AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2013

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2013 – 31 December 2013
Reporting period	1 January 2013 – 30 September 2013

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BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer operating in the Baltic countries and Eastern Europe. Baltika Group operates six retail concepts: Monton, Mosaic, Baltman, Bastion, Ivo Nikkolo and also under franchise agreement Blue Inc. The Group employs a vertically integrated business model, which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales. The Group also sells its collections through wholesale.

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

As at 30 September 2013 the Group employed 1,311 people (31 December 2012: 1,288).

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 at 30 Sep 2013	Holding at 31 Dec 2012
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman[1]	Estonia	Retail	100%	100%
SIA Baltika Latvija[1]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[1]	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd[1]	Ukraine	Retail	100%	100%
Baltika Retail Ukraina Ltd[1]	Ukraine	Retail	100%	-
OOO Kompania „Olivia“[1]	Russia	Retail	100%	100%[2]
OOO Kompania “Baltman RUS”[1]	Russia	Retail	-	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	Estonia	Real estate management	100%	100%

[1]Interest through a subsidiary.
[2]As at 31 December 2012 was a subsidiary of the Russian market’s company OOO Kompania “Baltman RUS“.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS OF 2013

A strong half-year was followed by decreased sales in third quarter 2013 and brought a net loss of 784 thousand euros. Nine months ended with a net loss of 763 thousand euros, a weakening of 493 thousand euros year-over-year.

The main factor that undermined third quarter performance was the situation in the retail segment. Unusual warm weather in August and September dampened demand for autumn goods in all Baltika's five retail markets. In addition, consumer behaviour was affected by increasing uncertainty and slackening economic growth, particularly in Russia, but to a lesser extent also in the Baltics. Competition intensity in Estonia and Lithuania has grown due to new brands entered the market and retail sales area has widened.

In the first half-year the Group's retail sales grew by 8%, in the third quarter there was 2% shrinkage, which lowered nine-month retail sales growth to 5%. In the third quarter, moderate retail sales growth was achieved in the Baltics (2%), where the growth driver was Estonia (5%). In nine-month terms, the strongest retail sales growth was recorded in Estonia (14%), followed by Latvia (8%) and Lithuania (4%).

In the third-quarter retail sales in Russia fell by 14% and in Ukraine by 6%. Addition to slackening economic growth, sales were driven down by the weakening of the exchange rates of the Russian rouble against euro. The Group's nine-month foreign exchange loss amounted to 372 thousand euros.

Wholesale and e-commerce revenues grew by 20% in third quarter which meets the expectations set for 2013 to develop also other sale channels and increase sales volumes through wholesale partners and franchise.

Compared with the third quarter last year, the Group's total revenue decreased by 135 thousand euros, i.e. 1%. Gross margin for the third quarter was 48.9%, a decrease of 2.9 percentage points year-over-year. The slide in the margin is attributable to consumers' unseasonably weak demand for autumn-winter goods due what the proportion of new season garments sale from total sales was smaller than in last year.

Although after two weak months, sales resumed growth in October, the figures did not fully meet management's expectations. Weaker than expected results at the beginning of the fourth quarter may put achievement of the company's financial targets for 2013, which were released on 1 October, at risk. The current year's fluctuating sales figures along with the uncertainties prevailing in the economy make it difficult to make forecasts for the near future.

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

- At the request received from KJK Fund Sicav-SIF in June, the company's H-bonds were converted into ordinary shares. On 16 July, the 5,000,000 ordinary shares were transferred to the shareholder's client account at the Estonian Central Register of Securities. The new shares account for 12.3% of the new total number of shares. Thus, the interest of Baltika's largest investor (through the account of ING Luxembourg S.A.) increased to 30.86%. Baltika now has 40,794,850 ordinary shares with a par value of 0.2 euros each.

- In August, the Group celebrated its 85th anniversary with a fashion evening where Baltika's brands presented their new collections for the coming season and the guests could get a glimpse into the origins of Estonian fashion through rare documentary footage featuring the birth and development of the domestic fashion industry.

- In August, the first Blue Inc London store was opened in Riga, Latvia, in line with a franchise agreement signed with A Levy & Son Ltd in May, which grants Baltika the right to represent the Blue Inc trademark in the Baltics. The next Blue Inc stores were opened in September in Valmiera, Latvia, and in October in Tallinn, Estonia.

- In October, Valanga OOO, Baltika's franchise partner in Belarus, opened the first two Monton brand stores in Minsk. The total area of the stores is 380 sqm. According to plan, in the next five years at least five Monton stores with a sales area of 150-250 sqm will be opened in Belarus.

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- In October, Baltman's designer Aivar Lätt *alias* Antonio received the highest recognition in the Estonian fashion world – the Golden Needle award. According to Antonio, his special Baltman Limited Edition collection, which was created for the Golden Needle, represents the essence of his work so far. The colourful collection, which also included some female fashion, played with grunge-style elements, bold and vibrant colour and design solutions. Baltika's designers have been rewarded with Golden Needle award eight times throughout the years.

- At the end of October, Monton presented to the media and the guests of the Estonian Olympic Committee the collection of outfits created for the 2014 Sochi Winter Olympics, after which all who wished could pre-order the new items from Monton's e-shop. The limited collection combines the Estonian national colours and ethnic patters and stands out for its clean and clear colour solution. The well-thought-out ensemble was created by Monton's head designers Piret Puppart and Peeter Rästa. The collection will be made available in the retail network in the last days of November.

- In the third quarter, the number of the Group's stores grew by four. In July a Monton multi-brand store was opened in the Riga Plaza shopping centre in Latvia and in August an Ivo Nikkolo store was opened in the Alfa shopping centre and the first Blue Inc store was opened the Origo shopping centre (both in Riga). In September, the second Blue Inc store was opened in the Valleta shopping centre in Valmiera, Latvia, and the first new-concept Baltman store was opened in the Rocca al Mare shopping centre in Estonia. In Russia, one store was closed. In addition to changes to the retail system, which were made in the third quarter, three new stores were opened in October: a Blue Inc store in the Rocca al Mare shopping centre in Tallinn and two stores, which sell Monton and Mosaic fashion products in the Gulliver shopping centre in Kiev, Ukraine.

REVENUE

In the third quarter, Baltika sales decreased by 1%. Due to sale of Baltika Quarter real-estate, rental income has decreased by 57 thousand euros. Sales of clothing in wholesale and e-com segment showed 20% growth, in retail segment sales decreased by 2%.

Revenue by activity

EUR thousand	Q3 2013	Q3 2012	+/-	9m 2013	9m 2012	+/-
Retail	12,949	13,229	-2%	38,838	37,137	5%
Wholesale and e-com	1,221	1,015	20%	2,722	2,430	12%
Rent	0	57	-100%	0	401	-100%
Other	39	43	-9%	99	176	-44%
Total	**14,209**	**14,344**	**-1%**	**41,659**	**40,144**	**4%**

Retail

When second quarter had two strong and one modest month and ended with expected sales growth, then in third quarter the situation was reversed. When the summer clothing sales campaign results were as planned, then warmer than usual weather in August and September reduced consumer demand for autumnal garments in all of five Baltika's retail markets, which decreased sales by 280 thousand euros i.e. 2% compared to last year. This signifies nine month sales growth of 5%.

Sales in Baltic States showed 2% growth, biggest contributor was Estonia with 5%. The Group's overall result was weakened by the Eastern European figures. Both Ukrainian and Russian results were undermined by movements in foreign exchange rates and Russian results were also impacted by Russia's macroeconomic indicators and non-realization of the consumption expectations.

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Retail sales by market

EUR thousand	Q3 2013	Q3 2012	+/-	Share	9m 2013	9m 2012	+/-	Share
Estonia	4,219	4,008	5%	33%	12,799	11,275	14%	33%
Lithuania	2,730	2,812	-3%	21%	7,825	7,529	4%	20%
Russia	2,096	2,439	-14%	16%	6,776	7,183	-6%	17%
Latvia	2,240	2,202	2%	17%	6,712	6,222	8%	17%
Ukraine	1,664	1,768	-6%	13%	4,726	4,928	-4%	12%
Total	**12,949**	**13,229**	**-2%**	**100%**	**38,838**	**37,137**	**5%**	**100%**

Stores and sales area

The number of stores increased with the quarter by 4 – to total of 119. In July multibrand store was opened in Riga Plaza shopping centre in Latvia. In Riga two shops were opened in August: Ivo Nikkolo store in Alfa shopping centre and the first Blue Inc store in Origo centre. In September the second Blue Inc store was opened in Valleta centre in Valmiera, Latvia and in Estonia in Rocca al Mare chopping centre the first Baltman new concept store was opened. One shop was closed in July in Russia.

Stores by market

	30 Sept 2013	30 Sept 2012	9 months average area change*
Estonia	37	30	12%
Lithuania	27	28	-1%
Russia	18	17	3%
Latvia	21	15	7%
Ukraine	16	16	-4%
Total stores	**119**	**106**	
Total sales area, sqm	**23,192**	**21,536**	**4%**

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

In Latvia, sales for square metre is mostly influenced by six new stores opened during nine months, which full potential has not reached yet due to start-up period. In nine month period total sales efficiency has increased by 1%.

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

	Q3 2013	Q3 2012	+/-	9m 2013	9m 2012	+/-
Estonia	217	231	-6%	222	218	2%
Lithuania	165	168	-2%	159	151	5%
Russia	171	215	-20%	184	200	-8%
Latvia	209	229	-9%	215	213	1%
Ukraine	173	191	-9%	165	166	-1%
Total	**189**	**206**	**-8%**	**191**	**189**	**1%**

Sales efficiency growth in local currency in the third quarter was -14% in Russia and -5% in Ukraine.

Brands

In the beginning of third quarter all brands showed good results of selling summer garments, especially stood out Ivo Nikkolo. But unusually warm weather in August and September postponed consumer demand for autumnal clothes and third quarter total result did not meet the expectations.

Baltman was holding the last year level in third quarter and together with Mosaic reached the best 6% sales growth in nine month period. Due to remarkable decrease of sales in third quarter in Russia, which is the biggest distributor of Monton, the biggest fall in sales was in Monton brand – by 7%.

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Retail revenue by brand

EUR thousands	Q3 2013	Q3 2012	+/-	Share	9m 2013	9m 2012	+/-	Share
Monton	6,324	6,778	-7%	49%	18,878	19,105	-1%	49%
Mosaic	3,982	4,091	-3%	31%	12,305	11,607	6%	32%
Baltman	1,116	1,119	0%	9%	3,487	3,303	6%	9%
Ivo Nikkolo	1,098	1,128	-3%	8%	2,933	2,955	-1%	8%
Bastion	362	0	-	3%	1,055	0	-	3%
Blue Inc	39	0	-	0%	39	0	-	0%
Other	28	113	-75%	0%	141	167	-16%	0%
Total	**12,949**	**13,229**	**-2%**	**100%**	**38,838**	**37,137**	**5%**	**100%**

Baltman, designed for chic and sophisticated men, opened it's first new concept flagship store in Rocca al Mare shopping centre in Tallinn, where the Baltman Unique best fitting special ordered suits are available. New studio-store atmosphere offers comfortable and personal service to Baltman client.

Wholesale and e-com

Sales of wholesale and e-com were 1,221 thousand euros in 2013 third quarter, an increase of 20% compared to previous year. This includes strong growth of both traditional wholesale (18%) and e-com (82%).

In third quarter, wholesale of Mosaic brand to Finland was launched, also Monton brand to franchise partner in Belarus, who opened first stores in Minsk in the beginning of October. The growth in wholesale revenue was facilitated by a broad-based increase in volumes as well as products supplied to the Estonian Police Board under a public procurement contract and launch of the wholesale of the Bastion brand in the second quarter.

OPERATING EXPENSES AND NET PROFIT

Gross profit margin was 48.9% in the third quarter that is 2.9 percentage points lower than same period in prior year. The slide in the margin is attributable to consumers' unseasonably weak demand for autumn-winter goods due what the proportion of new season garment sale from total sales was smaller than in last year. Gross profit for the quarter was 6,947 thousand euros, that is 7% i.e. 491 thousand euros less than same period in prior year. Nine months gross profit amounted to 22,155 thousand euros, increasing 2% and gross profit margin was 53.2% that is 0.7 percentage points behind last year results.

The average sales area increased by seven percentages in the third quarter. Distribution expense has also increased by seven percentages due to the additional stores. Main increase comes from salary and rent expense.

In the third quarter general and administrative expense increased by 11% i.e. 66 thousand euros compared to same period last year. This includes rent expense increase of 41 thousand euros due to the sale of Baltika Quarter property.

Operating expense was 7,493 thousand euros in the third and the ratio to revenue was 53%. Nine months operating expense was 22,274 thousand euros and ratio to revenue was on the same level as last year same period, at 53%.

Other operating expense was 114 thousand euros in the third quarter that is 54 thousand euros decrease compared to prior year. With the third quarter net operating expenses of 111 thousand euros the operating loss amounted to 657 thousand euros. Nine months operating loss was 343 thousand euros, which included foreign exchange loss of 230 thousand euros. Foreign exchange profit was 32 thousand euros in last year same period.

Net financial expense in the third quarter was 119 thousand euros that remained on last year level despite the foreign exchange loss due to interest expense decrease (109 thousand euros). Nine months total interest expense decreased by 525 thousand euros total expense by 317 thousand euros. Nine months total net financial expense was 412 thousand euros.

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The result was impacted by decrease of gross margin and increase of distribution costs and amounted to quarterly net loss of 784 thousand euros, including foreign exchange loss of 130 thousand euros. Nine months EBITDA was 806 thousand euros and net loss was 763 thousand euros.

FINANCIAL POSITION

As at 30 September 2013, Group inventories totalled 14,457 thousand euros. Inventory has increased compared to both last year end and year-over-year. The yearly increase of 2,619 thousand euros i.e. 22% is mainly due to increase of finished goods, that was on one hand the result of higher number of stores – addition to stores already have been opened this year, inventory has been purchased also for stores planned to be opened at the end of year. As at the end of September the sales area has increased by 8% y-o-y. Other important reason for the increase was lower than expected sales in August and September, due to which the goods purchased were not fully realised.

Investing into retail network continued in the third quarter. Property, plant and equipment at cost increased by 542 thousand euros, which signifies nine months total investments of 1,758 thousand euros. Current year depreciation was 935 thousand euros and in total the fixed assets residual value increased by 760 thousand euros compared to last year-end.

Based on request in June by H-Bond holder KJK Fund, Sicav-SIF to convert the convertible bonds to Baltika ordinary shares, on 16th July the transfer took place to the securities account of shareholder in Estonian CSD. After conversion and as at 30 September Baltika has 40,794,850 ordinary shares with the nominal value of 0.2 euros per share. As a result the equity increased, and is 10,885 thousand euros as at 30 September 2013.

Third quarter cash-flow from operating activities was -646 thousand euros (third quarter of 2012: -745 thousand euros), which was mainly due to negative results and purchase of inventories. Investment program continued and 397 thousand euros were contributed to investment activities. Operating activities were financed with overdraft facility. Third quarter net cash outflow was -34 thousand euros.

As at 30 September Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 6,255 thousand euros, which has increased by 2,062 thousand euros mainly due to increase of overdraft facility, receipt of last part of investment loan and investment activity. The net debt to equity ratio was 57% as at 30 September 2013 (41% as at 31.12.2012).

PEOPLE

As at 30 September 2013, Baltika Group employed a total of 1,311 people that is 23 people more than as at 31 December 2012 (1,288): 729 (31.12.2012: 709) in the retail system, 393 (394) in manufacturing and 189 (185) at the head office and logistics centre. The 2013 nine months average number of staff was 1,312 (2012 nine months: 1,295).

Baltika Group employees remuneration expense of nine months of 2013 amounted to 8,428 thousand euros (2012: 7,670 thousand euros). The accrued remuneration with taxes, of the members of the Supervisory Council and Management Board totalled 267 thousand euros (2012: 202 thousand euros).

KEY FIGURES OF THE GROUP (III QUARTER AND 9 MONTHS OF 2013)

	Q3 2013	Q3 2012	Q3 2011	Q3 2010
Revenue (EUR thousand)	14,209	14,344	13,511	13,486
Retail sales (EUR thousand)	12,949	13,229	12,444	12,401
Share of retail sales in revenue	91%	92%	92%	92%
Gross margin	48.9%	51.8%	49.4%	48.7%
EBITDA (EUR thousand)	-266	728	-103	-931
EBITDA margin	-1.9%	5.1%	-0.8%	-6.9%
Operating margin	-4.6%	2.2%	-5.4%	-12.9%
EBT margin	-5.5%	1.4%	-8.6%	-15.6%
Net margin	-5.5%	1.4%	-8.7%	-15.9%

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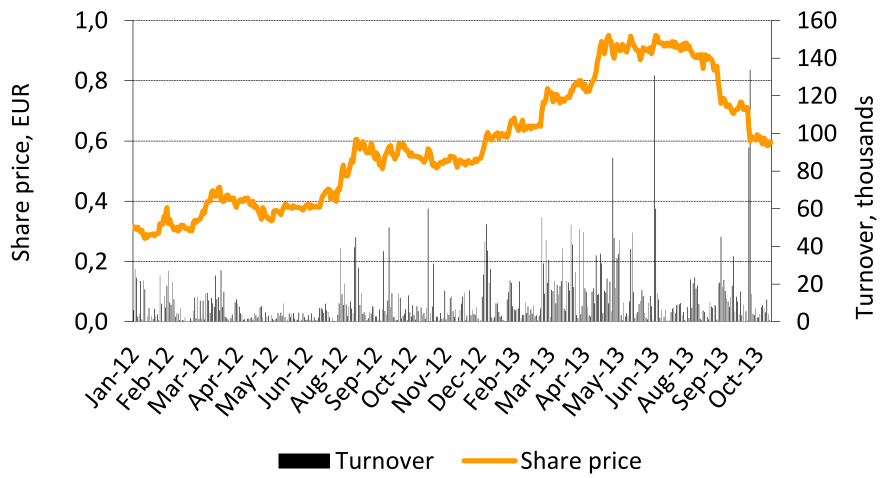
	9M and 30 Sept 2013	9M and 30 Sept 2012	9M and 30 Sept 2011	9M and 30 Sept 2010
Revenue (EUR thousand)	41,659	40,144	37,924	37,124
Retail sales (EUR thousand)	38,838	37,137	35,291	34,314
Share of retail sales in revenue	93%	93%	93%	92%
Number of stores	119	106	115	123
Sales area at the end of period (sqm)	23,192	21,536	23,165	24,794
Number of employees (end of period)	1,311	1,253	1,413	1,456
Gross margin	53.2%	53.9%	52.4%	50.4%
EBITDA (EUR thousand)	806	1,851	-1,032	-1,903
EBITDA margin	1.9%	4.6%	-2.7%	-5.1%
Operating margin	-0.8%	1.2%	-7.7%	-11.5%
EBT margin	-1.8%	-0.6%	-10.4%	-13.4%
Net margin	-1.8%	-0.7%	-10.5%	-13.6%
Current ratio	1.6	1.9	1.4	1.0
Inventory turnover	2.10	2.27	2.09	2.16
Net gearing ratio	57.5%	66.4%	163.7%	145.2%
Return on equity	-7.4%	-2.9%	-48.0%	-61.7%
Return on assets	-3.2%	-0.8%	-13.5%	-16.5%

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 (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
7 November 2013

Maigi Pärnik-Pernik
Member of the Management Board
7 November 2013

Maire Milder
Member of the Management Board
7 November 2013

Andrew J. D. Paterson
Member of the Management Board
7 November 2013

Kati Kusmin
Member of the Management Board
7 November 2013

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter and nine months of 2013 as presented on pages 11-30.

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
7 November 2013

Maigi Pärnik-Pernik
Member of the Management Board
7 November 2013

Maire Milder
Member of the Management Board
7 November 2013

Andrew J. D. Paterson
Member of the Management Board
7 November 2013

Kati Kusmin
Member of the Management Board
7 November 2013

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sep 2013	31 Dec 2012
ASSETS			
Current assets			
Cash and cash equivalents	3	752	2,078
Trade and other receivables	4	2,408	1,836
Inventories	5	14,457	11,471
Total current assets		**17,617**	**15,385**
Non-current assets			
Deferred income tax asset		637	637
Other non-current assets	4	1,112	1,088
Property, plant and equipment	6	3,016	2,256
Intangible assets	7	3,852	4,150
Total non-current assets		**8,617**	**8,131**
TOTAL ASSETS		**26,234**	**23,516**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	8	2,481	1,598
Trade and other payables	9	8,304	7,005
Total current liabilities		**10,785**	**8,603**
Non-current liabilities			
Borrowings	8	4,550	4,702
Other liabilities	9	14	25
Total non-current liabilities		**4,564**	**4,727**
TOTAL LIABILITIES		**15,349**	**13,330**
EQUITY			
Share capital at par value	10	8,159	7,159
Share premium		653	63
Reserves	10	1,182	1,182
Retained earnings		2,471	1,667
Net profit (loss) for the period		-763	804
Currency translation differences		-817	-689
TOTAL EQUITY		**10,885**	**10,186**
TOTAL LIABILITIES AND EQUITY		**26,234**	**23,516**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q3 2013	Q3 2012	9M 2013	9M 2012
Revenue	11,12	14,209	14,344	41,659	40,144
Cost of goods sold	13	-7,262	-6,906	-19,504	-18,506
Gross profit		**6,947**	**7,438**	**22,155**	**21,638**
Distribution costs	14	-6,807	-6,353	-20,146	-19,172
Administrative and general expenses	15	-686	-620	-2,128	-1,988
Other operating income	16	3	17	41	90
Other operating expenses	16	-114	-168	-265	-77
Operating profit (loss)		**-657**	**314**	**-343**	**491**
Finance income	17	0	53	0	70
Finance costs	17	-119	-165	-412	-799
Profit (loss) before income tax		**-776**	**202**	**-755**	**-238**
Income tax expense		-8	-1	-8	-32
Net profit (loss)		**-784**	**201**	**-763**	**-270**
Profit (loss) attributable to:					
Equity holders of the parent company		-784	201	-763	-271
Non-controlling interest		0	0	0	1
Other comprehensive income (loss)					
Currency translation differences		-35	128	-128	12
Total comprehensive income (loss)		**-819**	**329**	**-891**	**-258**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-819	329	-891	-259
Non-controlling interest		0	0	0	1
Basic earnings per share, EUR	18	-0.02	0.01	-0.02	-0.01
Diluted earnings per share, EUR	18	-0.02	0.01	-0.02	-0.01

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Q3 2013	Q3 2012	9M 2013	9M 2012
Operating activities					
Operating profit (loss)		-657	314	-343	491
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	13-15	373	374	1,136	1,318
Loss from disposal of PPE		0	32	10	24
Other non-monetary expenses		17	188	58	65
Changes in working capital:					
Change in trade and other receivables	4	-549	-553	-591	-355
Change in inventories	5	-1,290	-345	-3,190	-1,799
Change in trade and other payables	9	1,552	-570	1,634	235
Interest paid		-80	-179	-218	-730
Income tax paid		-12	-6	-12	-62
Net cash used in operating activities		**-646**	**-745**	**-1,516**	**-813**
Investing activities					
Acquisition of PPE, intangibles	6, 7	-400	-231	-1,866	-349
Proceeds from disposal of PPE		3	2	8	13
Acquisition of non-controlling interest		0	0	0	-91
Net cash used in investing activities		**-397**	**-229**	**-1,858**	**-427**
Financing activities					
Received borrowings	8	0	1,000	1,000	1,000
Repayments of borrowings	8	-427	-329	-1,145	-644
Change in bank overdraft	8	1,445	922	2,249	1,164
Repayments of finance lease		-12	-23	-27	-102
Proceeds from bonds issue		0	15	0	219
Redemption of share options	8	-1	0	-5	0
Net cash generated from financing activities		**1,005**	**1,585**	**2,072**	**1,637**
Total cash flows		**-38**	**611**	**-1,302**	**397**
Cash and cash equivalents at the beginning of the period	3	**786**	**649**	**2,078**	**863**
Effect of exchange gains on cash and cash equivalents		4	0	-24	0
Cash and cash equivalents at the end of the period	3	**752**	**1,260**	**752**	**1,260**
Change in cash and cash equivalents		**-34**	**611**	**-1,326**	**397**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total	Non-controlling interest	Total equity
Balance as at 31 Dec 2011	**25,056**	**89**	**2,494**	**-17,455**	**-727**	**9,457**	**165**	**9,622**
Income (loss) for the period	0	0	0	-271	0	-271	1	-270
Other comprehensive income	0	0	0	0	12	12	0	12
Total comprehensive income (loss)	0	0	0	-271	12	-259	1	-258
Offsetting losses	0	-89	-651	740	0	0	0	0
Decrease of the nominal value of share	-17,897	0	1,182	16,715	0	0	0	0
Equity-settled share-based transactions (Note 15)	0	31	0	0	0	31	0	31
Equity instrument classification to liability (Note 10)	0	0	-250	0	0	-250	0	-250
Acquisition of non-controlling interest (Note 20)	0	0	0	75	0	75	-166	-91
Sale of investment property: revaluation reserve	0	0	-1,592	1,592	0	0	0	0
Balance as at 30 Sep 2012	**7,159**	**31**	**1,182**	**1,396**	**-715**	**9,053**	**0**	**9,053**
Balance as at 31 Dec 2012	**7,159**	**63**	**1,182**	**2,471**	**-689**	**10,186**	**0**	**10,186**
Loss for the period	0	0	0	-763	0	-763	0	-763
Other comprehensive loss	0	0	0	0	-128	-128	0	-128
Total comprehensive loss	0	0	0	-763	-128	-891	0	-891
Equity-settled share-based transactions (Note 15)	0	94	0	0	0	94	0	94
Conversion of bonds to share capital (Note 10)	1,000	496	0	0	0	1,496	0	1,496
Balance as at 30 Sep 2013	**8,159**	**653**	**1,182**	**1,708**	**-817**	**10,885**	**0**	**10,885**

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 Republic of Estonia registered parent company AS Baltika, is an international fashion retailer operating Monton, Mosaic, Baltman, Bastion, Ivo Nikkolo and under franchise agreement Blue Inc retail concepts. AS Baltika's shares are listed on the Tallinn Stock Exchange. The largest shareholder and the only company holding above 20% of shares (Note 10) of AS Baltika is KJK Fund Sicaf-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the nine months ended 30 September 2013 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 latest consolidated annual financial statements for the year ended 31 December 2012, 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 2012. New and revised standards and interpretations effective from 1 January 2013 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 otherwise stated.

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

Sales in foreign currencies not pegged to euro constitute 45% (2012 nine months: 46%). Most important currencies in retail markets are LVL (Latvian lat), LTL (Lithuanian lit), RUB (Russian rouble), UAH (Ukrainian hryvnia). 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).

Trading with the counterparties in countries belonging to the European Monetary Union is handled mainly in euros. As the Group's main revenues arise from retail sales, the prices of goods in the markets are fixed in a local currency and consequently, changes in foreign currency exchange rates directly affect the Group's revenue through the pricing of goods at the stores in those markets. In addition, a change in the economic environment and relative appreciation/depreciation of a local currency may greatly affect the purchasing power of customers in the market of the respective segment.

The Group's results are open to fluctuations in foreign currency rates against euro in those countries where AS Baltika has subsidiaries. The changes in average foreign currency rates against euro in the reporting period were the following: Russian rouble -4.73% (2012: +1,71%), Ukrainian hryvnia -2.81% (2012: +8.64%) and Latvian lat -0.49% (2012: +1.44%). The Lithuanian lit is pegged to the euro. The change in average rate of US dollar in the reporting period was -2.83% (2012: +8.94%).

Foreign exchange risk arises from cash and bank (Note 3), trade receivables (Note 4) and trade payables (Note 9).

The Group's non-current borrowings carrying floating interest rate were denominated in euros, therefore no currency risk is assumed.

No instruments were used to hedge foreign currency risks in 2013 and 2012. The Management monitors changes of foreign currency constantly and assesses if the changes exceed the risk tolerance determined by the Group, except in the case if the currencies were devaluated in the countries where AS Baltika has subsidiaries. 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 non-current borrowings issued at floating interest rate and thus exposing the Group to cash flow interest rate risk. There is no fair value interest rate risk as the Group has no interest bearing financial instruments, which are recognised at fair value. Interest rate risk is primarily caused by the potential fluctuations of Euribor and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

All non-current borrowings as at 30 September 2013 and 31 December 2012 were subject to a floating interest rate based on Euribor, which is fixed every month or six months 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.

The Group uses no 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. Mostly for banks in Eastern Europe, the "B" rating is also considered acceptable.

Trade receivables

For the wholesale customers credit policy is based on next actions: monitoring financial position, past experience and other factors are taken into consideration. According to the Group's credit policy, for new wholesale clients prepayments are required or in some cases payment quarantees through bank are required. For some long-term 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.

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At 30 September 2013 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted 1,569 thousand euros (31 December 2012: 1,023 thousand euros) on a net basis after the allowances.

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.

Liquidity risk

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

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, bond issues, monitoring the terms of receivables and purchase contracts. Group´s current account/overdraft facility is in use for more flexible management of liquid assets, enabling some Group companies to use the Group's resources up to the limit established by the Parent company. The unused limit of Group´s overdraft facilities as at 30 September 2013 was 318 thousand euros (31 December 2012: 1,567 thousand euros).

Financial liabilities by maturity at 30 September 2013

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 8)[2]	6,839	2,714	4,575	7,289
Finance lease liabilities (Note 8)	168	47	146	193
Convertible bonds (Note 8)	24	0	24	24
Trade payables (Note 9)	5,938	5,938	0	5,938
Other financial liabilities	130	130	0	130
Total	**13,099**	**8,829**	**4,745**	**13,574**

Financial liabilities by maturity at 31 December 2012

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 8)[2]	4,735	1,765	3,329	5,094
Finance lease liabilities (Note 8)	36	25	13	38
Convertible bonds (Note 8)	1,529	117	1,636	1,753
Trade payables (Note 9)	4,162	4,162	0	4,162
Other financial liabilities	91	91	0	91
Total	**10,553**	**6,160**	**4,978**	**11,138**

[1]For interest bearing borrowings carrying floating interest rate based on Euribor, the last applied spot rate to loans has been used.
[2]Used overdraft facilities are shown under loans payable within 1-12 months or 1-5 years 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.

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 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.

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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. 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.

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.

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 strategy is to maintain the capital to net gearing ratio under 50%. In the end of 2012 as this goal was achieved. In the end of third quarter 2013 this goal was not achieved: impacted by seasonal characteristic of the business (buying inventory has an effect to cash level). In addition the Group borrowings increased.

Net gearing ratio

	30 Sep 2013	**31 Dec 2012**
Interest carrying borrowings (Note 8)	7,007	6,271
Cash and bank (Note 3)	-752	-2,078
Net debt	6,255	4,193
Total equity	10,885	10,186
Total capital to net debt ratio	**57%**	**41%**

Fair value

The Group estimates that the fair values of the assets and liabilities measured in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 30 September 2013 and 31 December 2012. 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. 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 are reflecting the market conditions. 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.

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NOTE 3 Cash and cash equivalents

	30 Sep 2013	31 Dec 2012
Cash on hand	163	415
Cash at bank and overnight deposits	589	1,663
Total	**752**	**2,078**

Cash and cash equivalents by currency

	30 Sep 2013	31 Dec 2012
RUB (Russian rouble)	249	510
EUR (euro)	152	1,198
UAH (Ukrainian hryvnia)	134	144
LVL (Latvian lat)	130	123
LTL (Lithuanian lit)	87	103
Total	**752**	**2,078**

NOTE 4 Trade and other receivables

Trade and other receivables (short-term)	30 Sep 2013	31 Dec 2012
Trade receivables, net	1,162	680
Other prepaid expenses	666	763
Tax prepayments and tax reclaims, thereof	515	344
Value added tax	480	233
Prepaid income tax	20	15
Other taxes	15	96
Other current receivables	65	49
Total	**2,408**	**1,836**

Other non-current assets (long-term)		
Non-current lease prepayments	540	461
Other long-term receivables	572	627
Total	**1,112**	**1,088**

Information about the receivables from related parties is in Note 19.

Trade receivables

	30 Sep 2013	31 Dec 2012
Trade receivables, gross	1,162	681
Allowance for impairment of trade receivables	0	-1
Trade receivables, net	**1,162**	**680**

Trade receivables (net) by due date

	30 Sep 2013	31 Dec 2012
Not due	982	608
Up to 1 month past due	93	36
1-3 months past due	60	19
3-6 months past due	27	17
Total	**1,162**	**680**

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Trade receivables (net) in denominated currency

	30 Sep 2013	31 Dec 2012
EUR (euro)	913	425
RUB (Russian rouble)	184	65
LVL (Latvian lat)	34	140
LTL (Lithuanian lit)	27	20
UAH (Ukrainian hryvnia)	4	30
Total	**1,162**	**680**

NOTE 5 Inventories

	30 Sep 2013	31 Dec 2012
Fabrics and accessories	1,989	2,281
Work-in-progress	69	69
Finished goods and goods purchased for resale	11,996	9,330
Allowance for impairment of finished goods and goods purchased for resale	0	-460
Prepayments to suppliers	403	251
Total	**14,457**	**11,471**

NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion in progress	Pre-payments	Total
31 December 2011						
Acquisition cost	**9,231**	**5,633**	**6,691**	**0**	**0**	**21,555**
Accumulated depreciation	-3,360	-4,655	-5,509	0	0	-13,524
Net book amount	**5,871**	**978**	**1,182**	**0**	**0**	**8,031**
Additions	84	38	205	16	0	343
Reclassifications from inventories	0	0	18	0	0	18
Disposals	-5,031*	-39	-6	0	0	-5,076
Reclassifications to inventory	0	0	-7	0	0	-7
Reclassification	-15	4	17	-6	0	0
Depreciation	-375	-290	-431	0	0	-1,096
Currency translation differences	-4	7	8	0	0	11
30 September 2012						
Acquisition cost	**3,780**	**5,462**	**6,919**	**10**	**0**	**16,171**
Accumulated depreciation	-3,250	-4,764	-5,933	0	0	-13,947
Net book amount	**530**	**698**	**986**	**10**	**0**	**2,224**
31 December 2012						
Acquisition cost	**3,975**	**5,480**	**6,645**	**3**	**0**	**16,103**
Accumulated depreciation	-3,303	-4,786	-5,758	0	0	-13,847
Net book amount	**672**	**694**	**887**	**3**	**0**	**2,256**
Additions	658	341	672	10	77	1,758
Reclassifications from inventories	0	0	11	0	0	11
Disposals	-12	-2	-1	0	0	-15
Reclassifications to inventories	0	0	-6	0	0	-6
Reclassification	0	-30	33	-3	0	0
Depreciation	-336	-247	-352	0	0	-935
Currency translation differences	-22	-13	-16	0	-2	-53
30 September 2013						
Acquisition cost	**4,245**	**5,461**	**6,959**	**10**	**75**	**16,750**
Accumulated depreciation	-3,285	-4,718	-5,731	0	0	-13,734
Net book amount	**960**	**743**	**1,228**	**10**	**75**	**3,016**

*On 31 July 2012 real-estate in Veerenni 24 was sold, more details about the transaction can be found in the interim report for the third quarter of 2012.

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NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
31 Dec 2011					
Acquisition cost	**2,187**	**643**	**10**	**2,218**	**5,058**
Accumulated depreciation	-1,222	-171	0	0	-1,393
Net book amount	**965**	**472**	**10**	**2,218**	**3,665**
Additions	9	0	0	0	9
Disposals	-2	0	0	0	-2
Amortisation	-197	-25	0	0	-222
Currency translation differences	2	0	0	70	72
30 Sep 2012					
Acquisition cost	**2,182**	**643**	**10**	**2,288**	**5,123**
Accumulated depreciation	-1,405	-196	0	0	-1,601
Net book amount	**777**	**447**	**10**	**2,288**	**3,522**
31 Dec 2012					
Acquisition cost	**2,296**	**1,243**	**0**	**2,279**	**5,818**
Accumulated depreciation	-1,464	-204	0	0	-1,668
Net book amount	**832**	**1,039**	**0**	**2,279**	**4,150**
Additions	66	0	0	0	66
Disposals	-3	0	0	0	-3
Amortisation	-183	-34	0	0	-217
Currency translation differences	-2	0	0	-142	-144
30 Sep 2013					
Acquisition cost	**2,343**	**1,243**	**0**	**2,137**	**5,723**
Accumulated depreciation	-1,633	-238	0	0	-1,871
Net book amount	**710**	**1,005**	**0**	**2,137**	**3,852**

NOTE 8 Borrowings

	30 Sep 2013	31 Dec 2012
Current borrowings		
Current portion of non-current bank loans	2,439	1,570
Current portion of finance lease liabilities	42	23
Share options (Note 19)	0	5
Total	**2,481**	**1,598**
Non-current borrowings		
Non-current bank loans	4,400	3,165
Non-current finance lease liabilities	126	13
Convertible bonds, share options (Note 19)	24	1,524
Total	**4,550**	**4,702**
Total borrowings	**7,031**	**6,300**

During the reporting period, the Group made loan repayments in the amount of 1,145 thousand euros (2012: 13,664 thousand euros). Interest expense of all interest carrying borrowings of the reporting period amounted to 259 thousand euros (2012: 784 thousand euros), including 48 thousand euros interest expense from convertible bonds. Group´s overdraft facilities with the banks were used in the amount of 2,249 thousand euros as at 30 September 2013 (31 December 2012: 0 thousand euros).

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Changes in 2013

In the second quarter the Group received loan in the amount of 1,000 thousand euros (2012: 0 thousand euros). The loan was received under the annex of the loan agreement that the Group signed in 2012. In the third quarter the Group signed an annex according to which overdraft limits were increased by 1,000 thousand euros.

In August this year convertible H-bonds were converted into shares based on the request that was submitted by a related party. See more in Note 10.

Changes in 2012

In May 2012 the Group signed an agreement with a related party, according to which two-year term convertible bonds were issued. The bonds were paid for partly with monetary contribution (203 thousand euros) and partly by off-setting AS Baltika´s liabilities to the related party (1,297 thousand euros).

Interest carrying loans and bonds of the Group as at 30 September 2013

	Carrying amount	Average risk premium
Borrowings at floating interest rate (based on 1-month and 6-month Euribor)	6,839	EURIBOR+4.54%
Total	**6,839**	

Interest carrying loans and bonds of the Group as at 31 December 2012

	Carrying amount	Average risk premium
Borrowings at floating interest rate (based on 1-month and 6-month Euribor)	4,735	EURIBOR+4.28%
H-bonds (Note 19)	1,500	7.50%
Total	**6,235**	

NOTE 9 Trade and other payables

	30 Sep 2013	31 Dec 2012
Current liabilities		
Trade payables	5,938	4,162
Tax liabilities, thereof	1,127	1,218
Personal income tax	224	171
Social security taxes and unemployment insurance premium	509	454
Value added tax	365	565
Corporate income tax liability	8	11
Other taxes	21	17
Payables to employees[1]	1,053	1,234
Other accrued expenses[2]	130	91
Customer prepayments	8	24
Other current payables	48	276
Total	**8,304**	**7,005**

Non-current liabilities		
Other liabilities	14	25

[1]Payables to employees consist of accrued wages, salaries and vacation reserve.
[2]Accrued expenses include interest payable in the amount of 130 thousand euros (31 December 2012: 79 thousand euros).

Information about the liabilities to related parties is in Note 19.

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Trade payables and other accrues expenses in denominated currency

	30 Sep 2013	31 Dec 2012
EUR (euro)	4,507	2,822
USD (US dollar)	1,343	1,121
GBP (British pound)	69	15
LVL (Latvian lat)	46	98
UAH (Ukrainian hryvnia)	41	45
RUB (Russian rouble)	34	80
LTL (Lithuanian lit)	26	72
Other currencies	2	0
Total	**6,068**	**4,253**

NOTE 10 Equity

Share capital and reserves

	30 Sep 2013	31 Dec 2012
Share capital	8,159	7,159
Number of shares (pcs)	40,794,850	35,794,850
Nominal value of share (EUR)	0.20	0.20
Statutory reserve	1,182	1,182

As at 30 September 2013 and 31 December 2012, under the Articles of Association, the company's minimum share capital is 5,000 thousand euros and the maximum share capital is 20,000 thousand euros. All shares have been paid for. As at 30 September 2013 and 31 December 2012 share capital consists of ordinary shares, that are listed on the Tallinn Stock Exchange.

Changes in 2013

On 6 June 2013 related party, KJK Fund, Sicav-SIF, submitted a request to exchange convertible H-bonds for shares.

In August 2013 the bonds were converted into shares. As the result of the conversion – the borrowings, that had become current borrowings at the moment of request, decreased by 1,500 thousand euros. Equity increased in the same amount: share capital by 1,000 thousand euros and share premium by 500 thousand euros. After the registration of new shares AS Baltika has 40,795 thousand ordinary shares with the nominal value of 0.2 euros per share.

	Number of shares
Number of shares as at 31 Dec 2012	**35 794 850**
Conversion of H-bonds into shares	5 000 000
Number of shares as at 30 Sep 2013	**40 794 850**

Changes in 2012

On 20 April 2012 the annual general meeting of shareholders decided to approve the allocation of loss recommended by the Management Board: statutory reserve was used to cover the 2011 loss by 651 thousand euros and share premium by 89 thousand euros.

The annual general meeting of shareholders also decided to decrease the nominal value of the share from 0.7 euros to 0.2 euros. The meeting also decided to decrease share capital to 7,159 thousand euros: retained earnings increased by 16,715 thousand euros and statutory reserve increased by 1,182 thousand euros.

In May 2012 an agreement with a related party was signed, according to which the equity instrument was offset with convertible bonds.

Convertible bonds

	Issue date	Bond conversion period	Number of convertible bonds 30 Sep 2013	Number of convertible bonds 31 Dec 2012
I-Bond	30 June 2012	01 July 2015 - 31 Dec 2015	2,350,000	2,350,000

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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 of the share 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.

Shareholders as at 30 September 2013

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	6,547,116	16.05%
3. BMIG OÜ*	4,750,033	11.64%
4. Skandinaviska Enskilda Banken Ab clients	3,407,532	8.35%
5. Svenska Handelsbanken clients	1,670,000	4.09%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	743,531	1.82%
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	9,748,114	23.91%
Total	**40,794,850**	**100.00%**

Shareholders as at 31 December 2012

	Number of shares	Holding
1. ING Luxembourg S.A.	7,590,914	21.21%
2. Clearstream Banking Luxembourg S.A. clients	6,556,115	18.32%
3. BMIG OÜ*	4,750,033	13.27%
4. Skandinaviska Enskilda Banken Ab clients	3,407,532	9.52%
5. Svenska Handelsbanken clients	1,690,000	4.72%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	743,531	2.08%
Maire Milder	316,083	0.88%
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	2.80%
7. Other shareholders	9,719,115	27.15%
Total	**35,794,850**	**100.00%**

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

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

NOTE 11 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 and real estate management (in 2012) 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;
- Eastern European region consists of operations in Russia and Ukraine;

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The Parent company's Management Board assesses the performance of the operating segments based on a measure of external revenue and segment profit. External revenue amounts provided to Management Board are measured in a manner consistent with that of the financial statements. The segment profit is an internal measure used in the internally generated reports to assess the performance of the segments and comprises segment's gross profit 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.

The segment information provided to the Management Board for the reportable segments for the period ended on 30 September 2013 and on 30 September 2012 is as follows

	Retail, Baltic region	Retail, Eastern Europe	Whole-sale[1]	Real estate manage-ment	Total
9M 2013 and as at 30 Sep 2013					
Revenue (from external customers)	27,335	11,502	2,822	0	41,659
Segment profit (loss)[2]	5,291	-588	741	0	5,444
Incl. depreciation and amortisation	-460	-309	-5	0	-774
Inventories of segments	5,060	2,261	0	0	7,321
9M 2012 and as at 30 Sep 2012					
Revenue (from external customers)	25,031	12,106	2,606	401	40,144
Segment profit (loss)[2]	4,861	-233	807	372	5,807
Incl. depreciation and amortisation	-579	-303	0	0	-882
Inventories of segments	4,316	2,156	0	0	6,472

[1]The wholesale segment includes the sale of goods, materials and sewing services and the sales from e-commerce.
[2]The segment profit is the segment operating profit, excluding other operating expenses and income.
[3]In 2012 AS Baltika sold its real-estate, which resulted in the Group exiting real-estate business.

Reconciliation of segment profit to consolidated operating profit

	Q3 2013	Q3 2012	9M 2013	9M 2012
Total segment profit	1,459	2,390	5,444	5,807
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-1,319	-1,305	-3,435	-3,341
Administrative and general expenses	-686	-620	-2,128	-1,988
Other operating income (expenses), net	-111	-151	-224	13
Operating profit (loss)	**-657**	**314**	**-343**	**491**

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

Reconciliation of segment inventories to consolidated inventories

	30 Sep 2013	31 Dec 2012	30 Sep 2012
Total inventories of segments	7,321	5,980	6,472
Inventories in Parent company and production company	7,136	5,491	5,366
Inventories on statement of financial position	**14,457**	**11,471**	**11,838**

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NOTE 12 Revenue

	Q3 2013	Q3 2012	9M 2013	9M 2012
Sale of goods	14,170	14,244	41,560	39,567
Lease revenue	0	57	0	401
Other	39	43	99	176
Total	**14,209**	**14,344**	**41,659**	**40,144**

Sales by geographical (client location) areas

	Q3 2013	Q3 2012	9M 2013	9M 2012
Estonia	4,568	4,429	13,717	12,707
Lithuania	2,747	2,832	7,872	7,568
Russia	2,340	2,567	7,220	7,451
Latvia	2,374	2,301	7,048	6,446
Ukraine	1,668	1,769	4,735	4,965
Finland	292	232	637	545
Germany	89	175	276	406
Other countries	131	39	154	56
Total	**14,209**	**14,344**	**41,659**	**40,144**

NOTE 13 Cost of goods sold

	Q3 2013	Q3 2012	9M 2013	9M 2012
Materials and supplies	6,216	5,890	16,686	15,884
Payroll costs in production	728	720	2,315	2,050
Operating lease expenses	166	158	499	474
Other production costs	103	89	324	294
Depreciation of assets used in production (Note 6,7)	49	49	140	154
Change in allowance for inventories	0	0	-460	-350
Total	**7,262**	**6,906**	**19,504**	**18,506**

NOTE 14 Distribution costs

	Q3 2013	Q3 2012	9M 2013	9M 2012
Payroll costs	2,622	2,385	7,900	7,175
Operating lease expenses	2,625	2,480	7,844	7,423
Advertising expenses	396	358	1,033	910
Depreciation and amortisation (Note 6,7)	292	284	884	976
Fuel, heating and electricity costs	173	147	532	491
Fees for card payments	106	98	316	285
Municipal services and security expenses	81	56	251	200
Travel expenses	65	55	202	165
Information technology expenses	44	46	153	141
Communication expenses	36	36	112	105
Consultation and management fees	20	50	105	207
Other sales expenses[1]	347	358	814	1,094
Total	**6,807**	**6,353**	**20,146**	**19,172**

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

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NOTE 15 Administrative and general expenses

	Q3 2013	Q3 2012	9M 2013	9M 2012
Payroll costs[1]	316	296	961	919
Operating lease expenses	111	68	330	81
Information technology expenses	69	60	189	180
Bank fees	60	55	168	185
Depreciation and amortisation (Note 6,7)	32	41	112	188
Fuel, heating and electricity expenses	21	16	76	60
Management, juridical-, auditor´s and other consulting fees	16	15	73	211
Sponsorship, gifts, donations	5	13	30	63
Other administrative expenses[2]	56	56	189	101
Total	**686**	**620**	**2,128**	**1,988**

[1]Payroll costs include payroll expenses for employee services received under the share options programme in the amount of 94 thousand euros (2012: 31 thousand euros).
[2]Other administrative expenses consist of insurance and office, communication, travel, training, municipal and security expenses and other services.

NOTE 16 Other operating income and expenses

	Q3 2013	Q3 2012	9M 2013	9M 2012
Gain from sale of PPE	3	10	6	18
Realization of impaired assets in previous periods	0	1	6	33
Other operating income	0	6	29	7
Impairment of PPE	0	-42	0	-42
Foreign exchange gain (-loss)	-93	-116	-230	32
Fines, penalties and tax interest	-6	0	-10	-5
Other operating expenses	-15	-10	-25	-30
Total	**-111**	**-151**	**-224**	**13**

NOTE 17 Finance income and costs

	Q3 2013	Q3 2012	9M 2013	9M 2012
Interest costs	-82	-191	-259	-784
Foreign exchange income (losses)	-37	53	-142	70
Other finance costs (net)	0	26	-11	-15
Total	**-119**	**-112**	**-412**	**-729**

NOTE 18 Earnings per share

		Q3 2013	Q3 2012	9M 2013	9M 2012
Weighted average number of shares (thousand)	pcs	35,795	35,795	36,543	35,795
Net profit (loss) attributable to equity holders of the parent		-784	201	-763	-271
Basic earnings per share	EUR	**-0.02**	**0.01**	**-0.02**	**-0.01**
Diluted earnings per share	EUR	**-0.02**	**0.01**	**-0.02**	**-0.01**

On 30 September 2013 and 30 September 2012 basic earnings per share was equal to diluted earnings per share.

Diluted earnings per share		**Q3 2012**
Weighted average number of shares (thousand)	pcs	35,795
Adjustments:		
- weighted average of convertible bonds that are dilutive	pcs	5,000
Total weighted average number of shares and convertible bonds		**40,795**
Net profit (loss) attributable to equity holders of the parent		201
Interest expense (convertible bonds)		28
Adjusted net profit (loss) attributable to equity holders of the parent		**229**
Diluted earnings per share	EUR	**0.01**

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The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the nine months of 2013 was 0.80 euros (2012: 0.41 euros).

NOTE 19 Related parties

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

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

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 10);
- members of the Management Board and the Supervisory Council[1];
- close family members of the persons stated above;
- entities under the control or significant influence of the members of the Management Board and Supervisory Council.

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

Transactions with related parties

	Q3 2013	Q3 2012	9M 2013	9M 2012	
	Purchases	Purchases	Purchases	Purchases	Sales
Goods	0	0	0	1	8
Services	55	61	180	180	0
Total	**55**	**61**	**180**	**181**	**8**

In the reporting period AS Baltika bought mostly management, communication and other services from related parties. In the 2012 AS Baltika bought mostly management and other services from related parties.

Balances with related parties

	30 Sep 2013	31 Dec 2012
Other current receivables (Note 4)	0	1
Receivables from related parties total	**0**	**1**

	30 Sep 2013	31 Dec 2012
Other current loans and interests, penalties (Note 8,9)	143	1,592
Trade payables (Note 9)	23	18
Payables to related parties total	**166**	**1,610**

All transactions in 2013 as well as in 2012 reporting periods and balances with related parties as at 30 September 2013 and 31 December 2012 were with entities under the control or significant influence of the members of the Management Board and Supervisory Council and close family members. As at 30 September 2013 and 31 December 2012 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

	Q3 2013	Q3 2012	9M 2013	9M 2012
Salaries of the members of the Management Board[1]	84	62	253	185
Remuneration of the members of the Supervisory Council	5	4	14	17
Total	**89**	**66**	**267**	**202**

[1]In the third quarter there were five members of Management Board (2012 third quarter: four members).

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

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NOTE 20 Subsidiaries

Changes in 2013

In the third quarter of 2013 the structure of Russian market was changed to minimize administrative burden. As at 30 September 2013 subsidiary OOO Kompania „Baltman RUS" does not belong to Group companies. Transaction has no effect to Group assets or results.

Also a change in the Ukrainian market took place in the third quarter. A new company "Baltika Retail Ukraina Ltd" was formed by splitting the already existing company in that market. There is no effect to Group assets or results.

Changes in 2012

On 24 May 2012 AS Baltika acquired the remaining 6,2% of the shares of its subsidiary AS Virulane. As a result of this transaction AS Baltika became the 100% holder of its subsidiary. The difference between the carrying amount of non-controlling interest acquired and the consideration paid was recognised in parent´s equity:

	2012
Carrying amount of non-controlling interest acquired	166
Consideration paid for non-controlling interest	-91
Total (recognised in parent´s equity)	**75**

In June 2012 a merger agreement between Virulane AS and Baltika AS was signed, date of merger was 01 January 2012.

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 30 September 2013: 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 Council of AS Nordecon International,
Member of the Supervisory Councils of AS Rocca al Mare Kool,
Member of the Supervisory Council of AS Haabersti Jäähall,
Member of the Supervisory Councils of AS LHV Pank and AS LHV Group,
Member of the Board of Estonian Chamber of Commerce and Industry,
Member of Estonian Accounting Standards Board.
Baltika shares held on 30 September 2013: 977,837 shares (on AS Genteel account)

REET SAKS
Member of the Supervisory Council since 25.03.1997
Attorney at Raidla Lejins & Norcous 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 30 September 2013: 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 Supervisory Council of Salva Kindlustuse AS,
Member of the Supervisory Council of AS Premia Foods,
Member of the Supervisory Council of AS PKL,
Vice-chairman of the Board of AAS BAN,
Member of the Board of UAB Litagra,
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 Board of Directors, KJK Management SA
Chairman of the Board of Directors, KJK Capital Oy
Member of the Board of Cumulant Capital Fund Management Oy,
Chairman of the Audit Committee of AB Snaige,
Member of the Audit Committee of AB Sanitas,
Member of the Nominations Committee of Kitron ASA.
Baltika shares held on 30 September 2013: 24 590 shares (on Kaima Capital Eesti OÜ account)

VALDO KALM
Member of the Supervisory Council since 20.04.2012
Chairman of the Board of AS EMT
Automation and telemechanics, Tallinn University of Technology
Other assignments:
Chairman of the Board of AS Eesti Telekom
Baltika shares held on 30 September 2013: 0

AS BALTIKA MANAGEMENT BOARD

MEELIS MILDER
Chairman of the Management Board, Group CEO
Chairman of the Board since 1991, in the Group since 1984
Degree in Economic Cybernetics, University of Tartu
Baltika shares held on 30 September 2013: 743,531 shares[1]

MAIGI PÄRNIK-PERNIK
Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika shares 30 September 2013: 0

MAIRE MILDER
Member of the Management Board, Branding and Retail Developing Director
Member of the Board since 2000, in the Group since 1999
Degree in Biology and Geography, University of Tartu
Baltika shares held on 30 September 2013: 316,083 shares (thereof 30,000 shares on Maisan OÜ account)[1]

ANDREW J. D. PATERSON
Member of the Management Board, Commercial Director
Member of the Board since 2008, in the Group since 2003
Baltika shares held on 30 September 2013: 11,000 shares

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 30 September 2013: 0

[1]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").