia	252	262	-4%	226	232	-3%
Lithuania	210	216	-3%	180	182	-1%
Latvia	275	280	-2%	234	241	-3%
<b>Total</b>	<b>243</b>	<b>251</b>	<b>-3%</b>	<b>213</b>	<b>217</b>	<b>-2%</b>

### Brands

In the fourth quarter Bastion brand again had the largest increase in retail sales compared to the same period last year. Bastion grew sales efficiency and owing to increased average operating area Bastion sales grew 35% and were 567 thousand euros in fourth quarter.

Baltman and Monton brand also increased their sales. While Baltika's largest brand – Monton increased sales with increased average operating area compared to the same period last year, then Baltman average operating area remained on the last year's level. Baltman revenue increased by 6% compared to last year's fourth quarter and was 1,429 thousand euros, sales efficiency grew as well. Monton grew revenue by 5% compared to the same period last year and was 5,218 thousand euros.

### Retail revenue by brands

EUR thousand	Q4 2015	Q4 2014	+/-	Share	12M 2015	12M 2014	+/-	Share
Monton	5,218	4,965	5%	42%	17,631	16,876	4%	41%
Mosaic	3,799	4,044	-6%	31%	13,701	13,849	-1%	32%
Baltman	1,429	1,345	6%	12%	4,867	4,809	1%	11%
Ivo Nikkolo	1,200	1,343	-11%	10%	4,037	4,409	-8%	9%
Bastion	567	421	35%	5%	1,827	1,554	18%	4%
Blue Inc	200	188	6%	2%	666	598	11%	2%
Other	0	50	-100%	0%	1	68	-99%	0%
<b>Total</b>	<b>12,413</b>	<b>12,356</b>	<b>0%</b>	<b>100%</b>	<b>42,730</b>	<b>42,163</b>	<b>1%</b>	<b>100%</b>

### Sales through other channels

In 2015 fourth quarter wholesale and franchise sales were 777 thousand euros, decreasing by 699 thousand euros i.e. 47% compared to same period last year. The main reasons behind the decrease are difficult economic situation in Eastern-European markets, unstable currency rate and consumers low purchasing power. Impact also comes from Finnish wholesale partners lower orders compared to same period last year. In addition, in comparable base, in 2014 fourth quarter, franchise channel extended by opening three new franchise store in Russia and two new stores in Spain.

Sales of e-shop increased in the fourth quarter by 16% and amounted to 276 thousand euros. E-store sales comparable base is now higher, as Andmorefashion.com that covers all brands was launched on 6 of August 2014. This is the reason why compared to this year's previous period growth has decreased. In total the orders were made from 28 countries. Countries with largest sales are: Estonia, Latvia, Lithuania, Russia and Finland. The best-selling brands in e-store were Monton, Mosaic and Ivo Nikkolo, but Bastion brand had the largest growth. In year total e-com sales grew two times (102%) and revenue was 975 thousand euros.

### OPERATING EXPENSES AND NET PROFIT

In the fourth quarter company's gross profit margin was 48.0%, which is 1.3 percentage point lower than in same period last year margin 49.3%. Thereby retail markets gross profit margin was on the same level as last year owing to improved purchase price. The decrease in gross profit margin was due to decrease in other channels – both franchise and e-store gross profit margin decreased in fourth quarter



due to bigger discounts and mark down. Quarterly gross profit was 6,477 thousand euros that makes the year total gross profit 23,076 thousand euros.

Distribution expense was 5,555 thousand euros in fourth quarter, increasing by 2% compared to same period last year. While owing to change to more efficient processes head-office distribution expense has decreased 7% i.e. 158 thousand euros, then with the cost pressure on Baltic retail market and larger operating area in Estonia, the distribution expense have increased. Distribution expense in the year increased by 949 thousand euros and are 21,010 thousand euros.

In fourth quarter general and administrative expense was 683 thousand euros, decreasing by 7% compared to the same period last year. More efficient processes with smaller amount of staff and effective cost control amounted to 50 thousand euros smaller expense compared to last year same period. The year general and administrative expense were 2,603 thousand euros, that is 284 thousand euros i.e. 10% less than in previous year.

Distribution and general expense ratio to revenue in 2015 was 48%. The expense ratio has remained on last year level. Unlike head-office expense the costs to operate Baltic retail network have grown and revenue has not increased proportionately more.

Other operating net income was 282 thousand euros and operating profit was 520 thousand euros in the fourth quarter. On last year same period operating profit was 668 thousand euros. Year 2015 operating loss was 295 thousand euros.

Net financial expense in the fourth quarter was 147 thousand euros, it is 17 thousand euros less than last year same period.

Income tax expense in the fourth quarter was 41 thousand euros, from which 40 thousand euros was decrease in deferred tax asset in line with use of previous tax losses. Herewith the fourth quarter continued operations net profit was 333 thousand euros, decrease of 53 thousand euros compared to prior year fourth quarter 386 thousand euros. Continued operations 2015 net loss was 844 thousand euros, that is 1,141 thousand euros less than last year net profit of 297 thousand euros.

With the decision to sell Russian entities the markets retail results have been classified as discontinued operations. Baltika earned a net loss of 66 thousand euros in the fourth quarter as a result of retail operations in Russia and made in addition receivable allowance in the amount of 262 thousand euros for the receivable from assets frozen in bankrupted *ООО Судостроительный банк* in the beginning of the year. The claims have been submitted to the bankruptcy committee and Baltika will continue all required activities to reclaim at least part of the amount. Baltika made based on conservative approach allowance for the receivable and will record income only when cash is received. In preparation for the sale of Russian entities Baltika valued down in 2015 fourth quarter all assets related to Russian market. Baltika made in total write-offs in the amount of 4,645 thousand euros, that is 885 thousand euros goodwill write-down, Russian net assets write-down in the amount of 791 thousand euros and expensing the foreign currency loss of 2,969 thousand euros previously recorded in other comprehensive loss to profit and loss. Therefore fourth quarter total loss from discontinued operations amounted to 4,974 thousand euros.

The fourth quarter resulted in net loss in the amount of 4,641 thousand euros. The result of last year comparative period was net profit of 420 thousand euros. Year result is net loss of 6,359 thousand euros. Comparative figure was net loss of 1,263 thousand euros.

## FINANCIAL POSITION

As at 31 December 2015, Baltika Group inventories totalled 10,423 thousand euros, decreasing 2,991 thousand euros compared to last year-end. One reason for the decrease is that Russian inventories (31.12.2014: 519 thousand euros) are no longer recorded on Baltika Group balance. On the same time more efficient inventory management has been the focus. Finished goods and goods purchased for resale have decreased 27%, which is 2,323 thousand euros. Fabric and accessories inventories have decreased by 390 thousand euros (18%). Prepayments to suppliers have decreased by 19%.

As at 31 December 2015 the total borrowings amounted to 6,321 thousand euros, which signifies together with the usage of overdraft facility decrease of 955 thousand euros compared to last year-end (31.12.2014: 7,276 thousand euros).





In the fourth quarter purchases of fixed assets mainly for retail network were made in the amount of 493 thousand euros and depreciation and amortisation was 332 thousand euros. In fourth quarter Russian entities goodwill in amount of 885 thousand euros was written-off. Property, plant and equipment and intangible assets at residual value decreased by 1,221 thousand euros compared to the last year-end and were 4,854 thousand euros.

The companies operating cash-flow improved mainly due to decrease in inventories in amount of 1,322 thousand euros (IV quarter 2014: 316 thousand euros). Fourth quarter operating cash-flow was 2,806 thousand euros (IV quarter 2014: 2,678 thousand euros). 493 thousand euros were used for investing activities (IV quarter 2014: 270 thousand euros). Bank loan repayments were made in amount of 163 thousand euros. Group total cash-flow for the fourth quarter was 44 thousand euros (IV quarter 2014: 278 thousand euros).

As at 31 December 2015 Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 5,899 thousand euros, decrease of 643 thousand euros compared to last year-end. The net debt to equity ratio on 31 December 2015 was 123% (31.12.2014: 75%). Decrease in ratio is due to net loss of the year that has decreased owners' equity.

## PERSONNEL

As at 31 December 2015 Baltika Group employed 1,174 people, that is 54 people less than 31 December 2014 (1,228): 601 (31.12.2014: 629) in the retail system, 387 (31.12.2014: 391) in manufacturing and 186 (31.12.2014: 208) at the head office and logistics centre. The 2015 Group average number of staff was 1,210 (2014 with Ukrainian retail market staff: 1,257) people. The personnel statistics includes also the staff in Russia (discontinued operations) retail system, where at the end of quarter was 79 people (31.12.2014: 114).

Maigi Pärnik-Pernik continues to fulfil the tasks of Management Board contract from February 1st 2016. On January 30th 2015 the Supervisory Board of AS Baltika decided to suspend Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave and appointed Meelis Milder as the Management Board member responsible for the finance function and for the disclosure of information on the exchange. From February 1st 2016 Management Board member responsible for the finance function and for the disclosure of information on the exchange is again Maigi Pärnik-Pernik.

Baltika Group employees remuneration expense in 2015 amounted to 11,307 thousand euros (2014: 11,468 thousand euros). The accrued remuneration with taxes, of the member of the Supervisory Council and Management Board totalled 297 thousand euros (2014: 398 thousand euros).



## KEY FIGURES OF THE GROUP (IV QUARTER AND 12 MONTHS OF 2015)

	Q4 2015	Q4 2014	Q4 2014	Q4 2013	Q4 2012	Q3 2011
Revenue (EUR thousand)	13,505	14,107	15,807	16,694	16,188	15,484
Retail sales (EUR thousand)	12,413	12,356	14,056	15,754	15,528	14,781
Share of retail sales in revenue	91.9%	87.6%	88.9%	94.4%	95.9%	95.5%
Gross margin	48.0%	49.3%	50.2%	54.3%	56.1%	54.8%
EBITDA (EUR thousand)	864	955	1,001	1,444	1,874	-345
Net profit (EUR thousand)	333	386	420	865	1,075	-1,880
EBITDA margin	6.4%	6.8%	6.3%	8.6%	11.6%	-2.2%
Operating margin	3.9%	4.7%	4.3%	6.0%	9.1%	-9.8%
EBT margin	2.8%	3.6%	3.3%	6.1%	8.0%	-11.9%
Net margin	2.5%	2.7%	2.7%	5.2%	6.6%	-12.1%

  

	12M and 31.Dec 2015	12M and 31.Dec 2014	12M and 31.Dec 2014	12M and 31.Dec 2013	12M and 31.Dec 2012	9M and 30.Sept 2011
<b>Sales activity key figures</b>						
Revenue (EUR thousand)	48,806	47,865	57,127	58,353	56,332	53,409
Retail sales (EUR thousand)	42,730	42,163	51,424	54,592	52,665	50,072
Share of retail sales in revenue	87.6%	88.1%	90.0%	93.6%	93.5%	93.8%
Share of exports in revenue	56.6%	58.5%	65.2%	66.5%	68.0%	69.8%
Number of stores in retail	95	90	105	124	113	115
Number of stores	123	113	128	126	113	115
Sales area at the end of period (sqm)	17,046	16,559	20,232	23,852	22,210	23,111
Number of employees (end of period)	1,095	1,114	1,228	1,345	1,288	1,363
Gross margin	47.3%	50.2%	50.8%	53.5%	54.5%	53.1%
EBITDA (EUR thousand)	944	1,927	567	2,252	3,725	-1,377
Net profit (EUR thousand)	-844	297	-1,263	102	805	-5,860
EBITDA margin	1.9%	4.0%	1.0%	3.9%	6.6%	-2.6%
Operating margin	-0.6%	1.8%	-1.2%	1.1%	3.5%	-8.3%
EBT margin	-1.6%	0.9%	-2.0%	0.5%	1.9%	-10.8%
Net margin	-1.7%	0.6%	-2.2%	0.2%	1.4%	-11.0%
Inventory turnover	2.16	194.3%	2.09	2.09	2.37	2.13

  

<b>Other ratios</b>						
Current ratio	1.3	1.6	1.6	1.5	1.8	1.3
Net gearing ratio	123.2%	74.9%	74.9%	38.7%	41.0%	181.0%
Return on equity	-92.8%	-13.4%	-13.4%	1.0%	8.9%	-54.8%
Return on assets	-28.1%	-5.4%	-5.4%	0.4%	2.8%	-15.1%

<sup>1</sup>In connection with Baltika's exit from the Russian retail business, the fourth-quarter and twelve months sales activity key figures presents only results of continued operations.

<sup>2</sup>In connection with Baltika's exit from the Ukrainian retail business in 2014 and Russian retail business in 2015, 2014 sales activity key figures presents only results of continued operations.

<sup>3</sup>Other ratios include impact of continued and discontinued operations.

**Definitions of key ratios**

EBITDA = Operating profit-amortisation and depreciation-loss from writing off 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-carrying liabilities-Cash and cash equivalents)/Equity

Return on equity (ROE) = Net profit (attributable to parent)/Average equity\*

Return on assets (ROA) = Net profit (attributable to parent)/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  
29 February 2016

Maigi Pärnik-Pernik  
Member of the Management Board  
29 February 2016

Kati Kusmin  
Member of the Management Board  
29 February 2016



## INTERIM FINANCIAL STATEMENTS

### MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the fourth quarter and twelve months of 2015 as presented on pages 13-36.

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  
29 February 2016

Maigi Pärnik-Pernik  
Member of the Management Board  
29 February 2016

Kari Kusmin  
Member of the Management Board

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	398	710
Trade and other receivables	4	1,607	1,890
Inventories	5	10,424	13,415
<b>Total current assets</b>		<b>12,429</b>	<b>16,015</b>
<b>Non-current assets</b>			
Deferred income tax asset		234	420
Other non-current assets	4	584	605
Property, plant and equipment	6	2,910	2,895
Intangible assets	7	1,944	3,180
<b>Total non-current assets</b>		<b>5,672</b>	<b>7,100</b>
<b>TOTAL ASSETS</b>		<b>18,101</b>	<b>23,115</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	8	3,009	2,692
Trade and other payables	9,10	6,709	7,019
<b>Total current liabilities</b>		<b>9,718</b>	<b>9,711</b>
<b>Non-current liabilities</b>			
Borrowings	8	3,312	4,584
Other liabilities	9	283	83
<b>Total non-current liabilities</b>		<b>3,595</b>	<b>4,667</b>
<b>TOTAL LIABILITIES</b>		<b>13,313</b>	<b>14,378</b>
<b>EQUITY</b>			
Share capital at par value	11	8,159	8,159
Share premium		496	809
Reserves	11	1,182	1,182
Retained earnings		1,310	2,573
Net loss for the period		-6,359	-1,263
Currency translation differences		0	-2,723
<b>TOTAL EQUITY</b>		<b>4,788</b>	<b>8,737</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,101</b>	<b>23,115</b>

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

	Note	Q4 2015	Q4 2014	2015	2014
<b>Continuing operations</b>					
Revenue	12,13	13,505	14,107	48,806	47,865
Client bonus reserve	10,13	-70	-300	-70	-300
Revenue after client bonus provision		13,435	13,807	48,736	47,565
Cost of goods sold	14	-6,958	-6,859	-25,660	-23,561
<b>Gross profit</b>		<b>6,477</b>	<b>6,948</b>	<b>23,076</b>	<b>24,004</b>
Distribution costs	15	-5,555	-5,459	-21,010	-20,061
Administrative and general expenses	16	-683	-733	-2,603	-2,887
Other operating income	17	282	11	242	0
Other operating expenses	17	0	-99	0	-181
<b>Operating profit (-loss)</b>		<b>521</b>	<b>668</b>	<b>-295</b>	<b>875</b>
Finance costs	18	-147	-164	-508	-460
<b>Profit (-loss) before income tax</b>		<b>374</b>	<b>504</b>	<b>-803</b>	<b>415</b>
Income tax expense		-41	-118	-41	-118
<b>Net profit (-loss) from continuing operations</b>		<b>333</b>	<b>386</b>	<b>-844</b>	<b>297</b>
Net loss for the period from discontinued operations	21	-4,974	34	-5,515	-1,560
<b>Net profit (-loss) for the period</b>		<b>-4,641</b>	<b>420</b>	<b>-6,359</b>	<b>-1,263</b>
Basic earnings per share, EUR	19	-0.11	0.01	-0.16	-0.03
Continuing operations		0.01	0.01	-0.02	0.01
Discontinued operations		-0.12	0.00	-0.14	-0.04
Diluted earnings per share, EUR	19	-0.11	0.01	-0.16	-0.03
Continuing operations		0.01	0.01	-0.02	0.01
Discontinued operations		-0.12	0.00	-0.14	-0.04



## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Q4 2015	Q4 2014	2014	2015
<b>Net profit (loss) for the period</b>		<b>-4,641</b>	<b>420</b>	<b>-6,359</b>	<b>-1,263</b>
<b>Other comprehensive loss</b>					
Items that subsequently may be classified to profit or loss:					
Currency translation differences	21	2,754	-988	2,723	-1,633
<b>Total comprehensive loss</b>		<b>-1,887</b>	<b>-568</b>	<b>-3,636</b>	<b>-2,896</b>
Total comprehensive loss attributable to equity shareholders arises from:					
Continuing operations		333	386	-844	297
Discontinued operations		-2,220	-954	-2,792	-3,193



**CONSOLIDATED CASH FLOW STATEMENT**

	Note	Q4 2015	Q4 2014	2015	2014
<b>Operating activities</b>					
Continued operations					
Operating profit (-loss)		521	668	-295	875
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-16	332	287	1,234	1,115
Profit/loss from disposals of PPE		-12	-1	-14	4
Other non-monetary expenses		559	256	-432	-456
Changes in working capital:					
Change in trade and other receivables	4	594	50	29	-581
Change in inventories	5	1,322	316	2,042	68
Change in trade and other payables	9	-66	948	-19	-878
Interest paid and other financial expenses		-90	-118	-300	-372
Income tax paid		0	0	-12	0
Discontinuing operations:		-354	272	-77	-317
<b>Net cash generated from (used in) operating activities</b>		<b>2,806</b>	<b>2,678</b>	<b>2,261</b>	<b>-542</b>
<b>Investing activities</b>					
Continuing operations:					
Acquisition of property, plant and equipment, intangibles	6, 7	-493	-270	-1,208	-1,424
Proceeds from disposal of PPE, investment property		6	4	6	100
Discontinued operations:		0	-17	-7	-28
<b>Net cash used in investing activities</b>		<b>-487</b>	<b>-283</b>	<b>-1,209</b>	<b>-1,352</b>
<b>Financing activities</b>					
Repayments of borrowings	8	-163	-400	-985	-1,222
Change in bank overdraft	8	-2,061	-1,682	-226	86
Repayments and received finance lease	8	-51	-35	-153	-63
Proceeds from bond issue	8	0	0	0	3,000
<b>Net cash generated from financing activities</b>		<b>-2,275</b>	<b>-2,117</b>	<b>-1,364</b>	<b>1,801</b>
<b>Total cash flows</b>		<b>44</b>	<b>278</b>	<b>-312</b>	<b>-93</b>
<b>Cash and cash equivalents at the beginning of the period</b>					
	3	354	455	710	852
Effect of exchange losses on cash and cash equivalents		0	-23	0	-49
<b>Cash and cash equivalents at the end of the period</b>	3	<b>398</b>	<b>710</b>	<b>398</b>	<b>710</b>
<b>Change in cash and cash equivalents</b>		<b>44</b>	<b>255</b>	<b>-312</b>	<b>-142</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total
<b>Balance as at 31 Dec 2013</b>	<b>8,159</b>	<b>684</b>	<b>1,182</b>	<b>2,573</b>	<b>-1,090</b>	<b>11,508</b>
Loss for the period	0	0	0	-1,263	0	-1,263
Other comprehensive loss	0	0	0	0	-1,633	-1,633
<b>Total comprehensive loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,263</b>	<b>-1,633</b>	<b>-2,896</b>
Equity-settled share-based transactions (Note 16)	0	125	0	0	0	125
<b>Balance as at 31 Dec 2014</b>	<b>8,159</b>	<b>809</b>	<b>1,182</b>	<b>1,310</b>	<b>-2,723</b>	<b>8,737</b>
Loss for the period	0	0	0	-6,359		-6,359
Other comprehensive loss	0	0	0	0	2,723	2,723
<b>Total comprehensive loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,359</b>	<b>2,723</b>	<b>-3,636</b>
Equity-settled share-based transactions (Note 16)	0	-313	0	0	0	-313
<b>Balance as at 31 Dec 2015</b>	<b>8,159</b>	<b>496</b>	<b>1,182</b>	<b>-5,049</b>	<b>0</b>	<b>4,788</b>



## NOTES TO CONSOLIDATED INTERIM REPORT

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

The Baltika Group, with in the parent company AS Baltika, is an international fashion retailer. Baltika Group develops and operates fashion brands: Monton, Mosaic, Baltman, Bastion, Ivo Nikkolo. In addition Baltika operates under franchise agreement British fashion brand Blue Inc stores in Baltic countries. 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 Tallinn Stock Exchange. The largest shareholder and the only company holding above 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 2015 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 2014, 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 2014. New and revised standards and interpretations effective from 1 January 2015 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 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 risk, 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. Group's Parent company considers all the risks as significant risks for the Group.

The basis for risk management in the Group are the requirements set by the Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies, adherence to generally accepted accounting principles, as well as the company's internal regulations and risk policies. Overall risk management includes identification, measurement and control of risks. The management of the Parent company plays a major role in managing risks and approving risk procedures. The Supervisory Council of the Group's Parent company supervises the Management Board's risk management activities.

#### Market risk

##### *Foreign exchange risk*

The sales in retail markets were conducted in EUR (euro). Trading with the counterparties in countries belonging to the European Monetary Union is handled in euros.

Discontinued operations revenue is influenced by fluctuation of Russian rouble, as the salesprices in the Russian market are fixed in local currency. In addition, a change in the economic environment and relative appreciation/depreciation of a local currency may greatly affect the purchasing power of customers in the market of the respective segment.

Republic of Lithuania joined Euro area on 1st January 2015 and adopted the Euro as its national currency, replacing Lithuanian lit. A year before, on 1st January 2014 the Republic of Latvia joined the Euro area and adopted the Euro as its national currency, replacing Latvian lat.

The majority of raw materials used in production are acquired from European Union, goods purchased for resale outside European Union. The major foreign currencies for purchases are EUR (euro) and USD (US dollar).



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

<b>Average currencies</b>	<b>2015</b>	<b>2014</b>
RUB (Russian rouble)	-25.03%	-20.35%
USD (US dollar)	24.54%	-0.03%
GBP (British pound)	11.00%	5.03%

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

<b>Balance-sheet date rates (31 December 2015; 31 Dec 2014)</b>	
RUB (Russian rouble)	-10.33%
USD (US dollar)	11.52%
GBP (British pound)	6.12%

Cash and cash equivalents (Note 3) and trade receivables (Note 4) are in euro and therefore not open foreign exchange risk. Trade payables (Note 9) are also in foreign currency and therefore open to exchange risk.

The Group's borrowings were denominated in euros, therefore no currency risk is assumed.

No financial instruments were used to hedge foreign currency risks in 2015 and 2014. The Management monitors changes of foreign currency constantly and assesses if the changes exceed the risk tolerance determined by the Group. If feasible, foreign currencies collected are used for the settling of liabilities denominated in the same currency. Additionally the Group uses the possibilities to regulate retail prices, reduces expenses and if necessary restructures the Group's internal transactions.

#### *Interest rate risk*

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

The Group's interest rate risk arises mainly from borrowings issued at floating interest rate and thus exposing the Group to cash flow interest rate risk. 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.

Interest bearing borrowings as at 31 December 2015 and 31 December 2014 were subject to a floating interest rate based on Euribor, which is fixed every six months or euonia, which is fixed monthly or had a fixed interest rate (Note 8). The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

During the reporting period The Group has not used hedging instruments to manage the risks arising from fluctuations in interest rates.

#### *Price risk*

The Group is not exposed to the 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 Baltic states. In Eastern Europe region also lower rating is considered acceptable.



### Trade receivables

For the wholesale customers' credit policy is based on next actions: monitoring credit amounts, customer's payment behaviour and other factors are taken into consideration. For some wholesale clients prepayments or payment guarantees through bank are required. For some contractual clients no collaterals to secure the trade receivables are required but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

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

At 31 December 2015 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted to 1,455 thousand euros (31 December 2014: 1,566 thousand euros) on a net basis after the allowances made previously.

### Liquidity risk

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

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, bond issues, monitoring the terms of receivables and purchase contracts. Group's current account is in use for more flexible management of liquid assets, enabling some Group companies to use the Group's resources up to the limit established by the Parent company. The Group also uses overdraft to finance its activities. The unused limit of Group's overdraft facilities as at 31 December 2015 was 2,574 thousand euros (31 December 2014: 2,347 thousand euros).

### Financial liabilities by maturity at 31 December 2015

	Carrying amount	Undiscounted cash flows <sup>1</sup>		Total
		1-12 months	1-5 years	
Loans (Note 8) <sup>2</sup>	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
<b>Total</b>	<b>9,963</b>	<b>6,734</b>	<b>3,952</b>	<b>10,686</b>

### Financial liabilities by maturity at 31 December 2014

	Carrying amount	Undiscounted cash flows <sup>1</sup>		Total
		1-12 months	1-5 years	
Loans (Note 8) <sup>2</sup>	4,016	2,811	1,424	4,235
Finance lease liabilities (Note 8)	236	62	192	254
Convertible bonds (Note 8)	3,024	0	3,610	3,610
Trade payables (Note 9)	3,969	3,969	0	3,969
Other financial liabilities	1	1	0	1
<b>Total</b>	<b>11,246</b>	<b>6,843</b>	<b>5,226</b>	<b>12,069</b>

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

<sup>2</sup>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 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 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 unavoidable risk factor in selling clothes is the weather. Collections are created and sales volumes as well as timing of sales is planned under the assumption that regular weather conditions prevail in the target markets – in case weather conditions differ significantly from normal conditions, the actual sales results may significantly differ from the budget.

Another important risk is that the Group's information technology system is unable to ensure sufficiently fast and accurate transmission of information for decision-making purposes.

#### *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 (net debt divided by equity). Net debt is calculated as interest carrying borrowings less cash and cash equivalents.

The Group's strategy is to maintain the capital to net gearing ratio under 50%. In the end of reporting period the ratio was 123%. In the end of 2014 the ratio was 75%. The deterioration of the ratio is influenced by the loss earned during the year, mostly because of the one time cost related to the sale of Russian subsidiaries.

#### **Net gearing ratio**

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Interest carrying borrowings (Note 8)	6,297	7,252
Cash and bank (Note 3)	-398	-710
Net debt	5,899	6,542
Total equity	4,788	8,737
<b>Net gearing ratio</b>	<b>123%</b>	<b>75%</b>

#### **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 2015 and 31 December 2014.

The carrying amount less an impairment provision of trade receivables and payables is estimated by management to approximate their fair values as trade receivables and payables are mostly short-term.

Group's long-term borrowings that 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 are reflecting the market conditions. Regarding 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, the 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 Dec 2015	31 Dec 2014
Cash at hand	102	86
Cash at bank and overnight deposits	296	624
<b>Total</b>	<b>398</b>	<b>710</b>

**Cash and cash equivalents by currency**

	31 Dec 2015	31 Dec 2014
EUR (euro)	398	429
RUB (Russian rouble)	0	84
LTL (Lithuanian lit)	0	197
<b>Total</b>	<b>398</b>	<b>710</b>

**NOTE 4 Trade and other receivables**

<b>Short-term trade and other receivables</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Trade receivables, net	1,186	1,456
Other prepaid expenses	189	401
Tax prepayments and tax reclaims, thereof	213	3
Value added tax	209	1
Other taxes	4	2
Other current receivables	19	30
<b>Total</b>	<b>1,607</b>	<b>1,890</b>
<b>Long-term assets</b>		
Non-current lease prepayments	278	343
Other long-term receivables	306	262
<b>Total</b>	<b>584</b>	<b>605</b>

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

<b>31 Dec 2015</b>	<b>Baltic region</b>	<b>Eastern European region</b>	<b>Other regions</b>	<b>Total</b>
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
<b>Total</b>	<b>445</b>	<b>453</b>	<b>288</b>	<b>1,186</b>

<b>31 Dec 2014</b>	<b>Baltic region</b>	<b>Eastern European region</b>	<b>Other regions</b>	<b>Total</b>
Not due	620	276	161	1,057
Up to 1 month past due	42	0	48	90
1-3 months past due	39	20	203	262
3-6 months past due	0	0	46	46
Over 6 months past due	0	0	1	1
<b>Total</b>	<b>701</b>	<b>296</b>	<b>459</b>	<b>1,456</b>

**Trade receivables (net) in denominated currency**

	31 Dec 2015	31 Dec 2014
EUR (euro)	1,186	1,352
RUB (Russian rouble)	0	53
LTL (Lithuanian lit)	0	51
<b>Total</b>	<b>1,186</b>	<b>1,456</b>

**NOTE 5 Inventories**

	31 Dec 2015	31 Dec 2014
Fabrics and accessories	1,790	2,180
Work-in-progress	82	79
Finished goods and goods purchased for resale	8,588	10,911
Allowance for impairment of finished goods and goods purchased for resale	-500	-330
Prepayments to suppliers	464	575
<b>Total</b>	<b>10,424</b>	<b>13,415</b>

**NOTE 6 Property, plant and equipment**

	Buildings and structures	Machinery and equipment	Other fixtures	PPE not in yet in use	Total
<b>31 December 2013</b>					
<b>Acquisition cost</b>	<b>4,318</b>	<b>5,410</b>	<b>7,041</b>	<b>0</b>	<b>16,769</b>
Accumulated depreciation	-3,392	-4,685	-5,669	0	-13,746
<b>Net book amount</b>	<b>926</b>	<b>725</b>	<b>1,372</b>	<b>0</b>	<b>3,023</b>
Additions	344	238	694	0	1,276
Disposals and sales, discounted	-94	-32	-75	0	-201
Depreciation	-301	-281	-424	0	-1,006
Currency translation differences	-92	-42	-63		-197
<b>31 December 2014</b>					
<b>Acquisition cost</b>	<b>2,330</b>	<b>5,143</b>	<b>5,253</b>	<b>0</b>	<b>12,726</b>
Accumulated depreciation	-1,547	-4,535	-3,749	0	-9,831
<b>Net book amount</b>	<b>783</b>	<b>608</b>	<b>1,504</b>	<b>0</b>	<b>2,895</b>
Additions	491	105	559	1	1,156
Disposals and sales	-2	1	0	0	-1
Depreciation	-280	-198	-467	0	-945
Reclassifications to held for sale	-85	-49	-61	0	-195
<b>31 December 2015</b>					
<b>Acquisition cost</b>	<b>2,452</b>	<b>4,736</b>	<b>4,491</b>	<b>1</b>	<b>11,680</b>
Accumulated depreciation	-1,545	-4,269	-2,956	0	-8,770
<b>Net book amount</b>	<b>907</b>	<b>467</b>	<b>1,535</b>	<b>1</b>	<b>2,910</b>



**NOTE 7 Intangible assets**

	Licenses, software and other	Trade- marks	Prepayments	Goodwill	Total
<b>31 December 2013</b>					
<b>Acquisition cost</b>	<b>2,191</b>	<b>1,243</b>	<b>0</b>	<b>2,083</b>	<b>5,517</b>
Accumulated depreciation	-1,575	-249	0	0	-1,824
<b>Net book amount</b>	<b>616</b>	<b>994</b>	<b>0</b>	<b>2,083</b>	<b>3,693</b>
Additions	291	0	28	0	319
Amortisation	-196	-44	0	0	-240
Currency translation differences	-4	0	0	-588	-592
<b>31 December 2014</b>					
<b>Acquisition cost</b>	<b>2,189</b>	<b>1,243</b>	<b>28</b>	<b>1,495</b>	<b>4,955</b>
Accumulated depreciation	-1,482	-293	0	0	-1,775
<b>Net book amount</b>	<b>707</b>	<b>950</b>	<b>28</b>	<b>1,495</b>	<b>3,180</b>
Additions	79	0	-27	0	52
Disposals	-8	0	0	-885	-893
Net book amount	-250	-44	0	0	-294
Currency translation differences	0	0	0	-101	-101
<b>31 December 2015</b>					
<b>Acquisition cost</b>	<b>2,260</b>	<b>1,243</b>	<b>1</b>	<b>509</b>	<b>4,013</b>
Accumulated depreciation	-1,732	-337	0	0	-2,069
<b>Net book amount</b>	<b>528</b>	<b>906</b>	<b>1</b>	<b>509</b>	<b>1,944</b>

**NOTE 8 Borrowings**

	31 Dec 2015	31 Dec 2014
<b>Current borrowings</b>		
Current portion of non-current bank loans	2,635	1,809
Current bank loans	171	828
Current portion of finance lease liabilities	179	55
Share options	24	0
<b>Total</b>	<b>3,009</b>	<b>2,692</b>
<b>Non-current borrowings</b>		
Non-current bank loans	0	1,379
Non-current finance lease liabilities	312	181
Convertible bonds, share options	3,000	3,024
<b>Total</b>	<b>3,312</b>	<b>4,584</b>
<b>Total borrowings</b>	<b>6,321</b>	<b>7,276</b>

During the reporting period, the Group made loan repayments in the amount of 984 thousand euros (2014: 1,096 thousand euros). Group's overdraft facilities with the banks were used in the amount of 1,426 thousand euros as at 31 December 2015 (31 December 2014: 1,653 thousand euros).

Interest expense of all interest carrying borrowings of the reporting period amounted to 475 thousand euros, thereof 200 thousand euros interest expense from the convertible bonds of related party (2014: 423 thousand euros, including 83 thousand euros interest expense from the loan of related party and interest expense from convertible bonds of related party).

Convertible bonds (I- and J-bonds) are partly issued to related parties. Additional info about the convertible bonds is presented in Note 11, info about the payables to related parties is presented in Note 20.



### Changes in 2015

In April an annex under an existing facility agreement was signed, which prolonged overdrafts's repayment date until July 2016. The annex does not include a term about the increase and decrease according to seasonality. In November another overdraft repayment date was prolonged until June 2016.

### Changes in 2014

In the reporting period the Group signed an annex under an existing facility agreement, which prolonged repayment dates for some loans and increased the overdraft limit in the amount of 1,4 million euros. The same annex provides the overdraft increase and decrease in the amount of 500 thousand according to the seasonality.

On 28 July 2014 the Group issued J-bonds, which increased long-term borrowings by 3,000 thousand euros.

### 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 and 6-month Euribor)	EURIBOR or EONIA +4.60%	2,806
J-Bonds	6.50%	3,000
<b>Total</b>		<b>5,806</b>

### Interest carrying loans and bonds of the Group as at 31 December 2014

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR or EONIA +4.43%	4,016
J-Bonds	6.50%	3,000
<b>Total</b>		<b>7,016</b>

Bank loans set certain level to financial ratios for the Group. As at 31 December 2015 Baltika, was not compatible with some of the terms and conditions of the loan agreement, in the report it is already presented as short term.

### NOTE 9 Trade and other payables

	31 Dec 2015	31 Dec 2014
<b>Current liabilities</b>		
Trade payables	3,640	3,969
Tax liabilities, thereof	1,570	1,463
Personal income tax	229	252
Social security taxes and unemployment insurance premium	559	581
Value added tax	744	578
Corporate income tax liability	0	20
Other taxes	38	32
Payables to employees <sup>1</sup>	995	1,030
Other accrued expenses	2	1
Customer prepayments	71	137
Other current payables	49	119
<b>Total</b>	<b>6,327</b>	<b>6,719</b>
<b>Non-current liabilities</b>		
Other liabilities	283	83

<sup>1</sup>Payables to employees consist of accrued wages, salaries and vacation reserve. Information about the liabilities to related parties is in Note 20.

**Trade payables and other accrues expenses in denominated currency**

	31 Dec 2015	31 Dec 2014
EUR (euro)	3,618	2,884
USD (US dollar)	22	981
GBP (British pound)	0	37
RUB (Russian rouble)	0	5
LTL (Lithuanian lit)	0	62
<b>Total</b>	<b>3,640</b>	<b>3,969</b>

**NOTE 10 Provisions**

Current provisions	31 Dec 2015	31 Dec 2014
Client bonus provision	370	300
Other provisions	12	0
<b>Total</b>	<b>382</b>	<b>300</b>

*Short description of the provision*

During 2014 Baltika introduced a new loyal customer program “AndMore” that unified Baltika brand’s customer base and customer discount logic.

“AndMore” motivates clients by allowing them to earn future discount on purchases made today (bonus euros). Accumulated bonuses are valid for six months from the customer’s last purchase. Programs conditions are described in detail on company’s website.

**NOTE 11 Equity****Share capital and reserves**

	31 Dec 2015	31 Dec 2014
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 2015 and 31 December 2014, 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 2015 and 31 December 2014 share capital consists of ordinary shares, that are listed on the Tallinn Stock Exchange.

**Convertible bonds**

	Issue date	Share subscription period	Number of convertible bonds 31 December 2015	Number of convertible bonds 31 Dec 2014
I-Bond	30 June 2012	01 July 2015 - 31 Dec 2015	0	2,350,000
J-Bond	28 July 2014	15 July 2017 - 30 July 2017	600	600

## I-bonds

The annual general meeting of shareholders held on 20 April 2012 decided to issue 2,350,000 convertible bonds (I-bond) with the nominal value 0.01 euros. Each bond gives its owner the right to subscribe one share of the Company with a nominal value of 0.20 euros. The share subscription price is 0.36 euros. The difference between the share subscription price and nominal value is share premium. The share subscription period is from 01 July 2015 until 31 December 2015. The bonds were issued to the management of Baltika Group companies, thereof also to related parties. As of 31 December 2015 no applications were received to mark the shares, at the beginning on 2016 all the payments for the shares were paid back.

## 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. 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 0.5 euros subscription price.

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

### Share options

#### Share option program

On 27 April 2015 the annual general meeting of shareholders decided to conditionally increase share capital upto 1,000,000 registered shares with nominal value of 0.20 euro, subscription price of 0.20 euro related to share option program. AS Baltika members of the Management Board who have the right by the share option program, may mark the share if the share price conditions are fulfilled, three years from the date when the share option agreements have been signed.

### 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	301,183	0.74%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.46%
7. Other shareholders	10,552,721	25.88%
<b>Total</b>	<b>40,794,850</b>	<b>100.00%</b>

### Shareholders as at 31 December 2014

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	6,430,845	15.76%
3. BMIG OÜ*	4,750,033	11.64%
4. Skandinaviska Enskilda Banken S.A.	3,414,700	8.37%
5. Svenska Handelsbanken clients	1,604,000	3.93%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	746,331	1.83%
Maire Milder**	316,083	0.77%
Andrew Paterson	11,000	0.03%
Persons related to members of Management Board	8,100	0.02%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.46%
7. Other shareholders	9,920,417	24.33%
<b>Total</b>	<b>40,794,850</b>	<b>100.00%</b>

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

\*\*Data is presented with the shares that belong to the entity that is controlled by the Member Management Board.

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.

Parent company's Management Board assesses the performance from operations area perspective i.e. the performance of retail, wholesale is assessed. Retail is further evaluated on a geographic basis. The retail segments are countries which have been aggregated to reportable segments by regions which share similar economic characteristics and meet other aggregation criteria provided in IFRS 8:

- ☑ Baltic region - consists of operations in Estonia, Latvia and Lithuania;
- ☑ Previously Eastern-Europe. There is no this segment any more as we finished our operations in Ukraine in 2014 and Russia in 2015.

The Parent company's Management Board assesses the performance of the operating segments based on a measure of external revenue and segment profit (or loss). External revenue amounts provided to Management Board are measured in a manner consistent with that of the financial statements. The segment profit (or loss) is an internal measure used in the internally generated reports to assess the performance of the segments and comprises segment's gross profit (loss) less operating expenses directly attributable to the segment, except for other operating income and expenses. The amounts provided to 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. Management Board also monitors Group's results by shops and brands. The managing of the Group is done shop-by-shop basis, aggregated on a matrix basis for different decision purposes. For presenting segment reporting the Management Board has chosen aggregation on geographical and sales-channel bases. Primarily Management Board decisions, which are connected to investing and resource allocation, are based on the segments disclosed in this Note.

Data of the revenue, profit (loss), depreciation and amortisation of the segments are disclosed for continued operations.

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

	Retail, Baltic region	Whole-sale <sup>1</sup>	Total
<b>4 Quarter 2015</b>			
Revenue (from external customers)	12,414	1,091	13,505
Segment profit (loss) <sup>2</sup>	3,043	60	3,103
Incl. depreciation and amortisation	-204	-19	-233
<b>4 Quarter 2014</b>			
Revenue (from external customers)	12,356	1,751	14,107
Segment profit <sup>2</sup>	3,084	234	3,318
Incl. depreciation and amortisation	-166	19	-185
<b>12M 2015 and as at 31 Dec 2015</b>			
Revenue (from external customers)	42,730	6,076	48,806
Segment profit <sup>2</sup>	7,334	696	8,030
Incl. depreciation and amortisation	-758	-97	-855
Inventories of segments	4,465	0	4,465
<b>12M 2014 and as at 31 Dec 2014</b>			
Revenue (from external customers)	42,163	5,702	47,865
Segment profit <sup>2</sup>	8,658	1,233	9,893
Incl. depreciation and amortisation	-610	-31	-641
Inventories of segments	4,967	0	4,967



<sup>1</sup>The wholesale segment includes the sale of goods to wholesale and franchise clients, materials and sewing services and the sales from e-commerce.

<sup>2</sup>The segment profit is the segment operating profit, excluding other operating expenses and income.

### Reconciliation of segment profit to consolidated operating profit (loss)

	Q4 2015	Q4 2014	2015	2014
Total segment profit	3,103	3,318	8,030	9,893
Unallocated expenses: <sup>1</sup>				
Costs of goods sold and distribution costs	-2,229	-1,829	-6,021	-5,950
Administrative and general expenses	-679	-733	-2,580	-2,887
Other operating income (expenses), net	326	-88	276	-181
<b>Operating profit (loss)</b>	<b>521</b>	<b>668</b>	<b>-295</b>	<b>875</b>

<sup>1</sup>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 2015	31 Dec 2014
Total inventories of segments	4,465	4,967
Inventories in Parent company and production company	5,959	8,448
<b>Inventories on statement of financial position</b>	<b>10,424</b>	<b>13,415</b>

### NOTE 13 Revenue

	Q4 2015	Q4 2014	2015	2014
Sale of goods in retail channel	12,413	12,356	42,730	42,163
Sale of goods in wholesale and e-commerce channel	1,054	1,713	5,951	5,536
Other sales	38	38	125	166
<b>Total</b>	<b>13,505</b>	<b>14,107</b>	<b>48,806</b>	<b>47,865</b>

### Sales by geographical (client location) areas

	Q4 2015	Q4 2014	2015	2014
Estonia	5,770	5,794	21,199	19,876
Lithuania	3,591	3,695	12,241	12,352
Latvia	3,359	3,472	11,700	11,887
Russia	236	238	1,039	1,033
Ukraine	214	365	978	901
Finland	90	196	679	851
Belarus	36	101	248	302
Spain	155	189	541	287
Germany	37	35	92	280
Other countries	17	22	89	96
<b>Total</b>	<b>13,505</b>	<b>14,107</b>	<b>48,806</b>	<b>47,865</b>

### NOTE 14 Cost of goods sold

	Q4 2015	Q4 2014	2015	2014
Materials and supplies	5,248	5,274	20,835	18,882



Payroll costs in production	820	927	3,385	3,425
Operating lease expenses	165	172	661	681
Other production costs	99	115	393	419
Depreciation of assets used in production (Note 6,7)	38	35	127	160
Change in allowance for inventories	580	354	251	12
Change in inventories	8	-18	8	-18
<b>Total</b>	<b>6,958</b>	<b>6,859</b>	<b>25,660</b>	<b>23,561</b>

**NOTE 15 Distribution costs**

	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Payroll costs	2,512	2,505	9,669	9,239
Operating lease expenses	1,607	1,529	6,235	5,943
Advertising expenses	441	409	1,396	1,360
Depreciation and amortisation (Note 6,7)	263	223	996	784
Fuel, heating and electricity costs	133	149	523	543
Fees for card payments	94	95	333	330
Municipal services and security expenses	91	75	329	259
Travel expenses	32	61	179	218
Consultation and management fees	79	57	242	201
Information technology expenses	42	47	162	161
Communication expenses	28	31	109	112
Agency fees	34	79	99	128
Other sales expenses <sup>1</sup>	199	199	738	783
<b>Total</b>	<b>5,555</b>	<b>5,459</b>	<b>21,010</b>	<b>20,061</b>

<sup>1</sup>Other sales expenses mostly consist of insurance and customs expenses, bank fees, expenses for uniforms, packaging, transportation and renovation expenses of stores, agency and service fees connected to administration of market organisations.

**NOTE 16 Administrative and general expenses**

	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Payroll costs	309	318	1,145	1,316
Operating lease expenses	109	117	443	467
Information technology expenses	66	63	246	264
Bank fees	64	50	180	200
Management, juridical-, auditor's and other consulting fees	22	50	117	130
Depreciation and amortisation (Note 6,7)	31	27	111	105
Fuel, heating and electricity expenses	21	27	83	101
Office materials	7	18	33	49
Sponsorship, gifts, donations	3	3	38	21
Other administrative expenses <sup>1</sup>	51	60	207	234
<b>Total</b>	<b>683</b>	<b>733</b>	<b>2,603</b>	<b>2,887</b>

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

**NOTE 17 Other operating income and expenses**

	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Gain (loss) from sale, impairment of PPE and non-current assets	30	2	4	13



Other operating income	285	8	292	32
Foreign exchange gain (-loss)	-33	3	-36	-104
Fines, penalties and tax interest	0	0	-3	-5
Other operating expenses	0	-101	-15	-117
<b>Total</b>	<b>282</b>	<b>-88</b>	<b>242</b>	<b>-181</b>

**NOTE 18 Finance income and costs**

	Q4 2015	Q4 2014	2015	2014
Interest costs	-115	-127	-475	-423
Other finance costs (net)	-32	-37	-33	-37
<b>Total</b>	<b>-147</b>	<b>-164</b>	<b>-508</b>	<b>-460</b>

**NOTE 19 Earnings per share**

		Q4 2015	Q4 2014	2015	2014
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	40,795
Net profit (loss) from continuing operations		333	386	-844	297
Net loss from discontinued operations		-4,974	34	-5,515	-1,560
<b>Basic earnings per share</b>	<b>EUR</b>	<b>-0.11</b>	<b>0.01</b>	<b>-0.16</b>	<b>-0.03</b>
Basic earnings per share (continuing operations)	EUR	0.01	0.01	-0.02	0.01
Basic earnings per share (discontinued operations)	EUR	-0.12	0.00	-0.14	-0.04
<b>Diluted earnings per share</b>	<b>EUR</b>	<b>-0.11</b>	<b>0.01</b>	<b>-0.16</b>	<b>-0.03</b>
Diluted earnings per share (continuing operations)	EUR	0.01	0.01	-0.02	0.01
Diluted earnings per share (discontinued operations)	EUR	-0.12	0.00	-0.14	-0.04

In nine months in 2015 as well as 2014 the Group had no dilutive instruments. Potentially dilutive could be I- and J-bonds and share option program, their dilutive effect depends on the share price and the fact if the Group earns profit.

<b>Diluted earnings per share</b>		Q4 2015	Q4 2014	2015	2014
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	40,795
Adjustments:					
- weighted average of J-bonds that are dilutive (thousand)	psc	0	6,000	0	2,581
- kaalutud keskmine aktsiaoptsoonide arv, mis omavad lahjendavat mõju (tuhat)	psc	600	0	184	0
<b>Weighted average number of ordinary shares for diluted earnings per share (thousand)</b>	<b>pcs</b>	<b>41,395</b>	<b>46,795</b>	<b>40,979</b>	<b>43,376</b>
Net loss from continuing operations	EUR	333	386	-844	297
Net profit (-loss) from continuing operations	EUR	-4,974	34	-5,515	-1,560
Interest expense (convertible bonds)	EUR	0	49	0	83
<b>Profit (loss) used to determine diluted earnings per share</b>		<b>-4,641</b>	<b>469</b>	<b>-6,359</b>	<b>-1,180</b>
<b>Diluted earnings per share</b>	<b>EUR</b>	<b>-0.11</b>	<b>0.01</b>	<b>-0.16</b>	<b>-0.03</b>
Diluted earnings per share (continuing operations)	EUR	0.01	0.01	-0.02	0.01
Diluted earnings per share (discontinued operations)	EUR	-0.12	0.00	-0.14	-0.04





The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in 2015 was 0.37 euros (2014 average: 0.49 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<sup>1</sup>;
- ☒ 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.

<sup>1</sup>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

<b>Purchases</b>	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Services	67	125	355	355
<b>Kokku</b>	<b>67</b>	<b>125</b>	<b>355</b>	<b>355</b>

<b>Sales</b>	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Goods	0	0	7	0
<b>Kokku</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>

In 2015 AS Baltika bought mostly communication and other services from related parties. In 2014 AS Baltika bought mostly management, communication and other services.

### Balances with related parties

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Other current loans and interests (Note 8, 9)	2,804	2,639
Trade payables (Note 9)	17	31
<b>Payables to related parties total</b>	<b>2,821</b>	<b>2,670</b>

Information about borrowings and interest from related party, see in Note 8 and 11.

All transactions in 2015 as well as in 2014 reporting periods and balances with related parties as at 31 December 2015 and 31 December 2014 were with entities under the control or significant influence of the members of the Management Board and Supervisory Council and close family members. As at 31 December 2015 and 31 December 2014 the balances from borrowings, interests are partly with counterparty, who is also an owner that has significant influence.

### Compensation for the members of the Management Board and Supervisory Council

	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>2015</b>	<b>2014</b>
Salaries of the members of the Management Board	56	90	279	380
Remuneration of the members of the Supervisory Council	4	4	18	18
<b>Total</b>	<b>60</b>	<b>94</b>	<b>297</b>	<b>398</b>



As at 31 December 2015 there were three Management Board and five Supervisory Council members (31 December 2014: five Management Board and five Supervisory Council members).

In April the Supervisory Council recalled from the Management Board Andrew James David Paterson.

From September 8 2015 Maire Milder is no longer member of Management Board. Maire Milder continues in the Group as the director of Branding and Retail Development.

From 01 February Maigi Pärnik-Pernik will continue as member of Management Board. On January 30 2015 the Supervisory Board of AS Baltika decided to suspend Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave and Meelis Milder was pointed to be responsible for finance decisions and sharing stock market information during that period. From February 1st 2016 Management Board member responsible for the finance function and for the disclosure of information on the exchange is again Maigi Pärnik-Pernik.

In the reporting period no changes took place composition of Supervisory Council.

Convertible bonds (J-bonds) are partly issued to related parties (Note 8).

## NOTE 21 Discontinued operations

### *Changes in 2015*

Baltika AS has exit Russian retail market to reduce economic and political risks.

As Russian market represented a major line of business in Group's activities, and its operations and cash flows can be clearly distinguished from other Group's operations and cash flows, it's results are reported as discontinued operations in the current interim report. Previously Russian subsidiary's results were reported as a part of the Eastern-European segment.

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

In the fourth quarter, prior to sales transaction, Baltika revalued all assets related to Russian market down. Non-cash write-offs in amount 4,645 thousand euros. Goodwill (885 thousand euros), currency exchange differences (loss 2,969 thousand euros), working capital and non-current assets (791 thousand euros) were written off.

### *Changes in 2014*

Baltika AS has decided to exit Ukrainian retail market to reduce economic and political risks.

As Ukrainian market represented a major line of business in Group's activities, and its operations and cash flows can be clearly distinguished from other Group's operations and cash flows, it's results are reported as discontinued operations in the current interim report. Previously Ukrainian subsidiary's results were reported as a part of the Eastern-European segment.

On 29 April 2014 Baltika signed an agreement by which Baltika Retail Ukraina Ltd (BRU) was sold to Osaühing Ellipse Group. BRU will continue as Baltika's franchise partner and cooperation agreement was signed on 29 April for the next five years.

In the first quarter, prior to sales transaction, Baltika revalued the Ukrainian assets completely down (in the amount of 1,095 thousand euros).

### **An extract of the revenue and expenses of discontinued operations (Russia)**

	Q4 2015	Q4 2014	2015	2014
<b>Discontinued operation</b>				
Revenue	1,138	1,700	4,492	7,730
Expenses	-1,163	-1,682	-5,020	-7,965



Other operating expense and income	-278	0	-317	13
<b>Loss before income tax</b>	<b>-303</b>	<b>18</b>	<b>-845</b>	<b>-222</b>
Income tax	-26	16	-25	-10
<b>Loss after income tax</b>	<b>-329</b>	<b>34</b>	<b>-870</b>	<b>-232</b>
Loss from disposal of discontinued operation and impairment of assets connected to discontinued operations	-4,645	0	-4,645	0
<b>Net profit (loss) for the reporting period</b>	<b>-4,974</b>	<b>34</b>	<b>-5,515</b>	<b>-232</b>

**An extract of the revenue and expenses of discontinued operations (Ukraine)**

	Q4 2015	Q4 2014	2015	2014
<b>Discontinued operation</b>				
Revenue	0	0	0	1,531
Expenses	0	0	0	-1,896
Other operating expense and income	0	0	0	-271
<b>Loss before income tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-636</b>
<b>Loss after income tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-636</b>
Loss from disposal of discontinued operation and impairment of assets connected to discontinued operations	0	0	0	-693
<b>Net profit (loss) for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,329</b>

**Consolidated cash-flow of the discontinued operation Russia**

	Q4 2015	Q4 2014	2015	2014
Net cash used in operating activities	-354	272	-77	-137
Net cash used in investing activities	0	-17	-7	-20
<b>Total cash flows</b>	<b>-354</b>	<b>255</b>	<b>-84</b>	<b>-157</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>354</b>	<b>455</b>	<b>84</b>	<b>241</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>84</b>
<b>Change in cash and cash equivalents</b>	<b>-354</b>	<b>255</b>	<b>-84</b>	<b>-157</b>

**Consolidated cash-flow of the discontinued operation Ukraine**

	Q4 2015	Q4 2014	2015	2014
Net cash used in operating activities	0	0	0	-180
Net cash used in investing activities	0	0	0	-8
<b>Total cash flows</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-188</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>213</b>
Effect of exchange gains on cash and cash equivalents	0	0	0	-25
<b>Cash and cash equivalents at the end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-213</b>



## **NOTE 22 Subsidiaries**

### *Changes in 2015*

In February 2015 a merger agreement was signed by OÜ Baltika TP and OÜ Baltika Retail, according to which OÜ Baltika Retail was the acquiring company and OÜ Baltika TP the company being merged. The purpose of the merger was to minimize administrative costs of OÜ Baltika TP.

OÜ Baltika TP was deleted from the Commercial Registry on 14 May 2015.

The merger was within the Group and therefore there were no changes to the Baltika Group assets, rights and obligations amount, content and nature. The merger did not have economic effect on the other subsidiaries of the Group.

In December 2015 structural change was made in Baltika AS subsidiary OÜ Baltika Retail: Baltika Retail OÜ subsidiary Baltman OÜ acquired Baltika Retail OÜ subsidiaries SIA Baltika Latvia and UAB Baltika Lietuva. Companies continue their businesses at same volume and mentioned changes have no effect on the AS Baltika consolidated profit, assets or liabilities.

### *Changes in 2014*

In 2014 the Group sold its subsidiary „Baltika Retail Ukraina Ltd“, see detailed information in Note 21.

## **NOTE 23 Events after the balance sheet date**

In 22 February 2016 Baltika AS sold 100% of the Russian subsidiary's shares to Ellips Group Osaühing and stopped retail activities in Russian market. With the new owner cooperation will continue under franchise agreement.



## AS BALTIKA SUPERVISORY COUNCIL



### **JAAKKO SAKARI MIKAEL SALMELIN**

Member of the Supervisory Council since 21.06.2010

Partner, KJK Capital Oy

Master of Science in Finance, Helsinki School of Economics

Other assignments:

Member of the Management Board of KJK Fund SICAV-SIF,

Member of the Board of Directors, KJK Management SA,

Member of the Board of Directors, KJK Capital Oy.

Baltika shares held on 31 December 2015: 0



### **TIINA MÕIS**

Member of the Supervisory Council since 03.05.2006

Chairman of the Management Board of AS Genteel

Degree in Economical Engineering, Tallinn University of Technology

Other assignments:

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

Member of Estonian Accounting Standards Board.

Baltika shares held on 31 December 2015: 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 MTÜ International Association for the Protection of Intellectual Property (AIPPI) Estonian National Group.

Baltika shares held on 31 December 2015: 0



**LAURI KUSTAA ÄIMÄ**

Member of the Supervisory Council since 18.06.2009

Managing Director of Kaima Capital Oy

Master of Economics, University of Helsinki

Other assignments:

Member of the Supervisory Council of AS Tallink Grupp,

Member of the Board of Oy Tallink Silja Ab,

Member of the Board of KJK Invest Oy,

Member of the Board of Aurejärvi Varainhoito Oy,

Member of the Board of UAB Malsena Plius,

Member of the Board of Bostads AB Blåklinten Oy,

Member of the Supervisory Council of Salva Kindlustuse AS,

Member of the Supervisory Council of AS Premia Foods,

Member of the Supervisory Council of AS Premia Tallinna Külkhoone AS,

Member of the Supervisory Council of Managetrad OÜ,

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 Dzirnāvnieks,

Chairman of the Board of Directors, KJK Management SA,

Chairman of the Board of Directors, KJK Capital Oy.

Baltika shares held on 31 December 2015: 24 590 shares (on Kaima Capital Eesti OÜ account)



**VALDO KALM**

Member of the Supervisory Council since 20.04.2012

Chairman of the Management Board of Port of Tallinn

Automation and telemechanics, Tallinn University of Technology

Baltika shares held on 31 December 2015: 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 2015: 1 000 000 shares<sup>1</sup>



### **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 2015: 0



### **KATI KUSMIN**

Member of the Management Board, Sales and Marketing Director  
Member of the Board since 2012, in the Group since 2012  
Degree in Economics, Tallinn University of Technology  
Baltika shares 31 December 2015: 0

<sup>1</sup>The members of the Management Board of AS Baltika also own shares through the holding company OÜ BMIG (see Corporate governance annual report section "Management Board").