AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months of 2014

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
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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 – 31 December 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 31 December 2014 the Group employed 1,228 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 31 Dec 2014	Holding as at 31 Dec 2013
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 Retail Ukraina Ltd [2]	Ukraine	Retail	-	100%
OOO „Olivija“[1,3]	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%

[1]Interest through a subsidiary.
[2]In second quarter Ukrainian subsidiary was sold, see additional information about the transaction in Note 21.
[3]OOO “Olivija” represents Russian consolidation group, which also includes OOO „Plazma“ and OOO „Stelsing“.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FOURTH QUARTER AND 12 MONTHS OF 2014

Baltika's fourth-quarter profit before income tax was 521 thousand euros and net profit was 420 thousand euros. The result of last year comparative period continued operations profit before income tax was 1,003 thousand euros and net profit was 852 thousand euros.

Baltika's continued operations fourth quarter sales increased by 6% and it was with 15,807 thousand euros. Strategic objective is placing greater focus on the development of other sales channels and increase sales through wholesale and franchise and also in e-store. As a result other channels sales growths are high – 85% and 103% accordingly. Sales for the year in total amounted to 55,596 thousand euros, growing 7% compared to prior year.

Retail sales grew in Baltic countries by 5%, increase of 541 thousand euros compared to same period in prior year. Economy in Baltics remained in the fourth quarter stable– economic situation is improving domestic demand, but pressure on margins increases due to stronger competition. The sales growth in Baltics was achieved due to expected good results in the first months of the quarter, despite the negative influence from smaller inbound tourism with decrease of tourists from Eastern neighbours.

Russian unstable economy, weaker rouble (rouble has weakened by ca 37% to euro during 2014) and rising prices have significantly decreased consumer confidence and hindered developments in fashion industry. Despite the complicated economic situation sales increased in fourth quarter by 6% in local currency, while the average operating area of stores decreased by 8%. Due to weaker currency the fourth quarter retail sales in euros was still down by 441 thousand euros (-21%). In total result of Russia improved both in the quarter and for the full year. With the optimisation of costs and closing of loss making stores there was savings and efficiency improvement that finalised in expected total result.

Due to the unstable economic and political situation in Russia Group continues optimising its retail network in the country and focuses on operating stores in St. Petersburg, Kaliningrad and Kazan.

Company gross profit margin in the fourth quarter was 50,2% that is 3,8% lower than in the same period last year. The decrease of gross profit margin has from one side been impacted by the lower margin in wholesale and franchise, which proportion from sales has increased from 5% to 9%. On the other hand the other reason impacting with lower margins is the weakening of Russian rouble and the client bonus reserve that lowers the gross profit. Due to the launch of new client program and full implementation in Baltic countries in the fourth quarter the client bonus earned for future discounts is recorded as client bonus reserve. Baltic quarterly gross profit margin excluding the bonus reserve remained on the same level as prior year.

Baltika Group ended the fourth quarter with 420 thousand euros net profit. Together with the discontinued operations the yearly net loss was 1,263 thousand euros, which includes the loss from allowance for assets in Ukraine of 1,095 thousand euros. Continued operations net profit for the year was 66 thousand euros. Prior year comparative result from continued operations was net profit 443 thousand euros.

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

- Baltika launched in Latvia new bonus program AndMore that was previously already in use in Estonia and Lithuania. The new bonus program developed in December to cover also the e-store andmorefashion.com.
- Ivo Nikkolo celebrated its 20th anniversary in line with Tallinn Fashion Week with a gala show "Ivo Nikkolo – since 1994", which also showed unique samples made specifically for the show. Disainers team created a special collection "Ivo Nikkolo 1994" for the anniversary celebration, which was also available in stores. Ivo Nikkolo collection was additionally presented in Riga Fashion Week in November.
- Nasdaq Baltic Market exchanges awarded in January those with best investors relations and Baltika received the nomination in two categories – 5th place in the Best Investors Relations in

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the Baltic Market and 2-3rd place in The Best Annual Report and Corporate Governance Report.

- Starting from January 27th, 2015 Lea Endrikson joined Baltika as Head of Wholesale and Franchise. Lea has previously launched the I.L.U chain of beauty stores in Kaubamaja Group, and led it for the past seven years, worked as Marketing Director for Stockmann in Estonia and Russia, and as an advertising manager at Sampo Bank.

- On January 30, 2015 the Supervisory Board of AS Baltika decided to suspend Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave. The Management Board member responsible for the finance function during the leave of Maigi Pärnik-Pernik will be Meelis Milder, who will also temporarily be the one responsible for the disclosure of information on the exchange.

- After the balance sheet date additional problem to economic situation in Russia has proved to be the situation in banking sector. Baltika Group companies have used in Russia several banks services, including one among the top largest 100 banks in Russia, OOO Судостроительный банк. The bank has had liquidity issues since January and on 16th February 2015 the Central Bank of Russia withdrew their license. No disruption has thus far occurred with the other banks used. Baltika is working together with law firm partners on resolving the matter to know when and how much funds from what was held on the account would be returned. Baltika's operations continue as usual and the possible maximum loss is not significant.

- Baltika Group opened in the fourth quarter three new stores in Estonia: Bastion stores in Tallinn Ülemiste Centre and Jõhvi Shopping Centre, Blue Inc store in Ülemiste Centre. Franchise store network expanded in the quarter by 5 stores. Franchise partner Gold Button opened in October in Moscow, Russia stores of Ivo Nikkolo, Monton and Bation, franchise partner Mirworld opened in December Mosaic and Ivo Nikkolo stores in Tenerife, Spain. January came with the opening of three franchise stores – Gold Button opened outlet store and Mirworld Baltman and Bastion store.

REVENUE

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 unless indicated otherwise, to allow better assessment of the performance of continuing operations. For comparability, the figures for 2013 have been adjusted accordingly.

Baltika's fourth quarter sales revenue increased by 6% and were with 15,807 thousand euros the largest fourth quarter sales volume over the last five years from continued operations. Growth was largest in other channels - wholesale and franchise growth was 85% and e-channel 103%. Planned development of other channels signified an increase of 801 thousand euros compared to same period in prior year. Retail sales were more modest mainly due to the impact of Russian market, growing 1% compared to prior year. The year in total growth achieved was 7%, amounting to 55,596 thousand euros.

Revenue by activity

Continued operations

EUR thousand	Q4 2014	Q4 2013	+/-	12m 2014	12m 2013	+/-
Retail	14,056	13,956	1%	49,893	48,068	4%
Wholesale & Franchise	1,476	796	85%	5,054	3,362	50%
E-com sales	238	117	103%	482	273	77%
Other	37	27	37%	167	125	34%
Total	**15,807**	**14,896**	**6%**	**55,596**	**51,828**	**7%**

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Revenue including discontinued operations

EUR thousand	Q4 2014	Q4 2013	+/-	12m 2014	12m 2013	+/-
Retail[1]	14,056	15,754	-11%	51,424	54,592	-6%
Wholesale & Franchise	1,476	796	85%	5,054	3,362	50%
E-com sales	238	117	103%	482	273	77%
Other	37	27	37%	167	126	33%
Total	**15,807**	**16,694**	**-5%**	**57,127**	**58,353**	**-2%**

[1]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 128 stores as at 31 December, among which 105 Baltika's retail network stores and 23 franchise stores. During the fourth quarter three new stores were opened in Estonia: Bastion stores in Tallinn Ülemiste shopping centre and Jõhvi Kaubakeskus shopping centre and Blue Inc store in Ülemiste shopping centre. Baltika's brands franchise stores portfolio saw addition of five new stores in the fourth quarter. In October franchise partner Gold Button opened Ivo Nikkolo, Monton and Bastion stores in Russia in Moscow and in December partner Mirworld opened Mosaic and Ivo Nikkolo stores in Spain in Tenerife.

Stores by market

	31 Dec 2014	31 Dec 2013	Average area change*
Estonia	40	39	2%
Lithuania	28	28	2%
Latvia	22	21	11%
Russia	15	18	-4%
Ukraine[1]	14	18	-18%
Belarus[2]	2	2	0%
Spain[2]	3	0	-
Russia[2]	4	0	-
Total stores	**128**	**126**	
Total sales area, sqm	**24,077**	**24,202**	**3%**

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

[1]Three franchise shops in Donetsk are currently agreed to be closed for longer term. Operating Franchise shops are with total sales area of 2 646 m^2. In comparative figures is part of the discontinued operations

[2]Franchise stores in Belarus, Spain and Russia are with total sales area of 1,199 sqm

Retail

Retail sales in the fourth quarter increased by 1% compared to same period in previous year and were 14,056 thousand euros. Thereof sales in Baltic countries increased by 541 thousand euros (+5%) and decreased in Russia by 441 thousand euros (-21%). In year total retail growth was 4% and totalled 49,893 thousand euros.

Through the year retail sales growth was led by Latvia, who showed 12% improvement in the fourth quarter. Good sales growth was achieved also by Lithuania with 11%. In Estonia revenue decreased by 3% compared to same period last year. A reason behind Estonian market decrease is the closing of Monton, Baltman and Bastion flagship stores in Viru Keskus in the first half-year of 2014.

Meanwhile the complicated economic situation in Russia, sales in the fourth quarter increased by 6% in local currency, while the average operating area of stores decreased by 8%. Due to weaker currency the fourth quarter retail sales in euros was still down by 21%.

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Retail sales by market

EUR thousands	Q4 2014	Q4 2013	+/-	Share	12m 2014	12m 2013	+/-	Share
Estonia	5,328	5,493	-3%	38%	18,452	18,292	1%	37%
Lithuania	3,661	3,308	11%	26%	12,263	11,133	10%	25%
Latvia	3,367	3,014	12%	24%	11,448	9,726	18%	23%
Russia	1,700	2,141	-21%	12%	7,730	8,917	-13%	15%
Total	**14,056**	**13,956**	**1%**	**100%**	**49,893**	**48,068**	**4%**	**100%**
Ukraine*	0	1,798	-100%	-	1,531	6,524	-77%	-

Fourth quarter average operating area in the Baltic countries was 1% larger than that of previous year same period. The largest growth of average operating area was in Latvia with 5%. The best sales efficiency growth was achieved by Lithuania with 9%. Baltika total sales efficiency growth both in the fourth quarter and in year total was 1%.

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

	Q4 2014	Q4 2013	+/-	12m 2014	12m 2013	+/-
Estonia	262	268	-2%	232	234	-1%
Lithuania	216	198	9%	182	169	8%
Latvia	280	262	7%	241	228	6%
Russia	154	178	-13%	164	182	-10%
Total	**233**	**230**	**1%**	**206**	**204**	**1%**

Sales efficiency growth in local currency in the fourth quarter was 16% in Russia, yearly growth was 7%.

Brands

In the fourth quarter the largest brands – Mosaic and Monton – were influenced by sales decrease in Russia. Due to higher growth in Latvia and Lithuania Mosaic still remained at last year level and Monton showed 2% growth. Monton sales efficiency numbers were bigger also in Latvia (+15%) and Lithuania (+17%). Monton setback in Estonian market is related to closing Viru Centre shop in Tallinn at the end of the first quarter.

Retail revenue by brand

EUR thousands	Q4 2014	Q4 2013	+/-	Share	12m 2014	12m 2013	+/-	Share
Monton	6,298	6,200	2%	45%	22,823	22,153	3%	46%
Mosaic	4,407	4,391	0%	31%	15,562	14,990	4%	32%
Baltman	1,345	1,435	-6%	10%	4,809	4,884	-2%	10%
Ivo Nikkolo	1,347	1,342	0%	10%	4,479	4,236	6%	9%
Bastion	421	436	-3%	3%	1,554	1,491	4%	3%
Blue Inc	188	164	15%	1%	598	203	195%	1%
Other	50	-12	-520%	0%	68	111	-39%	0%
Total	**14,056**	**13,956**	**1%**	**100%**	**49,893**	**48,068**	**4%**	**100%**

In the fourth quarter Ivo Nikkolo sales remained at last year level. Sales decrease of Baltman (-6%) and Bastion (-3%) were significantly impacted by closing of Viru Centre stores on the Estonian market.

Sales through other channels

Sales result to wholesale and franchise clients was 1,476 thousand euros in the 2014 fourth quarter, an increase of 680 thousand euros i.e. 85% compared to previous year.

The fourth quarter was successful to whole- and franchise sales due to extended franchise network. Sales to Belarusian and Ukrainian partners continued and new franchise stores were opened in Russia and in Spain. In October Baltika's franchise partner in Russia Gold Button opened three other planned flagship stores in Moscow – Ivo Nikkolo store in Erevan Plaza shopping centre, Monton and Bastion stores in Afimall shopping centre. In December franchise partner Mirworld opened Mosaic and Ivo Nikkolo stores in Spain Tenerife. With this, number of operating franchise shops at the end of December was 23.

In December the new loyal customer bonus program AndMore was expanded to e-store. Sales of e-store increased in the fourth quarter by 103% and were 238 thousand euros. Year total sales of e-store were 482 thousand euros, increase of 77% compared to last year.

OPERATING EXPENSES AND NET PROFIT

Company gross profit margin in the fourth quarter was 50,2% that is 3,8% lower than in the same period last year. The decrease of gross profit margin has from one side been impacted by the lower margin in wholesale and franchise, which proportion from sales has increased from 5% to 9%. On the other hand the other reason impacting with lower quarterly margins is the weakening of Russian rouble and the client bonus reserve that was created for the new bonus programme. Baltic quarterly gross profit margin excluding the bonus reserve remained on the same level as prior year. Gross profit for the quarter was 7,933 thousand euros. Year total gross profit amounted to 28,362 thousand euros.

Group distribution expense in the fourth quarter was 6,419 thousand euros, growth of 1% compared to same period in previous year. Main reason behind the increase of distribution expense is development related growth of head-office marketing expense and growth of agency fees related to increase of wholesale. Result of Russian market in the fourth quarter have improved due to savings from distribution expense – in addition to smaller operating area due to closed shops, expenses in euros have decreased due to weaker exchange rate.

In the fourth quarter, general and administrative expense was 743 thousand euros and remained at the same level as year before. With this the fourth quarter ratio of operating expense to revenue was 45%, which is improvement by 3 percentage points compared same period last year.

Other operating net expense was 86 thousand euros in the fourth quarter and the operating profit amounted to 685 thousand euros. Same period in previous year operating profit was 973 thousand euros.

Net financial expense in the fourth quarter was 164 thousand euros. Same period in previous year net financial income was earned in amount of 30 thousand euros, which included foreign exchange income in amount of 142 thousand euros. Interest expense has increased due to the bond issuance in the end of July.

The fourth quarter net profit amounted to 420 thousand euros. The year total net profit from continued operations was 66 thousand euros. Together with the discontinued operations the yearly net loss was 1,263 thousand euros, which includes the loss from allowance for assets in Ukraine of 1,095 thousand euros.

FINANCIAL POSITION

As at 31 December 2014, Group inventories totalled 13,415 thousand euros. Inventory has decreased compared to last year end by 336 thousand euros. Decrease was mostly due to fact that Ukrainian market inventories are not recorded on Baltika Group balance sheet. Due to closed shops the retail inventory has decreased in Russia as well. In other hand the stock level of finished goods increased in Latvia due to market expansion and in central warehouse due to growth of wholesale and e-store sales.

As at 31 December 2014 trade and other payables were 7,019 thousand euros, decrease of 484 thousand euros compared to year-end. The reason for the decrease is better liquidity position of Baltika.

AS Baltika announces that public offering of bonds decided on the Annual general meeting of shareholders held on 28 April 2014, was exercised in July in full. 600 bonds in the total amount of 3,000,000 euros were issued on 28 of July. 3-year bonds carry 6.5% interest p.a. Each bond will give its owner the right to subscribe 10,000 shares of the Company with the subscription price of 0.50 euros. Long-term borrowings increased with the issuance in the named amount. As at 31 December 2014 the total borrowings amounted to 7,276 thousand euros, which signifies together with the usage of overdraft facility change of 1,947 thousand euros compared to last year-end (31.12.2013 5,329 thousand euros).

The liquidity position of Baltika improved with the issuance of bonds. As the bonds issued are long-term, then the Group working capital position improved and current ratio as at 31 December 2014 is 1.6 (31.12.2013: 1.5).

The fourth quarter cash-flow from operating activities was 2,678 thousand euros (IV quarter 2014: 2,368 thousand euros). Input to the investment activity was 283 thousand euros. Together with loan repayments the total cash-flow of the Group in the fourth quarter was 255 thousand euros. Total cash outflow for the year was 142 thousand euros. Funds from emission of convertible bonds were used for financing working capital and repayment of loans.

Due to the increased borrowings with the issuance of bonds Group's net debt (interest-bearing liabilities less cash and cash equivalents) as at 31 December 2014 was 6,542 thousand euros, increase of 2,089 thousand euros compared to prior year-end. The net debt to equity ratio was 75% as at 31 December 2014 (39% as at 31.12.2013), increase due higher borrowings amount and to allowance recorded for receivable from Ukrainian entity and the revaluation of assets negative impact from Russian rouble exchange rate that reduced the owners' equity.

PEOPLE

As at 31 December 2014, Baltika Group employed a total of 1,228 people that is 117 people less than as at 31 December 2013 (1,345): 629 (31.12.2013: 752) in the retail system, 391 (400) in manufacturing and 208 (193) at the head office and logistics centre. Decrease of 117 employees is mostly due to sale of Baltika Retail Ukraina. The 2014 average number of staff was 1,257 (2013 12 months: 1,319).

On January 30 2015 the Supervisory Board of AS Baltika decided to suspend Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave. The Management Board member responsible for the finance function during the leave of Maigi Pärnik-Pernik will be Meelis Milder.

Russian market organisation will have from November a new manager. Director position is taken by Tatjana Zomareva, who has been working for years as Baltika Group Russian market sales manager.

As the result of annual research conducted by Estonian recruitment service provider CV Keskus, Baltika was noted as one of 20 most desirable employers in Estonia.

Baltika Group employees remuneration expense in 2014 amounted to 11,468 thousand euros (2013: 10,665 thousand euros). The accrued remuneration with taxes, of the members of the Supervisory Council and Management Board totalled 398 thousand euros (2013: 356 thousand euros).

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KEY FIGURES OF THE GROUP (IV QUARTER AND 12 MONTHS OF 2014)

	Q4 2014[1]	Q4 2013[2]	Q4 2013	Q4 2012	Q4 2011
Revenue (EUR thousand)	15,807	14,896	16,694	16,188	15,484
Retail sales (EUR thousand)	14,056	13,956	15,754	15,528	14,781
Share of retail sales in revenue	89%	94%	94%	96%	95%
Gross margin	50.2%	54.0%	54.3%	56.1%	54.8%
EBITDA (EUR thousand)	1,001	1,400	1,444	1,874	-345
Net profit (EUR thousand)	420	852	865	1,075	-1,880
EBITDA margin	6.3%	9.4%	8.6%	11.6%	-2.2%
Operating margin	4.3%	6.5%	6.0%	9.1%	-9.8%
EBT margin	3.3%	6.7%	6.1%	8.0%	-11.9%
Net margin	2.7%	5.7%	5.2%	6.6%	-12.1%

Sales activity key figures	**12M and 31 Dec 2014[1]**	**12M and 31 Dec 2013[2]**	**12M and 31 Dec 2013**	**12M and 31 Dec 2012**	**12M and 31 Dec 2011**
Revenue (EUR thousand)	55,596	51,828	58,353	56,332	53,409
Retail sales (EUR thousand)	49,893	48,068	54,592	52,665	50,072
Share of retail sales in revenue	90%	93%	94%	93%	94%
Share of exports in revenue	64%	62%	66%	68%	70%
Number of stores in retail	105	106	124	113	115
Number of stores	128	108	126	113	115
Sales area at the end of period (sqm)	20,232	20,444	23,852	22,210	23,111
Number of employees (end of period)	1,228	1,215	1,345	1,288	1,363
Gross margin	51.0%	53.6%	53.5%	54.5%	53.1%
EBITDA (EUR thousand)	1,870	2,464	2,252	3,725	-1,377
Net profit (EUR thousand)	66	443	102	805	-5,860
EBITDA margin	3.4%	4.8%	3.9%	6.6%	-2.6%
Operating margin	1.2%	1.9%	1.1%	3.5%	-8.3%
EBT margin	0.3%	1.2%	0.5%	1.9%	-10.8%
Net margin	0.1%	0.9%	0.2%	1.4%	-11.0%
Inventory turnover	2.03	1.99	2.09	2.37	2.13
Other ratios[3]					
Current ratio	1.6	1.5	1.5	1.8	1.3
Net gearing ratio	74.9%	38.7%	38.7%	41.0%	181.0%
Return on equity	-13.4%	1.0%	1.0%	8.9%	-54.8%
Return on assets	-5.4%	0.4%	0.4%	2.8%	-15.1%

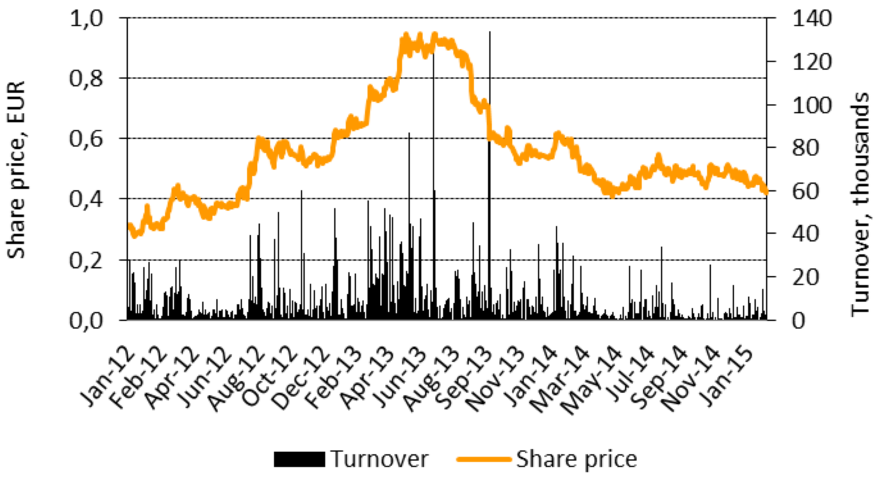
[1]In connection with Baltika's exit from the Ukrainian retail business, the fourth-quarter and twelve months sales activity key figures presents only results of continued operations.
[2]For comparability, the figures for fourth quarter and year 2013 have been adjusted accordingly.
[3]Other ratios include impact of continued and discontinued operations.

Definitions of key ratios

EBITDA = Operating profit-amortisation depreciation and loss from disposal of fixed assets
EBITDA margin = EBITDA/Revenue
Gross margin = (Revenue-Cost of goods sold)/Revenue
Operating margin = Operating profit/Revenue
EBT margin = Profit before income tax/Revenue
Net margin = Net profit (attributable to parent)/Revenue
Current ratio = Current assets/Current liabilities
Inventory turnover = Cost of goods sold/Average inventories*
Net gearing ratio = (Interest-bearing liabilities-cash and cash equivalents)/Equity
Return on equity (ROE) = Net profit /Average equity*
Return on assets (ROA) = Net profit /Average total assets*

*Based on 12-month average

SHARE PRICE AND TURNOVER



MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The Management Board confirms that the management report presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements; includes the description of major risks and doubts influencing the remainder of the financial year; and provides an overview of all significant transactions with related parties.

Meelis Milder
Chairman of the Management Board
27 February 2015

Maire Milder
Member of the Management Board
27 February 2015

Kati Kusmin
Member of the Management Board
27 February 2015

Andrew J. D. Paterson
Member of the Management Board
27 February 2015

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the fourth quarter and twelve months of 2014 as presented on pages 13-34.

The Management Board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;

2. the financial statements give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of the operations and the cash flows of the Group; and its cash flows;

3. the Group is going concern.

Meelis Milder
Chairman of the Management Board
27 February 2015

Maire Milder
Member of the Management Board
27 February 2015

Kati Kusmin
Member of the Management Board
27 February 2015

Andrew J. D. Paterson
Member of the Management Board
27 February 2015

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Current assets			
Cash and cash equivalents	3	710	852
Trade and other receivables	4	1,890	1,514
Inventories	5	13,415	13,751
Total current assets		**16,015**	**16,117**
Non-current assets			
Deferred income tax asset		420	494
Other non-current assets	4	605	1,013
Property, plant and equipment	6	2,895	3,023
Intangible assets	7	3,180	3,693
Total non-current assets		**7,100**	**8,223**
TOTAL ASSETS		**23,115**	**24,340**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	8	2,692	3,158
Trade and other payables	9,10	7,019	7,503
Total current liabilities		**9,711**	**10,661**
Non-current liabilities			
Borrowings	8	4,584	2,171
Other liabilities	9	83	0
Total non-current liabilities		**4,667**	**2,171**
TOTAL LIABILITIES		**14,378**	**12,832**
EQUITY			
Share capital at par value	11	8,159	8,159
Share premium		809	684
Reserves	11	1,182	1,182
Retained earnings		2,573	2,471
Net profit (loss) for the period		-1,263	102
Currency translation differences		-2,723	-1,090
TOTAL EQUITY		**8,737**	**11,508**
TOTAL LIABILITIES AND EQUITY		**23,115**	**24,340**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	Q4 2014	Q4 2013	2014	2013
Continuing operations					
Revenue	12,13	15,807	14,896	55,596	51,828
Client bonus reserve	10,13	-300	0	-300	0
Revenue after client bonus provision		15,507	14,896	55,296	51,828
Cost of goods sold	14	-7,574	-6,851	-26,934	-24,051
Gross profit		**7,933**	**8,045**	**28,362**	**27,777**
Distribution costs	15	-6,419	-6,370	-24,636	-23,824
Administrative and general expenses	16	-743	-741	-2,905	-2,869
Other operating income	17	20	108	54	155
Other operating expenses	17	-106	-69	-222	-255
Operating profit		**685**	**973**	**653**	**984**
Finance income	18	0	6	0	6
Finance costs	18	-164	24	-460	-388
Profit before income tax		**521**	**1,003**	**193**	**602**
Income tax expense		-101	-151	-127	-159
Net profit from continuing operations		**420**	**852**	**66**	**443**
Net profit (-loss) for the period from discontinued operations	21	0	13	-1,329	-341
Net profit (loss) for the period		**420**	**865**	**-1,263**	**102**
Basic earnings per share, EUR	19	0.01	0.02	-0.03	0.00
Continuing operations		0.01	0.02	0.00	0.01
Discontinued operations		0.00	0.00	-0.03	-0.01
Diluted earnings per share, EUR	19	0.01	0.02	-0.03	0.00
Continuing operations		0.01	0.02	0.00	0.01
Discontinued operations		0.00	0.00	-0.03	-0.01

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Q4 2014	Q4 2013	2014	2013
Net profit (loss) for the period	**420**	**865**	**-1,263**	**102**
Other comprehensive loss				
Items that subsequently might be classified to profit or loss				
Currency translation differences	-988	-273	-1,633	-401
Total comprehensive income (loss)	**-568**	**592**	**-2,896**	**-299**

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Q4 2014	Q4 2013	2014	2013
Operating activities					
Operating profit from continuing operations		685	973	653	984
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	14-16	304	438	1,239	1,574
Gain/loss from sale, impairment of PPE, non-current assets		-1	21	-13	31
Net profit (loss) of discontinued operation		0	21	-1,329	-333
Loss from impairment of PPE of discontinued operation		0	0	166	0
Other non-monetary expenses		-379	-8	-652	50
Changes in working capital:					
Change in trade and other receivables	4	439	908	-28	317
Change in inventories	5	552	746	336	-2,444
Change in trade and other payables	9	1,216	-642	-489	992
Interest paid		-118	-89	-372	-307
Interest received		0	6	0	6
Income tax paid		-20	-6	-53	-18
Net cash generated from (used in) operating activities		**2,678**	**2,368**	**-542**	**852**
Investing activities					
Acquisition of PPE, intangibles	6, 7	-287	-495	-1,452	-2,361
Proceeds from disposal of PPE		4	72	100	80
Net cash used in investing activities		**-283**	**-423**	**-1,352**	**-2,281**
Financing activities					
Received borrowings	8	0	0	0	1,000
Repayments of borrowings	8	-400	-1,135	-1,222	-2,280
Change in bank overdraft	8	-1,682	-683	86	1,566
Repayments of finance lease		-35	-12	-63	-39
Proceeds from bonds issue	11	0	0	3,000	0
Redemption of share options		0	1	0	-4
Net cash generated from (used in) financing activities		**-2,117**	**-1,829**	**1,801**	**243**
Total cash flows		**278**	**116**	**-93**	**-1,186**
Cash and cash equivalents at the beginning of the period	3	**455**	**752**	**852**	**2,078**
Effect of exchange gains on cash and cash equivalents		-23	-16	-49	-40
Cash and cash equivalents at the end of the period	3	**710**	**852**	**710**	**852**
Change in cash and cash equivalents		**255**	**100**	**-142**	**-1,226**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total
Balance as at 31 Dec 2012	**7,159**	**63**	**1,182**	**2,471**	**-689**	**10,186**
Profit for the period	0	0	0	102	0	102
Other comprehensive loss	0	0	0	0	-401	-401
Total comprehensive loss	**0**	**0**	**0**	**102**	**-401**	**-299**
Equity-settled share-based transactions (Note 16)	0	125	0	0	0	125
Conversion of bonds to share capital (Note 11)	1,000	496	0	0	0	1,496
Balance as at 31 Dec 2013	**8,159**	**684**	**1,182**	**2,573**	**-1,090**	**11,508**
Loss for the period	0	0	0	-1,263	0	-1,263
Other comprehensive loss	0	0	0	0	-1,633	-1,633
Total comprehensive loss	**0**	**0**	**0**	**-1,263**	**-1,633**	**-2,896**
Equity-settled share-based transactions (Note 16)	0	125	0	0	0	125
Balance as at 31 Dec 2014	**8,159**	**809**	**1,182**	**1,310**	**-2,723**	**8,737**

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. The Group also sells its collections through wholesale. AS Baltika's shares are listed on the Tallinn Stock Exchange. The largest shareholder and the only company holding above 20% of shares (Note 11) of AS Baltika is KJK Fund Sicaf-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the fourth quarter ended 31 December 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 14% (2013: 18%). Most important currencies in 2014 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.

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

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:

Average currencies	2014	2013
RUB (Russian rouble)	-20.35%	-6,04%
USD (US dollar)	-0.03%	-3,37%

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

Balance-sheet date rates (31 Dec 2014; 31 Dec 2013)	
RUB (Russian rouble)	-59.60%
USD (US dollar)	11.96%

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 Eonia and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

All non-current borrowings as at 31 December 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. In Eastern Europe region also lower rating is considered acceptable.

For further information about the banks in Russia, see Note 22.

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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. For some wholesale clients prepayments or payment guarantees through bank are required. For some contractual clients no collaterals to secure the trade receivables are required but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

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 31 December 2014 the maximum exposure to credit risk from trade receivables and other non-current assets (Note 4) amounted to 1,566 thousand euros (31 December 2013: 1,069 thousand euros) on a net basis after the allowances made previously.

Liquidity risk

Liquidity risk is the potential risk that the Group has limited or insufficient financial (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 31 December 2014 was 2,347 thousand euros (31 December 2013: 1,000 thousand euros).

Financial liabilities by maturity at 31 December 2014

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

Financial liabilities by maturity at 31 December 2013

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 8)[2]	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
Total	**10,297**	**8,356**	**2,317**	**10,673**

[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 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.

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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 2014 the ratio was 75%. There are number of factors affecting this: result of discontinued operation (see also Note 21), but also the change of currency translation reserve due to the fluctuation of exchange rate of rouble decreased equity. Factor was also the increase in borrowings, which was caused by issuance of J-bonds (see Notes 8 and 11).

Net gearing ratio

	31 Dec 2014	31 Dec 2013
Interest carrying borrowings (Note 8)	7,252	5,305
Cash and bank (Note 3)	-710	-852
Net debt	6,542	4,453
Total equity	8,737	11,508
Total capital to net debt ratio	**75%**	**39%**

Fair value

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

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NOTE 3 Cash and cash equivalents

	31 Dec 2014	31 Dec 2013
Cash at hand	86	295
Cash at bank and overnight deposits	624	557
Total	**710**	**852**

Cash and cash equivalents by currency

	31 Dec 2014	31 Dec 2013
EUR (euro)	429	173
LTL (Lithuanian lit)	197	126
RUB (Russian rouble)	84	241
UAH (Ukrainian hryvnia)	0	213
LVL (Latvian lat)	0	99
Total	**710**	**852**

NOTE 4 Trade and other receivables

Short-term trade and other receivables	31 Dec 2014	31 Dec 2013
Trade receivables, net	1,456	755
Other prepaid expenses	401	617
Tax prepayments and tax reclaims, thereof	3	79
Value added tax	1	41
Prepaid income tax	0	13
Other taxes	2	25
Other current receivables	30	63
Total	**1,890**	**1,514**

Long-term assets		
Non-current lease prepayments	343	549
Other long-term receivables	262	464
Total	**605**	**1,013**

Information about discontinued operations in Note 21.

Trade receivables

	31 Dec 2014	31 Dec 2013
Trade receivables, gross	2,392	755
Allowance for impairment of trade receivables	-936	0
Trade receivables, net	**1,456**	**755**

See additional information about in Note 21.

Trade receivables (net) by due date

	31 Dec 2014	31 Dec 2013
Not due	1,057	621
Up to 1 month past due	90	59
1-3 months past due	262	73
3-6 months past due	46	2
more than 6 months past due	1	0
Total	**1,456**	**755**

Trade receivables (net) in denominated currency

	31 Dec 2014	31 Dec 2013
EUR (euro)	1,352	580
RUB (Russian rouble)	53	87
LTL (Lithuanian lit)	51	24
LVL (Latvian lat)	0	45
UAH (Ukrainian hryvnia)	0	19
Total	**1,456**	**755**

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NOTE 5 Inventories

	31 Dec 2014	31 Dec 2013
Fabrics and accessories	2,180	2,192
Work-in-progress	79	72
Finished goods and goods purchased for resale	10,911	11,306
Allowance for impairment of finished goods and goods purchased for resale	-330	-342
Prepayments to suppliers	575	523
Total	**13,415**	**13,751**

Information about discontinued operations in Note 21.

The allowance for finished goods as at 31 December 2014 compared to previous balance sheet date has not changed significantly. Due to tight competition in the retail market similar discounts are expected. Expectations were confirmed by actual discounts in January.

NOTE 6 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Pre-payments, PPE not in yet in use	Total
31 December 2012					
Acquisition cost	**3,975**	**5,480**	**6,645**	**3**	**16,103**
Accumulated depreciation	-3,303	-4,786	-5,758	0	-13,847
Net book amount	**672**	**694**	**887**	**3**	**2,256**
Additions	777	399	954	0	2,130
Reclassifications from/to inventories	0	0	4	0	4
Disposals	-12	-2	-5	0	-19
Reclassification	0	-25	28	-3	0
Depreciation	-482	-324	-475	0	-1,281
Currency translation differences	-29	-17	-21	0	-67
31 December 2013					
Acquisition cost	**4,318**	**5,410**	**7,041**	**0**	**16,769**
Accumulated depreciation	-3,392	-4,685	-5,669	0	-13,746
Net book amount	**926**	**725**	**1,372**	**0**	**3,023**
Additions	344	238	694	0	1,276
Disposals, impairments	-94	-32	-75	0	-201
Depreciation	-301	-281	-424	0	-1,006
Currency translation differences	-92	-42	-63	0	-197
31 December 2014					
Acquisition cost	**2,330**	**5,143**	**5,253**	**0**	**12,726**
Accumulated depreciation	-1,547	-4,535	-3,749	0	-9,831
Net book amount	**783**	**608**	**1,504**	**0**	**2,895**

Information about discontinued operations in Note 21.

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NOTE 7 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
31 December 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	67	0	0	0	67
Disposals	-12	0	0	0	-12
Amortisation	-267	-45	0	0	-312
Currency translation differences	-4	0	0	-196	-200
31 December 2013					
Acquisition cost	**2,191**	**1,243**	**0**	**2,083**	**5,517**
Accumulated depreciation	-1,575	-249	0	0	-1,824
Net book amount	**616**	**994**	**0**	**2,083**	**3,693**
Additions	291	0	28	0	319
Amortisation	-196	-44	0	0	-240
Currency translation differences	-4	0	0	-588	-592
31 December 2014					
Acquisition cost	**2,132**	**1,243**	**28**	**1,495**	**4,898**
Accumulated depreciation	-1,425	-293	0	0	-1,718
Net book amount	**707**	**950**	**28**	**1,495**	**3,180**

NOTE 8 Borrowings

	31 Dec 2014	31 Dec 2013
Current borrowings		
Current portion of non-current bank loans	1,809	2,341
Current bank loans	828	652
Current portion of finance lease liabilities	55	39
Other current loans (Note 20)	0	126
Total	**2,692**	**3,158**
Non-current borrowings		
Non-current bank loans	1,379	2,031
Non-current finance lease liabilities	181	116
Convertible bonds, share options (Note 20)	3,024	24
Total	**4,584**	**2,171**
Total borrowings	**7,276**	**5,329**

During the reporting period, the Group made loan repayments in the amount of 1,096 thousand euros (2013: 2,280 thousand euros). Interest expense of all interest carrying borrowings of the reporting period amounted to 423 thousand euros, including 79 thousand euros interest expense from the loan and convertible bonds of related party (2013: 339 thousand euros, including 48 thousand euros interest expense from convertible bonds of related party). Group´s overdraft facilities with the banks were used in the amount of 1,653 thousand euros as at 31 December 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.

On 28 July 2014 the Group issued J-bonds, which increased long-term borrowings by 3,000 thousand euros. See more in Note 11.

In addition a loan contract of a separate overdraft was prolonged for a year in the fourth quarter.

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In December the Group repaid a loan with outstanding interest to a related party in the total amount of 135 thousand euros.

Changes in 2013

In the second quarter the Group received loan in the amount of 1,000 thousand euros under the agreement signed in 2012.

In the third and fourth quarter the Group signed annexes under an existing loan agreement, which increased overdraft limit for one quarter in the amount of 1,500 thousand euros.

In December the Group restructured another existing loan agreement: a contract was terminated and contractual obligations were paid. At the same time in December a new overdraft contract was signed.

In December a loan agreement with a related party was signed, with existing obligations converted into loan in the amount of 126 thousand euros with an interest rate of 7% (Note 20).

In August H-bonds were converted into shares. See more in Note 11.

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

	Average risk premium	Carrying amount
Borrowings at floating interest rate (based on 1-month Eonia or 6-month Euribor)	EURIBOR or EONIA +4,43%	4,016
J-Bonds (Note 20)	6.50%	3,000
Total		**7,016**

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 20)	7.00%	126
Total		**5,150**

Bank loans set certain level to financial ratios for the Group. As at 31 December 2014 Baltika, was not compatible with some of the terms and conditions of the loan agreement, but the bank has confirmed that the loan will not become due and payable prematurely.

NOTE 9 Trade and other payables

	31 Dec 2014	31 Dec 2013
Current liabilities		
Trade payables	3,969	4,966
Tax liabilities, thereof	1,463	1,352
Personal income tax	252	228
Social security taxes and unemployment insurance premium	581	539
Value added tax	578	541
Corporate income tax liability	20	17
Other taxes	32	27
Payables to employees[1]	1,030	1,088
Other accrued expenses	1	2
Customer prepayments	137	20
Other current payables	119	75
Total	**6,719**	**7,503**
Non-current liabilities		
Other liabilities	83	0

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

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Trade payables and other accrues expenses in denominated currency

	31 Dec 2014	31 Dec 2013
EUR (euro)	2,885	3,526
USD (US dollar)	981	1,189
LTL (Lithuanian lit)	62	71
GBP (British pound)	37	66
RUB (Russian rouble)	5	21
LVL (Latvian lat)	0	71
UAH (Ukrainian hryvnia)	0	24
Total	**3,970**	**4,968**

NOTE 10 Provisions

	Short-term provisions
Balance 31 Dec 2013	**0**
Formation of client bonus provision	300
Balance 31 Dec 2014	**300**

Short description of the provision

During the reporting year Baltika introduced a new loyal customer program "AndMore" in Baltic states, that unified Baltika brand´s customer base and customer discount logic. The program was introduced by stages in different countries; web-shop was included by the end of the year.

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

Used assumptions

As at 31 December 2014 the Group has recognized client bonus provision in the amount of 300 thousand euros. The Group has used existing statistics that enables to characterize customer´s behaviour of the bonus usage: earnings, usage and expiration.

The provision has been formed based on the earned, but not yet used, bonuses and corrected with the probability of the expiry. Probability has been assessed based on existing customer behaviour statistics.

The first statistical data that could be used for assessments formed in the fourth quarter in 2014, when the first six-month validity range in the first AndMore implementing country ended.

NOTE 11 Equity

Share capital and reserves

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

As at 31 December 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 31 December 2014 and 31 December 2013 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.

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	Number of shares
Number of shares 31 December 2012	**35,794,850**
Issued (bond conversion)	5,000,000
Number of shares 31 December 2013	**40,794,850**
Number of shares 31 December 2014	**40,794,850**

Convertible bonds

	Issue date	Share subscription period	Number of convertible bonds 31 Dec 2014	Number of convertible bonds 31 Dec 2013
I-Bond	30 June 2012	01 July 2015 - 31 Dec 2015	2,350,000	2,350,000
J-Bond	28 July 2014	15 July 2017 - 30 July 2017	600	0

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.

Changes 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 three-year convertible bonds carry an annual interest rate of 6.5% and give its owner the right to subscribe for 10,000 Baltika´s shares at 0.5 euros subscription price.

Bonds (510 bonds in the amount of 2,550 thousand euros) were partly issued to a related party (Note 20).

Shareholders as at 31 December 2014

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

Shareholders as at 31 December 2013

	Number of shares	Holding
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%
Total	**40,794,850**	**100.00%**

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

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

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

NOTE 12 Segments

The Group's chief operating decision maker is the Management Board of the Parent company AS Baltika. The Parent company's Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management Board has determined the operating segments based on these reports.

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

- Baltic region consists of operations in Estonia, Latvia and Lithuania;
- 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	Whole-sale[1]	Total
4 Quarter 2014				
Revenue (from external customers)	12,356	1,700	1,751	15,807
Segment profit[2]	3,084	78	234	3,396
Incl. depreciation and amortisation	-166	-28	-19	-213
4 Quarter 2013				
Revenue (from external customers)	11,817	2,139	940	14,896
Segment profit[2]	3,298	11	259	3,568
Incl. depreciation and amortisation	-160	-60	-2	-222
2014 and as at 31 Dec 2014				
Revenue (from external customers)	42,163	7,730	5,703	55,596
Segment profit (loss)[2]	8,660	-104	1,233	9,789
Incl. depreciation and amortisation	-610	-164	-31	-805
Inventories of segments	4,967	950	0	5,917
2013 and as at 31 Dec 2013				
Revenue (from external customers)	39,152	8,916	3,760	51,828
Segment profit (loss)[2]	8,589	-307	1,000	9,282

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Incl. depreciation and amortisation	-620	-278	-7	-905
Inventories of segments	4,620	2,197	0	6,817
thereof inventories of discontinued operations	*0*	*979*	*0*	*979*

[1]The wholesale segment includes the sale of goods to wholesale and franchise clients, materials and sewing services and the sales from e-commerce.
[2]The segment profit (loss) is the segment operating profit (loss), excluding other operating expenses and income.

Reconciliation of segment profit to consolidated operating profit

	4 Q 2014	4 Q 2013	2014	2013
Total segment profit	3,396	3,568	9,789	9,282
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-1,882	-1,893	-6,063	-5,329
Administrative and general expenses	-743	-741	-2,905	-2,869
Other operating income (expenses), net	-86	39	-168	-100
Operating profit	**685**	**973**	**653**	**984**

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

Reconciliation of segment inventories to consolidated inventories

	31 Dec 2014	31 Dec 2013
Total inventories of segments	5,917	6,817
Inventories in Parent company and production company	7,498	6,934
Inventories on statement of financial position	**13,415**	**13,751**

Information about discontinued operations is presented in Note 21.

NOTE 13 Revenue and client bonus reserve

	4 Q 2014	4 Q 2013	2014	2013
Sale of goods in retail channel	14,056	13,956	49,893	48,068
Sale of goods in wholesale and e-commerce channel	1,714	913	5,536	3,635
Other sales	37	27	167	125
Total	**15,807**	**14,896**	**55,596**	**51,828**

Sales by geographical (client location) areas

	4 Q 2014	4 Q 2013	2014	2013
Estonia	5,794	5,859	19,876	19,576
Lithuania	3,695	3,319	12,352	11,191
Latvia	3,472	3,111	11,887	10,159
Russia	1,938	2,274	8,764	9,494
Ukraine	365	4	901	12
Finland	196	155	851	792
Belarus	101	66	302	173
Spain	189	0	287	0
Germany	35	80	280	356
Other countries	22	28	96	75
Total	**15,807**	**14,896**	**55,596**	**51,828**

Client bonus reserve

In the reporting period the Group made a provision for client bonuses, provision was assessed based on the earned, but not yet used, bonuses and corrected with the probability of the expiry.

The reserve was made in the amount of 300 thousand euros. For further information about the assumptions used to form a provision see Note 10.

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NOTE 14 Cost of goods sold

	4 Q 2014	4 Q 2013	2014	2013
Materials and supplies	5,971	5,323	22,237	19,705
Payroll costs in production	928	843	3,425	3,158
Operating lease expenses	172	168	681	667
Other production costs	115	127	419	451
Depreciation of assets used in production (Note 6,7)	34	48	160	188
Change in allowance for inventories	354	342	12	-118
Total	**7,574**	**6,851**	**26,934**	**24,051**

NOTE 15 Distribution costs

	4 Q 2014	4 Q 2013	2014	2013
Payroll costs	2,786	2,602	10,595	9,787
Operating lease expenses	2,063	2,186	8,428	8,631
Advertising expenses	430	373	1,479	1,320
Depreciation and amortisation (Note 6,7)	252	339	949	1,133
Fuel, heating and electricity costs	162	161	612	635
Fees for card payments	111	116	400	396
Municipal services and security expenses	80	72	280	203
Travel expenses	63	65	236	258
Consultation and management fees	60	68	210	169
Information technology expenses	48	49	176	187
Communication expenses	36	38	137	140
Agency fees	79	23	129	35
Other sales expenses[1]	249	278	1,005	930
Total	**6,419**	**6,370**	**24,636**	**23,824**

[1]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 16 Administrative and general expenses

	4 Q 2014	4 Q 2013	2014	2013
Payroll costs[1]	318	322	1,316	1,283
Operating lease expenses	117	110	467	440
Information technology expenses	63	69	264	258
Bank fees	60	59	218	227
Management, juridical-, auditor´s and other consulting fees	50	40	130	113
Depreciation and amortisation (Note 6,7)	27	29	105	141
Fuel, heating and electricity expenses	27	26	101	102
Office materials	18	8	49	35
Sponsorship, gifts, donations	3	26	21	56
Other administrative expenses[2]	60	52	234	214
Total	**743**	**741**	**2,905**	**2,869**

[1]Payroll costs include payroll expenses for employee services received under the share options programme in the amount of 125 thousand euros (2013: 125 thousand euros).
[2]Other administrative expenses consist of insurance, communication, travel, training, municipal and security expenses and other services.

NOTE 17 Other operating income and expenses

	4 Q 2014	4 Q 2013	2014	2013
Gain (loss) from sale, impairment of PPE and non-current assets	1	-20	13	-14
Other operating income	10	96	32	137
Foreign exchange loss	-3	-48	-104	-206
Fines, penalties and tax interest	0	-5	-5	-15
Other operating expenses	-94	16	-104	-2
Total	**-86**	**39**	**-168**	**-100**

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NOTE 18 Finance income and costs

	4 Q 2014	4 Q 2013	2014	2013
Interest income	0	6	0	6
Interest costs	-127	-80	-423	-339
Foreign exchange income	0	142	0	0
Other finance costs	-37	-38	-37	-49
Total	**-164**	**30**	**-460**	**-382**

NOTE 19 Earnings per share

Basic earnings per share		**4 Q 2014**	**4 Q 2013**	**2014**	**2013**
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	38,644
Net profit from continuing operations		420	852	66	443
Net profit (loss) from discontinued operations		0	13	-1,329	-341
Basic earnings per share	**EUR**	**0.01**	**0.02**	**-0.03**	**0.00**
Basic earnings per share (continuing operations)	EUR	0.01	0.02	0.00	0.01
Basic earnings per share (discontinued operations)	EUR	0.00	0.00	-0.03	-0.01
Diluted earnings per share	**EUR**	**0.01**	**0.02**	**-0.03**	**0.00**
Diluted earnings per share (continuing operations)	EUR	0.01	0.02	0.00	0.01
Diluted earnings per share (discontinued operations)	EUR	0.00	0.00	-0.03	-0.01

Diluted instruments were following:

Diluted earnings per share		**4 Q 2014**	**4 Q 2013**	**2014**	**2013**
Weighted average number of shares (thousand)	pcs	40,795	40,795	40,795	38,644
Adjustments:					
- weighted average of I-bonds that are dilutive	pcs	0	230	0	701
- weighted average of J-bonds that are dilutive	pcs	6,000	0	2,581	0
Total weighted average number of shares and convertible bonds		**46,795**	**41,025**	**43,376**	**39,345**
Net profit from continuing operations		420	852	66	443
Net profit (loss) from discontinued operations		0	13	-1,329	-341
Interest expense (convertible bonds)		49	0	83	0
Adjusted net profit (loss) attributable to equity holders of the parent		**469**	**865**	**-1,180**	**102**
Diluted earnings per share	**EUR**	**0.01**	**0.02**	**-0.03**	**0.00**
Diluted earnings per share (continuing operations)	EUR	0.01	0.02	0.00	0.01
Diluted earnings per share (discontinued operations)	EUR	0.00	0.00	-0.03	-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 0.49 euros (2013: 0.74 euros).

NOTE 20 Related parties

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

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

- owners, that have significant influence, generally implying an ownership interest of 20% or more; and entities under their control (Note 11);
- members of the Management Board and the Supervisory Council[1];
- 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.

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[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

	4 Q 2014 Purchases	4 Q 2013 Purchases	2014 Purchases	2013 Purchases
Services	125	58	355	238
Total	**125**	**58**	**355**	**238**

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

Balances with related parties

	31 Dec 2014	31 Dec 2013
Other current loans and interests, penalties (Note 8, 9)	2,639	145
Trade payables (Note 9)	31	50
Payables to related parties total	**2,670**	**195**

Information about interest from related party see in Note 8.

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

	4 Q 2014	4 Q 2013	2014	2013
Salaries of the members of the Management Board	90	85	380	338
Remuneration of the members of the Supervisory Council	4	4	18	18
Total	**94**	**89**	**398**	**356**

As at 31 December 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.

On January 30 2015 the Supervisory Board of AS Baltika decided to suspend Maigi Pärnik-Pernik Management Board contract for the duration of her maternity leave.

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

NOTE 21 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.

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An extract of the revenue and expenses of discontinued operation

	Q4 2014	Q4 2013	2014	2013
Discontinued operation				
Revenue	0	1,798	1,531	6,525
Expenses	0	-1,712	-1,896	-6,709
Other operating expense	0	-65	-271	-149
Profit (loss) before income tax	**0**	**21**	**-636**	**-333**
Income tax expense	0	-8	0	-8
Net profit (-loss)	**0**	**13**	**-636**	**-341**
Loss from discontinued operations and impairment of assets connected to discontinued operations	0	0	-693	0
Net profit (loss) for the reporting period	**0**	**13**	**-1,329**	**-341**

Consolidated cash-flow of the discontinued operation

	2014	2013
Net cash generated from (used in) operating activities	-180	285
Net cash used in investing activities	-8	-206
Total cash flows	**-188**	**79**
Cash and cash equivalents at the beginning of the period	**213**	**144**
Effect of exchange gains on cash and cash equivalents	-25	-10
Cash and cash equivalents at the end of the period	**0**	**213**
Change in cash and cash equivalents	**-213**	**69**

NOTE 22 Events after the balance sheet date

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014 some of investment credit agencies have indicated a negative outlook for credit rating, meaning further downgrades are possible.

The abovementioned events may have a further significant impact on the Group’s future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

In addition the situation in the banking sector has become problematic. The Group's subsidiaries in Russia have used a number of banks, including the services of OOO “Судостроительный банк” that belongs amongst the hundred most largest banks. In January the bank has had liquidity problems and from 16 February 2015 the Russian Central Bank deprived the bank its licence. Baltika AS has turned to its juridical partners to resolve issues with the bank to get an overview of when and how much money is possible to recover from the bank account. Baltika´s business activities continue as usual and the maximum possible damage is below materiality threshold. There have been no signs of any disturbances in other banks activities that the Group is engaged with.

AS BALTIKA SUPERVISORY COUNCIL

JAAKKO SAKARI MIKAEL SALMELIN
Member of the Supervisory Council since 21.06.2010
Partner, KJK Capital Oy
Master of Science in Finance, Helsinki School of Economics
Other assignments:
Member of the Management Board of KJK Fund SICAV-SIF,
Member of the Board of Directors, KJK Management SA,
Member of the Board of Directors, KJK Capital Oy.
Baltika shares held on 31 December 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 31 December: 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 31 December 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 Külmhoone 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 31 December 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 31 December 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 31 December 2014: 746,331 shares[1]

MAIGI PÄRNIK-PERNIK
Member of the Management Board, (suspended from Chief Financial Officer responsibilities during maternity leave)
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika shares 31 December 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 31 December 2014: 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 31 December 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 31 December 2014: 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").