



**Baltika Group**

## **AS BALTIKA**

### **Consolidated interim report for the second quarter and 6 months of 2014**

Commercial name	AS Baltika
Commercial registry number	10144415
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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 2014 – 31 December 2014
Reporting period	1 January 2014 – 30 June 2014



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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 June 2014 the Group employed 1,248 people (31 December 2013: 1,345, thereof 130 people in Ukrainian subsidiary).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding as at 30 June 2014	Holding as at 31 Dec 2013
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman <sup>1</sup>	Estonia	Retail	100%	100%
SIA Baltika Latvija <sup>1</sup>	Latvia	Retail	100%	100%
UAB Baltika Lietuva <sup>1</sup>	Lithuania	Retail	100%	100%
Baltika Retail Ukraina Ltd <sup>2</sup>	Ukraine	Retail	-	100%
OOO „Olivija“ <sup>1,3</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	Estonia	Real estate management	100%	100%

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

<sup>2</sup>In second quarter Ukrainian subsidiary was sold, see additional information about the transaction in Note 20.

<sup>3</sup>OOO „Olivija“ represents Russian consolidation group, which also includes OOO „Plazma“ and OOO „Stelsing“.



## MANAGEMENT REPORT

### BALTIKA'S UNAUDITED FINANCIAL RESULTS, SECOND QUARTER AND 6 MONTHS OF 2014

Baltika's second-quarter net profit from continuing operations totalled 405 thousand euros, comparative figure in prior year was 641 thousand euros profit.

Group second-quarter net profit including discontinued operations was 648 thousand euros that is 24 thousand euros better result compared to same period in previous year.

In connection with Baltika's exit from the Ukrainian retail business, which represented a major line of business of the Group, the 2014 results of the Ukrainian entity are presented as discontinued operation. Therefore the results of the discontinued operation are reported separately from continuing operations to allow better assessment of the performance of continuing operations. For comparability, the figures for 2013 have been adjusted accordingly.

The Group's second-quarter revenue grew by 257 thousand euros, amounting to 12,970 thousand euros. In line with the strategic objective of placing greater focus on the development of other sales channels and increase sales in e-store and through wholesale and franchise, the proportion of other channels from total revenues has increased. Wholesale and franchise revenues quarterly increase was 41% and e-store sales growth 18%. Second quarter retail revenue remained on the same level as prior year amounting to 12,064 thousand euros. Baltic countries sales grew by 353 thousand euros (+4%) and Russia sales decreased by 338 thousand euros (-15%).

Baltika's second-quarter gross margin was 56.5%, 2.3 percentage points lower compared to the same period in prior year. In addition to heightening of competition in retail and in Russia it is due to weakening of the exchange rate of rouble, the margin is impacted by the increase of other sales channels proportion from revenues.

While the results from Baltics are satisfactory then Group total results were still negatively impacted by results of Russia. Retail sales in Russia decreased in the second quarter by 15% compared to prior year, which were somewhat compensated by cost savings from weakening rouble. Baltika envisages focusing going forward own retail network operating stores in St. Petersburg and Kaliningrad region. New wholesale and franchise partners are sought to operate existing stores or open new stores in other regions.

Half-year result with discontinued operations was a net loss of 1,834 thousand euros, which includes the loss from allowance for assets in Ukraine of 1,095 thousand euros. Half-year result of continued operations was a net loss of 505 thousand euros.

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

- ✎ The Annual General Meeting of AS Baltika, held on 28 April 2014, decided to approve the Annual report for 2013 and profit allocation to retained earnings. Meeting elected the auditors for auditing the financial years 2014-2016 to be AS PricewaterhouseCoopers. Annual General Meeting decided to conditionally increase the share capital of the Company and to issue convertible bonds according to the Terms and Conditions of J-Bonds presented by Council.
- ✎ On 29 April 2014 Baltika signed an agreement by which Baltika Retail Ukraina Ltd (BRU) was sold to OÜ Ellipse Group. The owner of the acquirer is Boriss Loifenfeld, the Baltika's adviser in Eastern European matters. BRU will continue cooperation with Baltika as franchise partner; contract was signed in 29 April for next five years. BRU's assets and liabilities were sold for a price close to carrying amount and as a result of the sales transaction Baltika recognised a receivable from BRU in amount of 1.25 million euros, for what the parties have agreed a five-year settlement schedule. The receivable is secured with BRU's commercial assets. Collectability of this receivable depends on the development of the Ukrainian economy and improvements in the entity's operating results. Baltika will keep the impairment made in the first quarter as allowance reserve for BRU receivable.
- ✎ Financial Supervision Authority approved on 3rd July 2014 the Convertible bond offering prospectus. The offering comprises of 600 bonds with issuance price of 5,000 euros, therefore total of 3,000,000 euros. Bonds with the term of three year bear 6.5% interest p.a. Each bond



gives to its owner the right to subscribe for 10,000 shares of the Company with subscription price 0.5 euros per share. The subscription for the shares will take place from 15 July 2017 10 a.m. until 30 July 2017 2 p.m. The company's shareholders fixed in the share register on 14 July 2014 08:00 a.m. shall be granted the pre-emptive right to subscribe for the bonds. Offer period starts from 14 July 2014 at 10:00 and terminates at 14:00 on 28 July 2014. The bonds to be issued on 28 July 2014 results of the offering will be announced on 29 July 2014.

- ✎ Baltika launched in the second quarter in Estonia and Lithuania new bonus program AndMore. This allows using program advantages in all of Baltika's six different brand stores instead of current by only one brand. In autumn the program will be launched in Latvia and e-store. Bonus program offers to clients among other two times longer return period and personalised offers and discounts.
- ✎ New Monton store was opened in Latvia, Riga Mols shopping centre in April. Baltman store was closed in the same month in Estonia, Viru centre in Tallinn. May changes in retail network took place in Estonia – Ivo Nikkolo store moved to new location within Tallinn Viru centre and new Mosaic store was opened in Foorum, Tallinn. In June one new Monton store was opened in Estonia in Narva Astri centre and one Monton store was closed in Russia in Mir shopping centre in Ufa.

## REVENUE

Management report presents the results of continuing operations unless indicated otherwise. For comparability, the figures for 2013 have been adjusted accordingly.

Baltika's second quarter sales increased by 2%. Fashion retailing growth was largest in wholesale and franchise (+41%), which was followed by e-channel with 18% growth. Retail sales proportion from sales was 93% that is decrease of 2 percentage points compared to same period in previous year. Considering the strategic development of other channels the decrease of retail proportion from total revenues is planned and continuous trend. From retail revenue 84% is retail sales in Baltic region. One important objective in the current year is to increase in retail proportion of sales in Baltics, as the core to the company's economic stability and decrease the proportion of Eastern-Europe direct risks that is of retail.

### Revenue by activity

#### Continued operations

EUR thousand	Q2 2014	Q2 2013	+/-	6m 2014	6m 2013	+/-
Retail	12,064	12,049	0%	23,173	22,827	2%
Wholesale & Franchise	805	572	41%	1,754	1,400	25%
E-com sales	65	55	18%	142	101	41%
Other	36	37	-3%	72	60	20%
<b>Total</b>	<b>12,970</b>	<b>12,713</b>	<b>2%</b>	<b>25,141</b>	<b>24,388</b>	<b>3%</b>

#### Revenue including discontinued operations

EUR thousand	Q2 2014	Q2 2013	+/-	6m 2014	6m 2013	+/-
Retail <sup>1</sup>	12,319	13,600	-9%	24,704	25,889	-5%
Wholesale & Franchise	805	572	41%	1,754	1,400	25%
E-com sales	65	55	18%	142	101	41%
Other	36	37	-3%	72	60	20%
<b>Total</b>	<b>13,225</b>	<b>14,265</b>	<b>-7%</b>	<b>26,672</b>	<b>27,451</b>	<b>-3%</b>

<sup>1</sup>2014 retail revenue includes Ukrainian market sales from January to April until the sale of entity. Comparative period includes the period in full.

### Stores and sales area

Group had 126 stores in the end of the quarter, among which 2 franchise stores in Belarus and 17 franchise stores in Ukraine. During the quarter two new stores were opened in Estonia and one in



Latvia: Mosaic store in Foorum centre in Tallinn, Monton store in Astri centre in Narva and Monton store in Mols centre in Riga. Two stores were closed in the same period: Baltman store in Estonia, Viru shopping centre in Tallinn and Monton store in Russia, Mir centre in Ufa.

### Stores by market

	30 June 2014	30 June 2013	Average area change
Estonia	38	36	3%
Lithuania	28	27	3%
Latvia	22	17	15%
Russia	19	19	0%
Ukraine <sup>1</sup>	17	16	5%
Belarus <sup>2</sup>	2	0	-
<b>Total stores</b>	<b>126</b>	<b>115</b>	
<b>Total sales area, sqm</b>	<b>24,112</b>	<b>22,575</b>	<b>6%</b>

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

<sup>1</sup>Franchise shops with total sales area of 3 335 m<sup>2</sup> in comparative figures is part of the discontinued operations

<sup>2</sup>Monton franchise shops with total sales area of 380 sqm

### Retail

Second quarter retail revenue 12,064 thousand euros stayed at the level of same period in previous year. This includes the Baltic countries which sales grew by 353 thousand euros (+4%) and Russia with 338 thousand euros decrease (-15%).

The sales revenue growth in second quarter was continued similarly to first quarter to be driven by Latvia with 16%, followed by Lithuania with 6%. Sales declined in Estonia by 4%. One of the reasons behind the decrease is closing of Monton flagship store in Viru centre in the end of first quarter. Going forward the availability of Monton in Tallinn downtown will be provided through shop-in-shop in Tallinna Kaubamaja that will be opened in August 2014. Quarter total the average sales area decreased in Estonia by 2% compared to same period in previous year.

Group retail results were continued to be negatively impacted by Russia. Russian market showed signs of improvement in May, but the quarter results in total were not satisfactory.

### Retail sales by market

EUR thousands	Q2 2014	Q2 2013	+/-	Share	6m 2014	6m 2013	+/-	Share
Estonia	4,516	4,717	-4%	38%	8,718	8,580	2%	38%
Lithuania	2,795	2,631	6%	23%	5,458	5,095	7%	24%
Latvia	2,790	2,400	16%	23%	5,198	4,472	16%	22%
Russia	1,963	2,301	-15%	16%	3,799	4,680	-19%	16%
<b>Total</b>	<b>12,064</b>	<b>12,049</b>	<b>0%</b>	<b>100%</b>	<b>23,173</b>	<b>22,827</b>	<b>2%</b>	<b>100%</b>

Second quarter average operating area in the Baltic countries was 3% larger than that of previous year same period. The changes are very different by markets, Latvia with the smallest operating area in Baltics average sales area growth was 14% while Estonia, as the one with largest operating area, decreased by 2%. In accordance with forecasts best sales efficiency growth was in Lithuania, which has showed stable growth of 4% in both second quarter and half-year total. The negative impact from Russia resulted in quarterly sales efficiency decrease by 2% and the half-year total figure was a decline of 3%.

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

	Q2 2014	Q2 2013	+/-	6m 2014	6m 2013	+/-
Estonia	238	244	-2%	220	224	-2%
Lithuania	165	159	4%	162	156	4%
Latvia	232	227	2%	222	219	1%
Russia	157	180	-13%	155	191	-19%
<b>Total</b>	<b>200</b>	<b>204</b>	<b>-2%</b>	<b>191</b>	<b>197</b>	<b>-3%</b>

In local currency the sales efficiency growth in Russia was 1% in the second quarter.

**Brands**

Baltika's largest brand Monton growth was hindered by substantial sales decrease in Russia, the largest distributor of Monton in the second quarter. Setback came also from Estonian market due to closing of Viru centre store in Tallinn in the end of first quarter. The growth in both Latvia and Lithuania were strong.

**Retail revenue by brand**

EUR thousands	Q2 2014	Q2 2013	+/-	Share	6m 2014	6m 2013	+/-	Share
Monton	5,285	5,590	-5%	44%	10,428	10,674	-2%	45%
Mosaic	4,070	3,852	6%	34%	7,270	7,203	1%	32%
Baltman	1,244	1,311	-5%	10%	2,396	2,333	3%	10%
Ivo Nikkolo	938	876	7%	8%	2,027	1,801	13%	9%
Bastion	389	359	8%	3%	782	693	13%	3%
Blue Inc	138	0	0%	1%	252	0	0%	1%
Other	0	61	-100%	0%	18	123	-86%	0%
<b>Total</b>	<b>12,064</b>	<b>12,049</b>	<b>0%</b>	<b>100%</b>	<b>23,173</b>	<b>22,827</b>	<b>2%</b>	<b>100%</b>

Bastion, the newest in Baltika's brand portfolio, showed good results with 8% growth owing to stable and sound collection. The integration of Bastion brand into the Group has been successful. The results of Ivo Nikkolo with 7% and Mosaic with 6% growth are also satisfactory.

Baltman, as the premium brand with least amount of stores, sales decrease of 5% was significantly impacted by closing of Viru centre Baltman store on the Estonian market.

**Wholesale and e-com**

Sales result of wholesale (includes both wholesale and franchise clients) was 805 thousand euros in 2014 second quarter, an increase of 233 thousand euros i.e. 41% compared to previous year. Sales result of e-com grew 18% and was in total 65 thousand euros.

Active work to find new franchise and wholesale partners continues. For example new showrooms have been opened in Portugal and Russia in current year that allow examining Baltika's collections.

**OPERATING EXPENSES AND NET PROFIT**

Baltika's second-quarter gross margin was 56.5% that is 2.3 percentage points down from same period in previous year. In the Baltic region, prices remain under strong pressure due to heightening competition, in Russia, it is due to weakening of the exchange rate of rouble. The growth of sales proportion to wholesale and franchise clients also impacts the margin. The margins are lower in case of wholesale and franchise clients as there is neither any retail distribution expense nor the risks related to it. Total quarter gross profit was 7,331 thousand euros and the first half-year gross profit was 13,248 thousand euros. Herewith the half-year gross profit decreased compared to same period in previous year by 314 thousand euros, i.e. 2%.

Group distribution expense in second quarter was 6,090 thousand euros, growth of 4% compared to same period in previous year. Main reason behind the increase of distribution expense is the opening of new stores: operating area increased by 2% in the second quarter. The largest growth in distribution expense came from Latvia, which number of stores has increased by 5 (total of 22) and average



operating area by 14%. Group half-year distribution expense amounted to 12,044 thousand euros, increase of 4% compared to the same period in previous year.

In the second quarter general and administrative expense of 751 thousand euros was on same level as prior year. Half-year general and administrative expense was 1,468 thousand euros, increasing by 2% compared same period in prior year.

Half-year operating expense ratio to revenue was 54%, increase of 1 percentage points.

Other net operating expense was 17 thousand euros resulting in operating profit of 507 thousand euros. 2014 first half-year operating loss was 319 thousand euros.

Second quarter net financial expense was 92 thousand euros. Half-year net financial expense was 171 thousand euros that is 122 thousand euros less than in prior year. The reason is the foreign exchange loss in the period in prior year when its current year impact on financial income and expense is not significant.

The second quarter continued operations resulted in 405 thousand euros net profit. With the results of discontinued operations the second quarter net profit was 648 thousand euros. Half-year net loss was 1,834 thousand euros. The half-year result decline of 1,855 thousand euros is mainly due to allowance made for Ukrainian market assets and weak results from Eastern-European market.

### FINANCIAL POSITION

As at 30 June 2014, Group inventories totalled 14,056 thousand euros, 305 thousand euros growth compared to prior year-end. Considering that Ukrainian market inventories as franchise partners stock are not recorded on Baltika Group balance sheet, the increase is over one million euros. Main reason for the growth in addition to seasonal changes depending on the purchase cycle is increase of new collection stock.

Trade and other payables balance was 8,087 thousand euros as at 30 June 2014, increase of 584 thousand euros compared to prior year-end. Increase is due to start of autumn-winter buy-in.

The second quarter cash-flow from operating activities was 203 thousand, prior year same period cash-flow was 179 thousand euros. Meanwhile the company repaid loans in accordance with schedule and made investments, which resulted in second quarter net cash inflow of 15 thousand euros.

Bonds issuance taking place in third quarter will allow to continue carrying-out the planned investments and finance working capital if needed.

As at 30 June 2014 the Group's net debt (interest-bearing liabilities less cash and cash equivalents) was 5,736 thousand euros, which has increased by 1,283 thousand euros compared to the end of last year. The net debt to equity ratio was 62% as at 30 June 2014 (31.12.2013: 39%). Allowance recorded for receivable from Ukrainian entity reduced the owners' equity and therefore the ratio is not meeting the target set to maintain the net debt ration below 50%.

### PEOPLE

As at 30 June 2014, Baltika Group employed a total of 1,248 people that is 97 people less than as at 31 December 2013 (1,345): 654 (31.12.2013: 752) in the retail system, 397 (31.12.2013: 400) in manufacturing and 197 (31.12.2013: 193) at the head office and logistics centre. This includes decrease of 130 employees due to sale of Baltika Retail Ukraina, therefore in total the amount of staff in continued operations increased, mainly in retail system of Latvia and Estonia. The 2014 second quarter average number of staff was 1,283 (II quarter 2013: 1,310).

Baltika Group employees remuneration expense of continued operations in the first half-year amounted to 5,549 thousand euros (I half-year of 2013: 5,212 thousand euros). The accrued remuneration with taxes, of the members of the Supervisory Council and Management Board totalled 196 thousand euros (I half-year 2013: 178 thousand euros).





## KEY FIGURES OF THE GROUP (II QUARTER AND 6 MONTHS OF 2014)

	Q2 2014 <sup>1</sup>	Q2 2014 <sup>2</sup>	Q2 2013	Q2 2012	Q2 2011
Revenue (EUR thousand)	12,970	12,713	14,264	13,157	12,642
Retail sales (EUR thousand)	12,064	12,049	13,600	12,376	12,092
Share of retail sales in revenue	93%	95%	95%	94%	96%
Gross margin	56.5%	58.8%	59.2%	59.0%	58.0%
EBITDA (EUR thousand)	804	1,221	1,226	1,408	521
EBITDA margin	6.2%	9.6%	8.6%	10.7%	4.1%
Operating margin	3.9%	6.7%	5.9%	7.4%	-0.8%
EBT margin	3.2%	5.0%	4.4%	4.4%	-3.5%
Net margin	3.1%	5.0%	4.4%	4.3%	-3.5%

<b>Sales activity key figures</b>	6M and 30 June 2014 <sup>1</sup>	6M and 30 June 2013 <sup>2</sup>	6M and 30 June 2013	6M and 30 June 2012	6M and 30 June 2011
Revenue (EUR thousand)	25,141	24,388	27,450	25,800	24,413
Retail sales (EUR thousand)	23,173	22,827	25,889	23,907	22,847
Share of retail sales in revenue	92%	94%	94%	93%	94%
Share of exports in revenue	63%	64%	69%	70%	73%
Number of stores	109	99	115	106	116
Sales area at the end of period (sqm)	20,777	19,359	22,575	21,368	23,582
Number of employees (end of period)	1,248	1,196	1,321	1,289	1,420
Gross margin	52.7%	55.6%	55.4%	55.0%	54.1%
EBITDA (EUR thousand)	291	1,204	1,072	1,123	-930
EBITDA margin	1.2%	4.9%	3.9%	4.4%	-3.8%
Operating margin	-1.3%	2.0%	1.1%	0.7%	-9.0%
EBT margin	-1.9%	0.8%	0.1%	-1.7%	-11.5%
Net margin	-2.0%	0.8%	0.1%	-1.8%	-11.5%
Inventory turnover	1.86	1.97	2.07	2.08	2.05

<b>Other ratios<sup>3</sup></b>	6M and 30 June 2014	6M and 30 June 2013	6M and 30 June 2013	6M and 30 June 2012	6M and 30 June 2011
Current ratio	1.5	1.9	1.9	1.8	1.3
Net gearing ratio	61.7%	43.3%	43.3%	207.2%	201.1%
Return on equity	-17.6%	0.2%	0.2%	-4.8%	-51.3%
Return on assets	-7.6%	0.1%	0.1%	-1.3%	-15.5%

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

<sup>2</sup>For comparability, the figures for second quarter and six months of 2013 have been adjusted accordingly.

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

**Definitions of key ratios**

EBITDA = Operating profit-amortisation, depreciation and loss from disposal of fixed assets

EBITDA margin = EBITDA/Revenue

Gross margin = (Revenue-Cost of goods sold)/Revenue

Operating margin = Operating profit/Revenue

EBT margin = Profit before income tax/Revenue

Net margin = Net profit (attributable to parent)/Revenue

Current ratio = Current assets/Current liabilities

Inventory turnover = Cost of goods sold/Average inventories\*

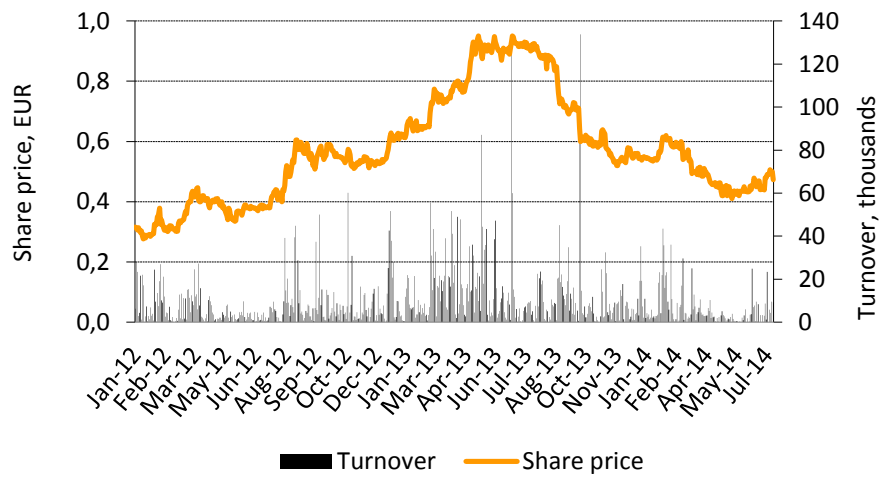
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)/Equity

Return on equity (ROE) = Net profit (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  
21 July 2014

Maigi Pärnik-Pernik  
Member of the Management Board  
21 July 2014

Maire Milder  
Member of the Management Board  
21 July 2014

Andrew J. D. Paterson  
Member of the Management Board  
21 July 2014

Kati Kusmin  
Member of the Management Board  
21 July 2014



## 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 second quarter and six months of 2014 as presented on pages 12-32.

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  
21 July 2014

Maigi Pärnik-Pernik  
Member of the Management Board  
21 July 2014

Maire Milder  
Member of the Management Board  
21 July 2014

Andrew J. D. Paterson  
Member of the Management Board  
21 July 2014

Kati Kusmin  
Member of the Management Board  
21 July 2014

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	30 June 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	509	852
Trade and other receivables	4	1,287	1,514
Inventories	5	14,056	13,751
<b>Total current assets</b>		<b>15,852</b>	<b>16,117</b>
<b>Non-current assets</b>			
Deferred income tax asset		494	494
Other non-current assets	4	784	1,013
Property, plant and equipment	6	2,791	3,023
Intangible assets	7	3,725	3,693
<b>Total non-current assets</b>		<b>7,794</b>	<b>8,223</b>
<b>TOTAL ASSETS</b>		<b>23,646</b>	<b>24,340</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	8	2,255	3,158
Trade and other payables	9	8,087	7,503
<b>Total current liabilities</b>		<b>10,342</b>	<b>10,661</b>
<b>Non-current liabilities</b>			
Borrowings	8	4,014	2,171
<b>Total non-current liabilities</b>		<b>4,014</b>	<b>2,171</b>
<b>TOTAL LIABILITIES</b>		<b>14,356</b>	<b>12,832</b>
<b>EQUITY</b>			
Share capital at par value	10	8,159	8,159
Share premium		747	684
Reserves	10	1,182	1,182
Retained earnings		2,573	2,471
Net profit (loss) for the period		-1,834	102
Currency translation differences		-1,537	-1,090
<b>TOTAL EQUITY</b>		<b>9,290</b>	<b>11,508</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>23,646</b>	<b>24,340</b>

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

	Note	Q2 2014	Q2 2013	6M 2014	6M 2013
<b>Continuing operations</b>					
Revenue	11,12	12,970	12,713	25,141	24,388
Cost of goods sold	13	-5,639	-5,232	-11,893	-10,826
<b>Gross profit</b>		<b>7,331</b>	<b>7,481</b>	<b>13,248</b>	<b>13,562</b>
Distribution costs	14	-6,090	-5,830	-12,044	-11,541
Administrative and general expenses	15	-751	-707	-1,468	-1,442
Other operating income	16	21	43	18	43
Other operating expenses	16	-4	-129	-73	-127
<b>Operating profit (loss)</b>		<b>507</b>	<b>858</b>	<b>-319</b>	<b>495</b>
Finance income	17	0	-17	0	0
Finance costs	17	-92	-200	-171	-293
<b>Profit (loss) before income tax</b>		<b>415</b>	<b>641</b>	<b>-490</b>	<b>202</b>
Income tax expense		-10	0	-15	0
<b>Net profit (loss) from continuing operations</b>		<b>405</b>	<b>641</b>	<b>-505</b>	<b>202</b>
Net profit (loss) for the period from discontinued operations	20	243	-17	-1,329	-181
<b>Net profit (loss) for the period</b>		<b>648</b>	<b>624</b>	<b>-1,834</b>	<b>21</b>
Basic earnings per share, EUR					
Continuing operations	18	0.02	0.02	-0.04	0.00
Discontinued operations		0.01	0.02	-0.01	0.01
Diluted earnings per share, EUR					
Continuing operations	18	0.02	0.02	-0.04	0.00
Discontinued operations		0.01	0.02	-0.01	0.01
Discontinued operations		0.01	0.00	-0.03	-0.01



### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Q2 2014	Q2 2013	6M 2014	6M 2013
<b>Net profit (loss) for the period</b>	<b>648</b>	<b>624</b>	<b>-1,834</b>	<b>21</b>
<b>Other comprehensive income (loss)</b>				
Items that subsequently might be classified to profit or loss statement:				
Currency translation differences	-221	-113	-447	-93
<b>Total comprehensive income (loss)</b>	<b>427</b>	<b>511</b>	<b>-2,281</b>	<b>-72</b>

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	Q2 2014	Q2 2013	6M 2014	6M 2013
<b>Operating activities</b>					
Operating profit (loss)		507	858	-319	495
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	13-15	327	389	639	763
Gain (loss) from sale, impairment of PPE, non-current assets, net		5	9	3	10
Net profit (loss) of discontinued operation		243	-17	-1,329	-181
Loss from impairment of PPE of discontinued operation		0	0	166	0
Other non-monetary expenses		-343	22	-263	41
Changes in working capital:					
Change in trade and other receivables	4	114	54	456	-42
Change in inventories	5	-1,646	-1,917	-305	-1,900
Change in trade and other payables	9	1,099	853	583	82
Interest paid		-84	-72	-161	-138
Income tax paid		-19	0	-24	0
<b>Net cash generated from (used in) operating activities</b>		<b>203</b>	<b>179</b>	<b>-554</b>	<b>-870</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment, intangibles	6, 7	-324	-424	-725	-1,466
Proceeds from disposal of PPE		1	5	3	5
<b>Net cash used in investing activities</b>		<b>-323</b>	<b>-419</b>	<b>-722</b>	<b>-1,461</b>
<b>Financing activities</b>					
Received borrowings	8	0	1,000	0	1,000
Repayments of borrowings	8	-273	-358	-547	-718
Change in bank overdraft	8	417	-381	1,507	804
Repayments of finance lease		-9	-10	-21	-15
Redemption of share options		0	-1	0	-4
<b>Net cash used in financing activities</b>		<b>135</b>	<b>250</b>	<b>939</b>	<b>1,067</b>
<b>Total cash flows</b>		<b>15</b>	<b>10</b>	<b>-337</b>	<b>-1,264</b>
<b>Cash and cash equivalents at the beginning of the period</b>	3	<b>458</b>	<b>815</b>	<b>852</b>	<b>2,078</b>
Effect of exchange gains on cash and cash equivalents		36	-39	-6	-28
<b>Cash and cash equivalents at the end of the period</b>	3	<b>509</b>	<b>786</b>	<b>509</b>	<b>786</b>
<b>Change in cash and cash equivalents</b>		<b>51</b>	<b>-29</b>	<b>-343</b>	<b>-1,292</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Attributable to the equity holders of the parent

	Share capital	Unregistered share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total
<b>Balance as at 31 Dec 2012</b>	<b>7,159</b>	<b>0</b>	<b>63</b>	<b>1,182</b>	<b>2,471</b>	<b>-689</b>	<b>10,186</b>
Profit for the period	0	0	0	0	21	0	21
Other comprehensive loss	0	0	0	0	0	-93	-93
<b>Total comprehensive profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>-93</b>	<b>-72</b>
Equity-settled share-based transactions (Note 15)	0	0	62	0	0	0	62
Conversion of bonds to share capital (Note 10)	0	1,500	0	0	0	0	1,500
<b>Balance as at 30 June 2013</b>	<b>7,159</b>	<b>1,500</b>	<b>125</b>	<b>1,182</b>	<b>2,492</b>	<b>-782</b>	<b>11,676</b>
<b>Balance as at 31 Dec 2013</b>	<b>8,159</b>	<b>0</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	0	-1,834	0	-1,834
Other comprehensive loss	0	0	0	0	0	-447	-447
<b>Total comprehensive loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,834</b>	<b>-447</b>	<b>-2,281</b>
Equity-settled share-based transactions (Note 15)	0	0	63	0	0	0	63
<b>Balance as at 30 June 2014</b>	<b>8,159</b>	<b>0</b>	<b>747</b>	<b>1,182</b>	<b>739</b>	<b>-1,537</b>	<b>9,290</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 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 first quarter ended 30 June 2014 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 2013, 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 2013. New and revised standards and interpretations effective from 1 January 2014 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 from continuing operations not pegged to euro constitute 16% (2013: 38%). Most important currencies in retail markets are LTL (Lithuanian lit), RUB (Russian rouble). 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.

On 1st January 2014 the Republic of Latvia joined the Euro area and adopted the Euro as its national currency, replacing Latvian lat.



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 following:

<b>Average currencies</b>	<b>6M 2014</b>	<b>6M 2013</b>
RUB (Russian rouble)	-17.76%	-2.63%
USD (US dollar)	-4.33%	-1.30%

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

**Balance-sheet date rates (30 June 2014; 31 Dec 2013)**

RUB (Russian rouble)	-2.32%
USD (US dollar)	-4.42%

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 2014 and 2013. 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. 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 or Euonia 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 June 2014 and 31 December 2013 were subject to a floating interest rate based on Euribor, which is fixed every six months (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 mostly prepayments are required or in some cases 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.



With the sale of subsidiary on 29 April 2014 the largest receivable is from Ukrainian entity, for which allowance of 1,095 thousand euros was recorded at the time. The receivable holds high risk as collection depends on the economic and political situation of the Ukrainian market. Management follows at dispatching the compliance with agreed credit limits and evaluates the adequacy of amount of allowance reserve.

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.

At 30 June 2014 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted 1,087 thousand euros (31 December 2013: 1,069 thousand euros) on a net basis after the allowances already made previously.

### 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 June 2014 was 927 thousand euros (31 December 2013: 1,000 thousand euros).

### Financial liabilities by maturity at 30 June 2014

	Carrying amount	Undiscounted cash flows <sup>1</sup>		Total
		1-12 months	1-5 years	
Loans (Note 8) <sup>2</sup>	6,111	2,480	3,983	6,463
Finance lease liabilities (Note 8)	134	40	104	144
Convertible bonds (Note 8)	24	0	24	24
Trade payables (Note 9)	5,395	5,395	0	5,395
Other financial liabilities	7	7	0	7
<b>Total</b>	<b>11,671</b>	<b>7,922</b>	<b>4,111</b>	<b>12,033</b>

### Financial liabilities by maturity at 31 December 2013

	Carrying amount	Undiscounted cash flows <sup>1</sup>		Total
		1-12 months	1-5 years	
Loans (Note 8) <sup>2</sup>	5,150	3,346	2,158	5,504
Finance lease liabilities (Note 8)	155	42	135	177
Convertible bonds (Note 8)	24	0	24	24
Trade payables (Note 9)	4,966	4,966	0	4,966
Other financial liabilities	2	2	0	2
<b>Total</b>	<b>10,297</b>	<b>8,356</b>	<b>2,317</b>	<b>10,673</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.

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.



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 2013 this goal was achieved. However in the end of second quarter 2014 the ratio was 62%. There are number of factors affecting this: result of discontinued operation (see also Note 20), but also increase in borrowings.

#### **Net gearing ratio**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Interest carrying borrowings (Note 8)	6,245	5,305
Cash and bank (Note 3)	-509	-852
Net debt	5,736	4,453
Total equity	9,290	11,508
<b>Total capital to net debt ratio</b>	<b>62%</b>	<b>39%</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 30 June 2014 and 31 December 2013. 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.

**NOTE 3 Cash and cash equivalents**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Cash on hand	111	295
Cash at bank and overnight deposits	398	557
<b>Total</b>	<b>509</b>	<b>852</b>

**Cash and cash equivalents by currency**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
RUB (Russian rouble)	261	241
EUR (euro)	168	173
LTL (Lithuanian lit)	80	126
UAH (Ukrainian hryvnia)	0	213
LVL (Latvian lat)	0	99
<b>Total</b>	<b>509</b>	<b>852</b>

**NOTE 4 Trade and other receivables**

<b>Short-term trade and other receivables</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Trade receivables, net	776	755
Other prepaid expenses	435	617
Tax prepayments and tax reclaims, thereof	46	79
Value added tax	19	41
Prepaid income tax	13	13
Other taxes	14	25
Other current receivables	30	63
<b>Total</b>	<b>1,287</b>	<b>1,514</b>

**Long-term assets**

Non-current lease prepayments	380	549
Other long-term receivables	404	464
<b>Total</b>	<b>784</b>	<b>1,013</b>

Information about the receivables from related parties is in Note 19. Information about discontinued operations in Note 20.

**Trade receivables**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Trade receivables, gross	1,855	755
Allowance for impairment of trade receivables	-1,079	0
<b>Trade receivables, net</b>	<b>776</b>	<b>755</b>

See also additional information in Note 20.

**Trade receivables (net) by due date**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Not due	647	621
Up to 1 month past due	31	59
1-3 months past due	50	73
3-6 months past due	48	2
<b>Total</b>	<b>776</b>	<b>755</b>

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

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
EUR (euro)	689	580
RUB (Russian rouble)	73	87
LTL (Lithuanian lit)	14	24
LVL (Latvian lat)	0	45
UAH (Ukrainian hryvnia)	0	19
<b>Total</b>	<b>776</b>	<b>755</b>

**NOTE 5 Inventories**

	30 June 2014	31 Dec 2013
Fabrics and accessories	2,346	2,192
Work-in-progress	72	72
Finished goods and goods purchased for resale	10,793	11,306
Allowance for impairment of finished goods and goods purchased for resale	0	-342
Prepayments to suppliers	845	523
<b>Total</b>	<b>14,056</b>	<b>13,751</b>

Information about discontinued operations in Note 20.

**NOTE 6 Property, plant and equipment**

	Buildings and structures	Machinery and equipment	Other fixtures	Pre- payments, PPE not in use	Total
<b>31 December 2012</b>					
<b>Acquisition cost</b>	<b>3,975</b>	<b>5,480</b>	<b>6,645</b>	<b>3</b>	<b>16,103</b>
Accumulated depreciation	-3,303	-4,786	-5,758	0	-13,847
<b>Net book amount</b>	<b>672</b>	<b>694</b>	<b>887</b>	<b>3</b>	<b>2,256</b>
Additions	427	125	528	136	1,216
Reclassifications from inventories	0	0	1	1	2
Disposals	-12	-2	-1	0	-15
Reclassifications to inventory	0	0	-6	0	-6
Reclassification	76	-33	53	-96	0
Depreciation	-220	-168	-231	0	-619
Currency translation differences	-13	-9	-12	0	-34
<b>30 June 2013</b>					
Acquisition cost	4,122	5,262	6,890	44	16,318
Accumulated depreciation	-3,192	-4,655	-5,671	0	-13,518
<b>Net book amount</b>	<b>930</b>	<b>607</b>	<b>1,219</b>	<b>44</b>	<b>2,800</b>
<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	191	62	287	6	546
Disposals, impairments	-91	-16	-65	0	-172
Depreciation	-175	-149	-207	0	-531
Currency translation differences	-40	-10	-25	0	-75
<b>30 June 2014</b>					
<b>Acquisition cost</b>	<b>3,859</b>	<b>5,347</b>	<b>6,528</b>	<b>6</b>	<b>15,740</b>
Accumulated depreciation	-3,048	-4,735	-5,166	0	-12,949
<b>Net book amount</b>	<b>811</b>	<b>612</b>	<b>1,362</b>	<b>6</b>	<b>2,791</b>

Information about discontinued operations in Note 20.

**NOTE 7 Intangible assets**

	Licenses, software and other	Trade- marks	Prepayments	Goodwill	Total
<b>31 December 2012</b>					
<b>Acquisition cost</b>	<b>2,296</b>	<b>1,243</b>	<b>0</b>	<b>2,279</b>	<b>5,818</b>
Accumulated depreciation	-1,464	-204	0	0	-1,668
<b>Net book amount</b>	<b>832</b>	<b>1,039</b>	<b>0</b>	<b>2,279</b>	<b>4,150</b>
Additions	12	0	39	0	51
Amortisation	-130	-22	0	0	-152
Currency translation differences	-2	0	0	-105	-107
<b>30 June 2013</b>					
<b>Acquisition cost</b>	<b>2,297</b>	<b>1,243</b>	<b>39</b>	<b>2,174</b>	<b>5,753</b>
Accumulated depreciation	-1,585	-226	0	0	-1,811
<b>Net book amount</b>	<b>712</b>	<b>1,017</b>	<b>39</b>	<b>2,174</b>	<b>3,942</b>
<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	4	0	175	0	179
Disposals, impairments	-1	0	0	0	-1
Amortisation	-86	-22	0	0	-108
Currency translation differences	-2	0	0	-36	-38
<b>30 June 2014</b>					
<b>Acquisition cost</b>	<b>2,074</b>	<b>1,243</b>	<b>175</b>	<b>2,047</b>	<b>5,539</b>
Accumulated depreciation	-1,543	-271	0	0	-1,814
<b>Net book amount</b>	<b>531</b>	<b>972</b>	<b>175</b>	<b>2,047</b>	<b>3,725</b>

**NOTE 8 Borrowings**

	30 June 2014	31 Dec 2013
<b>Current borrowings</b>		
Current portion of non-current bank loans	1,096	2,341
Current bank loans	998	652
Current portion of finance lease liabilities	35	39
Other current loans (Note 19)	126	126
<b>Total</b>	<b>2,255</b>	<b>3,158</b>
<b>Non-current borrowings</b>		
Non-current bank loans	3,891	2,031
Non-current finance lease liabilities	99	116
Convertible bonds, share options (Note 19)	24	24
<b>Total</b>	<b>4,014</b>	<b>2,171</b>
<b>Total borrowings</b>	<b>6,269</b>	<b>5,329</b>

During the reporting period, the Group made loan repayments in the amount of 548 thousand euros (2013: 718 thousand euros). Interest expense of all interest carrying borrowings of the reporting period amounted to 171 thousand euros, including 4 thousand euros interest expense from the loan of related party (2013: 177 thousand euros, including 48 thousand euros interest expense from convertible bonds). Group's overdraft facilities with the banks were used in the amount of 3,073 thousand euros as at 30 June 2014 (31 December 2013: 1,566 thousand euros).



*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.

**Interest carrying loans and bonds of the Group as at 30 June 2014**

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia and 6-month Euribor)	EURIBOR vői EONIA +4,45%	5,985
Borrowings at fixed interest rate (Note 19)	7.00%	126
<b>Total</b>		<b>6,111</b>

**Interest carrying loans and bonds of the Group as at 31 December 2013**

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR or EONIA +4,36%	5,024
Borrowings at fixed interest rate (Note 19)	7.00%	126
<b>Total</b>		<b>5,150</b>

**NOTE 9 Trade and other payables**

	30 June 2014	31 Dec 2013
<b>Current liabilities</b>		
Trade payables	5,395	4,966
Tax liabilities, thereof	1,260	1,352
Personal income tax	239	228
Social security taxes and unemployment insurance premium	546	539
Value added tax	442	541
Corporate income tax liability	8	17
Other taxes	25	27
Payables to employees <sup>1</sup>	1,210	1,088
Other accrued expenses	7	2
Customer prepayments	115	20
Other current payables	100	75
<b>Total</b>	<b>8,087</b>	<b>7,503</b>

<sup>1</sup>Payables to employees consist of accrued wages, salaries and vacation reserve.

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

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

	30 June 2014	31 Dec 2013
EUR (euro)	4,019	3,526
USD (US dollar)	1,213	1,189
GBP (British pound)	105	66
LTL (Lithuanian lit)	37	71
RUB (Russian rouble)	28	21
LVL (Latvian lat)	0	71
UAH (Ukrainian hryvnia)	0	24
<b>Total</b>	<b>5,402</b>	<b>4,968</b>

**NOTE 10 Equity****Share capital and reserves**

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
Share capital	8,159	8,159
Number of shares (pcs)	40,794,850	40,794,850
Nominal value of share (EUR)	0.20	0.20
Statutory reserve	1,182	1,182

As at 30 June 2014 and 31 December 2013, 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 June 2014 and 31 December 2013 share capital consists of ordinary shares, that are listed on the Tallinn Stock Exchange.

**Convertible bonds**

	<b>Issue date</b>	<b>Share subscription period</b>	<b>Number of convertible bonds 30 June 2014</b>	<b>Number of convertible bonds 31 Dec 2013</b>
I-Bond	30 June 2012	01 July 2015 - 31 Dec 2015	2,350,000	2,350,000

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.

*Conditional increase of share capital in 2014*

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 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 subscription price.

The bond subscription period and issuance date is in July 2014.

**Shareholders as at 30 June 2014**

	<b>Number of shares</b>	<b>Holding</b>
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	6,466,215	15.85%
3. BMIG OÜ*	4,750,033	11.64%
4. SKANDINAVISKA ENSKILDA BANKEN S.A.	3,414,700	8.37%
5. Svenska Handelsbanken clients	1,625,000	3.98%
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	9,864,047	24.19%
<b>Total</b>	<b>40,794,850</b>	<b>100.00%</b>

**Shareholders as at 31 December 2013**

	<b>Number of shares</b>	<b>Holding</b>
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	6,505,350	15.95%
3. BMIG OÜ*	4,750,033	11.64%
4. SKANDINAVISKA ENSKILDA BANKEN S.A.	3,414,700	8.37%
5. Svenska Handelsbanken clients	1,645,000	4.03%
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	9,807,712	24.05%
<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 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 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.

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 (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	Retail, Eastern Europe	Wholesale <sup>1</sup>	Total
<b>2 quarter 2014</b>				
Revenue (from external customers)	10,101	1,963	906	12,970
Segment profit (loss) <sup>2</sup>	2,506	-44	347	2,809
Incl. depreciation and amortisation	-149	-44	-2	-195
<b>2 quarter 2013</b>				
Revenue (from external customers)	9,748	2,301	664	12,713
Segment profit (loss) <sup>2</sup>	2,783	152	142	3,077
Incl. depreciation and amortisation	-153	-77	-3	-233
<b>6M 2014 and as at 30 June 2014</b>				
Revenue (from external customers)	19,374	3,799	1,968	25,141
Segment profit (loss) <sup>2</sup>	3,577	-260	615	3,932
Incl. depreciation and amortisation	-303	-97	-3	-403
Inventories of segments	4,022	1,081	0	5,103
<b>6M 2013 and as at 30 June 2013</b>				
Revenue (from external customers)	18,147	4,680	1,561	24,388
Segment profit (loss) <sup>2</sup>	3,781	-40	386	4,127
Incl. depreciation and amortisation	-305	-150	-3	-458
Inventories of segments	3,551	953	0	4,504
<i>thereof inventories of discontinued operations</i>	0	793	0	793

<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**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Total segment profit	2,809	3,077	3,932	4,127
Unallocated expenses <sup>1</sup> :				
Costs of goods sold and distribution costs	-1,568	-1,426	-2,728	-2,106
Administrative and general expenses	-751	-707	-1,468	-1,442
Other operating income (expenses), net	17	-86	-55	-84
<b>Operating profit (loss)</b>	<b>507</b>	<b>858</b>	<b>-319</b>	<b>495</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**

	30 June 2014	31 Dec 2013	30 June 2013
Total inventories of segments	5,103	6,817	4,504
Inventories in Parent company and production company	8,953	6,934	7,878
<b>Inventories on statement of financial position</b>	<b>14,056</b>	<b>13,751</b>	<b>12,382</b>

Information about discontinued operations is presented in Note 20.

**NOTE 12 Revenue**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Sale of goods in retail channel	12,064	12,049	23,173	22,827
Sale of goods in wholesale and e-commerce channel	870	627	1,896	1,501
Other	36	37	72	60
<b>Total</b>	<b>12,970</b>	<b>12,713</b>	<b>25,141</b>	<b>24,388</b>

**Sales by geographical (client location) areas**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Estonia	4,755	5,001	9,245	9,149
Lithuania	2,806	2,644	5,488	5,125
Latvia	2,893	2,478	5,426	4,674
Russia	2,064	2,388	4,079	4,880
Finland	168	88	414	345
Germany	55	93	156	187
Ukraine	148	3	150	5
Other countries	81	18	183	23
<b>Total</b>	<b>12,970</b>	<b>12,713</b>	<b>25,141</b>	<b>24,388</b>

**NOTE 13 Cost of goods sold**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Materials and supplies	4,504	4,075	9,911	9,054
Payroll costs in production	820	839	1,686	1,587
Operating lease expenses	170	166	339	333
Other production costs	103	106	211	221
Depreciation of assets used in production (Note 6,7)	42	46	88	91
Change in allowance for inventories	0	0	-342	-460
<b>Total</b>	<b>5,639</b>	<b>5,232</b>	<b>11,893</b>	<b>10,826</b>

**NOTE 14 Distribution costs**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Payroll costs	2,639	2,461	5,088	4,793
Operating lease expenses	2,136	2,150	4,281	4,275
Advertising expenses	365	323	688	586
Depreciation and amortisation (Note 6,7)	231	272	471	531
Fuel, heating and electricity costs	143	149	307	323
Fees for card payments	98	99	190	188
Travel expenses	41	60	110	132
Municipal services and security expenses	67	45	127	90
Consultation and management fees	48	32	100	81
Information technology expenses	46	55	89	99
Communication expenses	35	33	68	70
Other sales expenses <sup>1</sup>	241	151	525	373
<b>Total</b>	<b>6,090</b>	<b>5,830</b>	<b>12,044</b>	<b>11,541</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, and service fees connected to administration of market organisations.

**NOTE 15 Administrative and general expenses**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Payroll costs <sup>1</sup>	348	322	673	645
Operating lease expenses	102	109	220	220
Information technology expenses	50	62	120	120
Bank fees	55	57	109	109
Depreciation and amortisation (Note 6,7)	54	39	80	80
Management, juridical-, auditor's and other consulting fees	39	25	57	57
Fuel, heating and electricity expenses	24	21	55	55
Sponsorship, gifts, donations	22	12	26	26
Office materials	9	7	20	20
Other administrative expenses <sup>2</sup>	48	53	108	110
<b>Total</b>	<b>751</b>	<b>707</b>	<b>1,468</b>	<b>1,442</b>

<sup>1</sup>Payroll costs include payroll expenses for employee services received under the share options programme in the amount of 63 thousand euros (2013: 63 thousand euros).



<sup>2</sup>Other administrative expenses consist of insurance, communication, travel, training, municipal and security expenses and other services.

#### NOTE 16 Other operating income and expenses

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Gain (loss) from sale, impairment of PPE, non-current assets, net	-5	3	-3	3
Realization of impaired assets in previous periods	0	6	0	6
Other operating income	15	34	15	34
Foreign exchange gain (-loss)	11	-125	-56	-118
Fines, penalties and tax interest	0	-1	-5	-4
Other operating expenses	-4	-3	-6	-5
<b>Total</b>	<b>17</b>	<b>-86</b>	<b>-55</b>	<b>-84</b>

#### NOTE 17 Finance income and costs

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Interest costs	-92	-89	-171	-177
Foreign exchange income (losses)	0	-122	0	-105
Other finance costs (net)	0	-6	0	-11
<b>Total</b>	<b>-92</b>	<b>-217</b>	<b>-171</b>	<b>-293</b>

#### NOTE 18 Earnings per share

		2 Q 2014	2 Q 2013	6M 2014	6M 2013
<b>Basic earnings per share</b>					
Weighted average number of shares	pcs	40,795	35,795	40,795	35,795
Net profit (loss) from continuing operations		405	641	-505	202
Net profit (loss) from discontinued operations		243	-17	-1,329	-181
<b>Basic earnings per share</b>	<b>EUR</b>	<b>0.02</b>	<b>0.02</b>	<b>-0.04</b>	<b>0.00</b>
Basic earnings per share (continuing operations)	EUR	0.01	0.02	-0.01	0.01
Basic earnings per share (discontinued operations)	EUR	0.01	0.00	-0.03	-0.01
<b>Diluted earnings per share</b>	<b>EUR</b>	<b>0.02</b>	<b>0.02</b>	<b>-0.04</b>	<b>0.00</b>
Diluted earnings per share (continuing operations)	EUR	0.01	0.02	-0.01	0.01
Diluted earnings per share (discontinued operations)	EUR	0.01	0.00	-0.03	-0.01

There were no dilutive instruments in the reporting period.

		2 Q 2013	6M 2013
<b>Diluted earnings per share</b>			
Weighted average number of shares	pcs	35,795	35,795
Adjustments:			
- weighted average of convertible bonds that are dilutive	pcs	5,946	5,763
<b>Total weighted average number of shares and convertible bonds</b>		<b>41,741</b>	<b>41,558</b>
Net profit (loss) from continuing operations		641	202
Net profit (loss) from discontinued operations		-17	-181
Interest expense (convertible bonds)		21	48
<b>Adjusted net profit (loss) attributable to equity holders of the parent</b>		<b>645</b>	<b>69</b>
<b>Diluted earnings per share</b>	<b>EUR</b>	<b>0.02</b>	<b>0.00</b>
Diluted earnings per share (continuing operations)	EUR	0.02	0.01
Diluted earnings per share (discontinued operations)	EUR	0.00	-0.01

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the reporting period was 0.50 euros (2013: 0.77 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<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**

	2 Q 2014 Purchases	2 Q 2013 Purchases	6M 2014 Purchases	6M 2013 Purchases
Services	58	68	118	125
<b>Total</b>	<b>58</b>	<b>68</b>	<b>118</b>	<b>125</b>

In 2014 as well as 2013 AS Baltika bought mostly management, communication and other services from related parties.

**Balances with related parties**

	30 June 2014	31 Dec 2013
Other current loans and interests, penalties (Note 8, 9)	149	145
Trade payables (Note 9)	59	50
<b>Payables to related parties total</b>	<b>208</b>	<b>195</b>

All transactions in 2014 as well as in 2013 reporting periods and balances with related parties as at 30 June 2014 and 31 December 2013 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 June 2014 and 31 December 2013 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**

	2 Q 2014	2 Q 2013	6M 2014	6M 2013
Salaries of the members of the Management Board	100	81	187	169
Remuneration of the members of the Supervisory Council	4	4	9	9
<b>Total</b>	<b>104</b>	<b>85</b>	<b>196</b>	<b>178</b>

As at 30 June 2014 and 31 December 2013 there were five Management Board and five Supervisory Council Members. In the reporting period no changes took place composition of Management Board or Supervisory Council.

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

**NOTE 20 Discontinued operations**

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

As Ukrainian market represents 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 East 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.

After the transaction Baltika had a receivable from BRU of 1,245 thousand euros, for which five-year settlement schedule has been agreed. The receivable is secured with movables pledge on BRU assets but its collectability depends on the development of the Ukrainian economy and improvements in the entity's operating results.

In the first quarter, prior to sales transaction, Baltika revalued the Ukrainian assets completely down (in the amount of 1,095 thousand euros) and Baltika will keep this impairment as allowance reserve for BRU receivable.

#### An extract of the revenue and expenses of discontinued operation

	Q2 2014	Q2 2013	6M 2014	6M 2013
<b>Discontinued operation</b>				
Revenue	255	1,550	1,531	3,062
Expenses	-311	-1,519	-1,896	-3,214
Other operating income (expense)	-103	-48	-271	-29
<b>Loss from discontinued operation</b>	<b>-159</b>	<b>-17</b>	<b>-636</b>	<b>-181</b>
Income (-loss) from disposal of discontinued operation and impairment of assets connected to discontinued operations	402	0	-693	0
<b>Net loss from discontinued operation</b>	<b>243</b>	<b>-17</b>	<b>-1,329</b>	<b>-181</b>

#### Consolidated cash-flow of the discontinued operation

	6M 2014	6M 2013
Net cash used in operating activities	-180	-20
Net cash used in investing activities	-8	-68
<b>Total cash flows</b>	<b>-188</b>	<b>-88</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>213</b>	<b>144</b>
Effect of exchange gains on cash and cash equivalents	-25	2
<b>Cash and cash equivalents at the end of the period</b>	<b>0</b>	<b>58</b>
<b>Change in cash and cash equivalents</b>	<b>-213</b>	<b>-86</b>





## 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 June 2014: 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 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 June 2014: 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 June 2014: 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 Managetrade 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 Dzirnavnieks,

Chairman of the Board of Directors, KJK Management SA,

Chairman of the Board of Directors, KJK Capital Oy.

Baltika shares held on 30 June 2014: 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 June 2014: 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 June 2014: 746,331 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 30 June 2014: 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 June 2014: 316,083 shares (thereof 30,000 shares on Maisan OÜ account)<sup>1</sup>



### 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 June 2014: 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 June 2014: 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").