AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2012

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	1 January 2012 – 31 December 2012
Reporting period	1 January 2012 – 30 September 2012

BALTMAN
monton
MOSAIC
Ivo Nikkolo

www baltikagroup com

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Baltika Group Third quarter and 9 months of 2012 consolidated interim report (in thousands euros, unaudited)

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 four retail concepts: Monton, Mosaic, Baltman and Ivo Nikkolo. The Group employs a vertically integrated business model, which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales. The Group also sells its collections through wholesale.

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

As at 30 September 2012, the Group employed 1,253 people (31 December 2011: 1,363).

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

The Group consists of the following companies:

Subsidiary	Location	Activity	Holding at 30 Sep 2012	Holding at 31 Dec 2011
OÜ Baltika Retail	Estonia	Holding	100%	100%
OÜ Baltman[1]	Estonia	Retail	100%	100%
SIA Baltika Latvija[1]	Latvia	Retail	100%	100%
UAB Baltika Lietuva[1]	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd[1]	Ukraine	Retail	100%	100%
OOO Kompania “Baltman RUS”[1]	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.[2]	Poland	Retail	-	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane[3]	Estonia	Production	-	93,8%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

[1]Interest through a subsidiary.

[2]The bankruptcy of Baltika Poland Sp.z.o.o was declared on 10. August 2012.

[3]In May 2012 Baltika AS acquired non-controlling interest of Virulane AS (6,2%) and became 100% shareholder of Virulane AS. In June 2012 a merger agreement between Virulane AS and Baltika AS was signed, date of merger is 1 January 2012.

MANAGEMENT REPORT

BALTIKA'S UNAUDITED FINANCIAL RESULTS, THIRD QUARTER AND 9 MONTHS 2012

Baltika ended the third quarter with a net profit of 201 thousand euros. This is an improvement by 1,373 thousand euros on a year ago and a second quarterly profit of the year.

In the third quarter, Baltika succeeded in evening up growth in its market portfolio. The Baltic region continued to post strong results with the Latvian and Estonian markets maintaining their former growth rates. In addition the Lithuanian market, which had been slower to recover, showed very good growth rates. Third quarter sales per square metre increased in all the markets and the average increase of 15% was 1 percentage point better than the 9 month total. The 18% increase achieved in the Russian market is highly significant, as it reflects a more profitable development of the Russian market.

In addition to sales growth, which was in line with expectations, the notable improvement in Baltika's third quarter performance was underpinned by the gross margin, which rose to 52%, three percentage points up on the comparative period. Gross profit per square metre increased in the third quarter by 20% and in 9 months total on average by 18%. The reason for the increase is strong collections and better inventory and sales discount management. Meanwhile the cost control continued and both third quarter and 9 months distribution expense increased per square metre only by 2%.

Good sales results and significantly improved gross margin helped Baltika achieve in the third quarter 728 thousand euros EBITDA (2011 third quarter EBITDA -103 thousand euros). All performance indicators including nine-month EBITDA, which was 1,851 thousand euros, show that Baltika is on track to meet its financial targets for 2012 even though the property sale, which has reduced rental income and has increased rental costs, is rendering this more complicated.

The company's liquidity and financial position were strengthened by a property sale carried out in the third quarter. As at the end of September, net debt was 6,010 thousand euros, an 11,439 thousand euros decrease compared with 31 December 2011.

The investment loan received in third quarter provides the means for further development. As per the investment plan that foresees implementation of new store concepts, the company has remodelled the first Monton and Mosaic stores, where sales have improved rapidly. In addition, the company is making preparations for opening the first stores with a completely new concept in the first half of 2013.

2012 third quarter highlights

- In July AS Baltika subsidiary OÜ Baltika TP sold Veerenni 24 property to AS Kawe Group. The transaction amounts to 13.6 million euros and as the sale price is equal to the book value of the assets the sale transaction has no significant impact for in the income statement. AS Baltika made an early repayment of loan from the proceeds of the sale. Baltika Group will continue to rent the space for its head office and Moetänav store space at the site.
- In accordance with the change in loan agreement with AS Swedbank Baltika receives 3 million euros investment loan. The maturity date was prolonged for both new and the outstanding loan balance of 0.6 million euros. No changes were made to the interest margin.
- In August, Monton as the sponsor of the Estonian Olympic Committee dressed the Estonian delegation to the London Olympics. Successful sale of the Olympic fan collection supported the brand's third quarter sales results.
- In September Baltika's largest brand, Monton, celebrated its 10th anniversary. The fashion brand created in 2002 is significant in the Estonian fashion world as it takes the collections of Estonian designers to the consumers of several dozen European countries.
- In the framework of the anniversary celebrations, Monton officially launched its e-store and surprised the customers with a special, Monton 10th Anniversary Limited Edition collection as well as various fashion and client events.

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REVENUE

Baltika Group 9 month revenue was in the amount of 40,144 thousand euros, increasing 6% compared to same period in previous year. Group sales revenue grew with every month making the third quarter total growth 833 thousand euros. Retail revenue growth was 785 thousand euros i.e. 6% and wholesale 83 thousand euros i.e. 9%. Increase in sales of clothing compensated the reduction in rental income by 68 thousand euros that was due to the sale of real estate.

Revenue by activity

EUR thousand	Q3 2012	Q3 2011	+/-	9m 2012	9m 2011	+/-
Retail	13,229	12,444	6%	37,137	35,291	5%
Wholesale	1,015	932	9%	2,430	2,198	11%
Rent	57	125	-54%	401	350	15%
Sewing services	12	1	1100%	101	61	66%
Other	31	9	244%	75	24	213%
Total	**14,344**	**13,511**	**6%**	**40,144**	**37,924**	**6%**

Retail

Retail revenue was 37,137 thousand euros in the 9 months of 2012, which signifies 5% increase compared to prior year. Third quarter sales growth of 6% was achieved with 7% smaller average operating area. Highest revenue increase was in the Baltics. While previously the Lithuanian growth figures were below those of Estonia and Latvia then in the third quarter the Baltics showed same level strong growth. Latvian sales increased by 17%, Lithuanian by 13% and Estonian by 9%. Due to restructuring of the retail network and decrease of the amount of stores the sales decrease of 5% in Russia is a good result. Ukraine sales revenue increased by 5%, although this result is stronger in euros due to strong hryvna, compared to that of local currency.

Retail sales by market

EUR thousands	Q3 2012	Q3 2011	+/-	Share	9m 2012	9m 2011	+/-	Share
Estonia	4,008	3,670	9%	30%	11,275	10,126	11%	30%
Russia	2,439	2,576	-5%	18%	7,183	7,657	-6%	19%
Lithuania	2,812	2,488	13%	21%	7,529	6,940	8%	20%
Ukraine	1,768	1,689	5%	13%	4,928	4,663	6%	13%
Latvia	2,202	1,888	17%	17%	6,222	5,167	20%	17%
Poland	0	133	-100%	0%	0	738	-100%	0%
Total	**13,229**	**12,444**	**6%**	**100%**	**37,137**	**35,291**	**5%**	**100%**

Stores and sales area

No significant changes in the retail network took place in the third quarter. The number of stores remained the same and average operating area increased by 169 square metres due to the increase of operating area of two stores.

Stores by market

	30 Sep 2012	30 Sep 2011	Area change
Estonia	30	29	1%
Lithuania	28	29	2%
Russia	17	24	-24%
Ukraine	16	18	-13%
Latvia	15	15	-5%
Poland	0	0	0%
Total stores	**106**	**115**	
Total sales area, sqm	**21,536**	**23,165**	**-7%**

Sales per square metre that shows retail network efficiency grew in the third quarter of 2012 in all of the active markets. With the total average increase of 15% best results are in Latvia with 21% and in Russia with 18%. The strong result of the Russian market indicates that the efforts made over the past year, including the restructuring of the retail network, adaptation of the offering and adjustment of the price level, are paying off.

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

	Q3 2012	Q3 2011	+/-	9m 2012	9m 2011	+/-
Estonia	231	214	8%	218	196	11%
Russia	215	182	18%	200	176	14%
Lithuania	168	149	13%	151	138	9%
Ukraine	191	166	15%	166	156	6%
Latvia	229	189	21%	213	174	22%
Poland	0	98	-100%	0	99	-100%
Total	**206**	**179**	**15%**	**189**	**166**	**14%**

[1]In local currency, third quarter sales efficiency grew by 15% in Russia and 2% in Ukraine.

Brands

Baltman delivered the biggest sales growth with the increase of 16% in the third quarter and 19% in 9 months total. The second premium brand in Baltika Group also continued to grow, achieving 12% sales growth in the third quarter and 13% in the 9 months total. Monton's and Mosaic's sales growth remained modest because of cutbacks in their sales area. In addition to other marketing activities, the success of the autumn collection was supported by Monton's 10th anniversary celebrations at the Tallinn Seaplane Harbour, where the brands launched their collections. The Latvian marketing organisation also celebrated its 10th anniversary with the brands' fashion shows in Riga.

Retail revenue by brand

EUR thousands	Q3 2012	Q3 2011	+/-	Share	9m 2012	9m 2011	+/-	Share
Monton	6,778	6,595	3%	51%	19,105	18,766	2%	51%
Mosaic	4,091	3,867	6%	31%	11,607	11,107	5%	31%
Baltman	1,119	963	16%	8%	3,303	2,769	19%	9%
Ivo Nikkolo	1,128	1,003	12%	9%	2,955	2,617	13%	8%
Other	113	16	606%	1%	167	32	422%	0%
Total	**13,229**	**12,444**	**6%**	**100%**	**37,137**	**35,291**	**5%**	**100%**

The work done on the Mosaic collection began delivering clearly positive results in the third quarter, when the collection with a focus on formal wear achieved strong sales figures across all markets. In the quarter under review, Mosaic's retail sales efficiency grew by 17%, the highest rate among the brands.

Monton also maintained a clear rise in sales efficiency. The key to its 12% increase was a stronger menswear collection where the formal wear offering was extended.

Sales efficiency and change in average sales area by brand (sales per sqm in a month, EUR)

	Q3 2012	Q3 2011	+/-	Average area change	9m 2012	9m 2011	+/-	Average area change
Monton	190	169	12%	-8%	178	155	15%	-10%
Mosaic	192	164	17%	-11%	177	156	13%	-9%
Baltman	301	274	10%	3%	287	267	8%	7%
Ivo Nikkolo	303	296	2%	13%	277	258	7%	8%
Total retail	**206**	**179**	**15%**	**-7%**	**189**	**166**	**14%**	**-8%**

Wholesale

Wholesale amounted to 1,015 thousand euros in the third quarter of 2012 that is increase of 9% compared to prior year comparative period.

OPERATING EXPENSES AND NET LOSS

The Group's gross profit for the third quarter of 2012 amounted to 7,438 thousand euros that is 761 thousand euros i.e. 11% increase year-over-year on a sales area that was 7% smaller on average. Gross profit margin was 52%, which is three percentage points higher than in prior year third quarter. One of the reasons behind the gross margin improvement is lower discount margin during sales in the end of the season. The Group's gross profit for the 9 months of 2012 was 21,638 thousand euros that is 1,755 thousand euros i.e. 9% increase year-over-year. Gross profit has increase in addition to sales increase due to gross margin increase of 2 percentage points. 9 month gross margin was 54% with higher gross margin in each quarter.

In the third quarter of 2012 distribution expense was 6,353 thousand euros that signifies a decrease of 367 thousand euros i.e. 5% compared to the same period in 2011.In 2012, pricing pressure of rental rates has been strong but despite a relative rise in rental charges, distribution costs per unit, i.e. per square metre, have grown by only 2%.

The third quarter administrative and general expenses were 620 thousand euros, decreasing 1% compared to same period of last year. Administrative and general expense include the rental expense since the sale of real estate, due to which rent expense increased by 58 thousand euros in the third quarter compared to prior year. Therefore in total administrative and general expense were managed to be reduced and kept under control.

Other operating income and –expenses for the third quarter of 2012 were -151 thousand euros, mainly due to foreign exchange loss. Operating profit totalled 314 thousand euros (2011 third quarter operating loss was 732 thousand euros).

With the large reduction of debt the interest expense decreased significantly. In the third quarter that includes 2 months of lower debt level the interest expense was 191 thousand euros that is 127 thousand euros less than in the third quarter of prior year.

Baltika ended the third quarter with a net profit of 201 thousand euros. This is an improvement of 1,373 thousand euros on a year ago third quarter loss of 1,172 thousand euros.

FINANCIAL POSITION

As at 30 September 2012 the receivables balance was 2,579 thousand euros, that is an increase of 656 thousand euros compared with 30 June 2012. Compared to the 2011 year-end the increase is 390 thousand euros. In addition to seasonal impact the reason is the sale of real estate, from which arose a 600 thousand euros receivable. 120 thousand euros from it is classified as short-term and 480 thousand euros is long-term.

As at 30 September 2012 Group inventories totalled 11,838 thousand euros, that is 1,790 thousand euros more than 2011 year-end due to seasonality. Compared to 30 September of last year inventories have decreased by 1 840 thousand euros despite the increase in sales.

As a result of the sale of Veerenni 24 property Group long-term assets have decreased significantly. Assets held for sale in the amount of 5,029 thousand euros and investment property in the amount of 8,549 thousand euros were reduced to zero as a result of the sale.

As at the end of third quarter Group trade payables totalled 7,072 thousand euros. The payables have decreased by 2,877 thousand euros i.e. 29% compared to that of same quarter end in prior year. This is the result of opportunities arising from better liquidity position.

Proceeds from the sale were used to repay 13 million euros of loan. In the same period 1 million euros of the investment loan was received. The current and non-current borrowings total as at 30 September is 7,299 thousand euros that signifies a decrease of 11,400 thousand euros compared to 30 June 2012. Working capital (current assets – current liabilities) position has also improved with 7,235 thousand euros as at 30 September 2012 compared to 3,138 thousand euros on 31. December 2011.

At the end of the quarter, the Group’s net debt (interest-bearing liabilities less cash and bank balances) amounted to 6,010 thousand euros, a 12,008 thousand euros decrease compared to 30 June 2012 and 11,439 thousand euros decrease compared to 31 December 2011. The Group’s net debt to equity ratio was 66% (31. December 2011: 181%).

Third quarter cash flow from operating activities amounted to -745 thousand euros (2011:1 386 thousand euros), which was mainly due to financing inventory purchase for the winter season (1,468 thousand euros was used to finance working capital).

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PEOPLE

As at 30 September 2012, Baltika Group employed a total of 1,253 people that is 110 people less than 31 December 2011 (1,363): 690 (31.12.2011: 765) in the retail system, 392 (31.12.2011: 433) in manufacturing and 171 (31.12.211: 165) at the head office and logistics centre. The 9 month average number of staff was 1,295 (2011 9 months: 1,413).

Kati Kusmin joined the board 1 October 2012 as a member in charge of the Group's sales and marketing division. She is responsible for the sales and marketing strategies of the Monton, Mosaic, Ivo Nikkolo and Baltman brands and development of Baltika's new sales channels

Employee remuneration expense for the 9 months of 2012 amounted to 7.7 million euros (2011: 7.9 million euros). The remuneration of the members of the Supervisory Council and Management Board totalled 202 thousand euros (2011: 246 thousand euros).

KEY FIGURES OF THE GROUP (III QUARTER AND 9 MONTHS OF 2012)

	Q3 2012	Q3 2011	Q3 2010	Q3 2009
Revenue (EUR thousand)	14,344	13,511	13,486	14,389
Retail sales (EUR thousand)	13,229	12,444	12,401	12,671
Share of retail sales in revenue	92%	92%	92%	88%
Gross margin	51.8%	49.4%	48.7%	52.0%
EBITDA (EUR thousand)	728	-103	-931	-726
EBITDA margin	5.1%	-0.8%	-6.9%	-5.0%
Operating margin	2.2%	-5.4%	-12.9%	-10.6%
EBT margin	1.4%	-8.6%	-15.6%	-12.6%
Net margin	1.4%	-8.7%	-15.9%	-12.8%

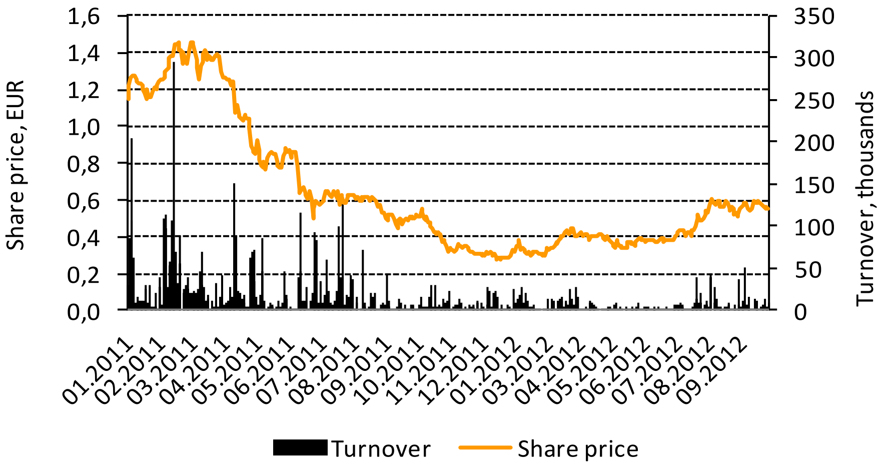
	9M and 30 Sep 2012	9M and 30 Sep 2011	9M and 30 Sep 2010	9M and 30 Sep 2009
Revenue (EUR thousand)	40,144	37,924	37,124	42,193
Retail sales (EUR thousand)	37,137	35,291	34,314	38,301
Share of retail sales in revenue	93%	93%	92%	91%
Number of stores	106	115	123	141
Sales area (sqm)	21,536	23,165	24,794	29,277
Number of employees (end of period)	1,253	1,413	1,456	1,757
Gross margin	53.9%	52.4%	50.4%	47.0%
EBITDA (EUR thousand)	1,851	-1,032	-1,903	-4,847
EBITDA margin	4.6%	-2.7%	-5.1%	-11.5%
Operating margin	1.2%	-7.7%	-11.5%	-17.0%
EBT margin	-0.6%	-10.4%	-13.4%	-19.0%
Net margin	-0.7%	-10.5%	-13.6%	-19.1%
Current ratio	1.9	1.4	1.0	1.0
Inventory turnover	4.93	4.31	4.48	3.76
Debt to equity ratio	80.3%	167.5%	148.9%	178.9%
Return on equity	-2.9%	-48.0%	-61.7%	-78.7%
Return on assets	-0.8%	-13.5%	-16.5%	-25.7%

Definitions of key ratios

EBITDA = Operating profit-amortisation and depreciation
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 = Revenue/Average inventories*
Debt to equity ratio = Interest-bearing liabilities/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
14 November 2012

Maigi Pärnik-Pernik
Member of the Management Board
14 November 2012

Maire Milder
Member of the Management Board
14 November 2012

Andrew Paterson
Member of the Management Board
14 November 2012

Kati Kusmin
Member of the Management Board
14 November 2012

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter and nine months of 2012 as presented on pages 11-31.

The Management Board confirms that:

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

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

3. the Group is going concern.

Meelis Milder
Chairman of the Management Board
14 November 2012

Maigi Pärnik-Pernik
Member of the Management Board
14 November 2012

Maire Milder
Member of the Management Board
14 November 2012

Andrew Paterson
Member of the Management Board
14 November 2012

Kati Kusmin
Member of the Management Board
14 November 2012

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sep 2012	31 Dec 2011
ASSETS			
Current assets			
Cash and bank	3	1,260	863
Trade and other receivables	4	2,579	2,189
Inventories	5,13	11,838	10,048
Total current assets		**15,677**	**13,100**
Non-current assets			
Deferred income tax asset		838	838
Other non-current assets	6	1,196	629
Investment property	7	0	8,549
Property, plant and equipment	8	2,224	8,031
Intangible assets	9	3,522	3,665
Total non-current assets		**7,780**	**21,712**
TOTAL ASSETS		**23,457**	**34,812**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	1,369	3,178
Trade and other payables	11	7,072	6,785
Total current liabilities		**8,441**	**9,963**
Non-current liabilities			
Borrowings	10	5,930	15,144
Other liabilities	11	33	83
Total non-current liabilities		**5,963**	**15,227**
TOTAL LIABILITIES		**14,404**	**25,190**
EQUITY			
Share capital at par value	12	7,159	25,056
Share premium		31	89
Reserves	12	1,182	2,494
Retained earnings		1,667	-11,592
Net loss for the period		-271	-5,863
Currency translation differences		-715	-727
Total equity attributable to equity holders of the parent		**9,053**	**9,457**
Non-controlling interest		0	165
TOTAL EQUITY		**9,053**	**9,622**
TOTAL LIABILITIES AND EQUITY		**23,457**	**34,812**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q3 2012	Q3 2011	9M 2012	9M 2011
Revenue	13,14	14,344	13,511	40,144	37,924
Cost of goods sold	15	-6,906	-6,834	-18,506	-18,041
Gross profit		**7,438**	**6,677**	**21,638**	**19,883**
Distribution costs	16	-6,353	-6,720	-19,172	-20,283
Administrative and general expenses	17	-620	-628	-1,988	-2,122
Other operating income	18	17	20	90	23
Other operating expenses	19	-168	-81	-77	-427
Operating profit (loss)		**314**	**-732**	**491**	**-2,926**
Finance income	20	53	-14	70	1
Finance costs	20	-165	-411	-799	-1,030
Profit (loss) before income tax		**202**	**-1,158**	**-238**	**-3,955**
Income tax expense		-1	-15	-32	-25
Net profit (loss)		**201**	**-1,172**	**-270**	**-3,980**
Profit (loss) attributable to:					
Equity holders of the parent company		201	-1,172	-271	-3,980
Non-controlling interest		0	0	1	0
Other comprehensive income (loss)					
Currency translation differences		128	-156	12	50
Total comprehensive income (loss)		**329**	**-1,328**	**-258**	**-3,930**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		329	-1,328	-259	-3,930
Non-controlling interest		0	0	1	0
Basic earnings per share, EUR	21	0.01	-0.03	-0.01	-0.13
Diluted earnings per share, EUR	21	0.01	-0.03	-0.01	-0.13

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Q3 2012	Q3 2011	9M 2012	9M 2011
Operating activities					
Operating profit (loss)		314	-732	491	-2,926
Adjustments:					
Depreciation, amortisation and impairment of PPE and intangibles	15-17	374	610	1,318	1,881
Loss from disposal of PPE		32	63	24	60
Other non-monetary expenses		188	-74	65	195
Changes in working capital:					
Change in trade and other receivables	4	-553	-338	-355	-199
Change in inventories	5	-345	-783	-1,799	-2,866
Change in trade and other payables	11	-570	228	235	2,906
Interest paid		-179	-345	-730	-938
Income tax paid		-6	-15	-62	-144
Net cash generated from operating activities		**-745**	**-1,386**	**-813**	**-2,031**
Investing activities					
Acquisition of property, plant and equipment, intangibles	8, 9	-231	-74	-349	-119
Proceeds from disposal of property, plant and equipment, investment property		13,002	0	13,013	2
Acquisition of non-controlling interest		0	0	-91	0
Net cash used in investing activities		**12,771**	**-74**	**12,573**	**-117**
Financing activities					
Received borrowings	10	1,000	0	1,000	1,193
Repayments of borrowings	10	-13,329	-1,384	-13,644	-2,044
Change in bank overdraft	10	922	-124	1,164	-89
Repayments of finance lease and other liabilities		-23	-54	-102	-168
Receipts from contribution into share capital		0	3,010	0	3,010
Dividend paid for preference shares		0	-49	0	-49
Proceeds from bonds issue		15	0	219	0
Redemption of bonds		0	0	0	-1
Net cash generated from financing activities		**-11,415**	**1,399**	**-11,363**	**1,852**
Effect of exchange gains (losses) on cash and cash equivalents		0	-107	0	-93
Total cash flows		**611**	**-168**	**397**	**-389**
Cash and cash equivalents at the beginning of the period	3	**649**	**602**	**863**	**823**
Cash and cash equivalents at the end of the period	3	**1,260**	**434**	**1,260**	**434**
Change in cash and cash equivalents		**611**	**-168**	**397**	**-389**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent							
	Share capital	**Share pre-mium**	**Reser-ves**	**Re-tained ear-nings**	**Cur-rency transla-tion reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 31 December 2010	**20,129**	**1,332**	**2,784**	**-11,305**	**-747**	**12,194**	**162**	**12,356**
Loss for the period	0	0	0	-3,980	0	-3,980	0	-3,980
Other comprehensive income	0	0	0	0	50	50	0	50
Total comprehensive income (loss)	0	0	0	-3,980	50	-3,930	0	-3,930
Equity-settled share-based transactions (Note 17)	0	101	0	0	0	101	0	101
Increase of share capital	4,927	-1,377	-540	-287	0	2,723	0	2,723
Balance as at 30 Sep 2011	**25,056**	**56**	**2,244**	**-15,572**	**-696**	**11,088**	**162**	**11,250**
Balance as at 31 December 2011	**25,056**	**89**	**2,494**	**-17,455**	**-727**	**9,457**	**165**	**9,622**
Profit (loss) for the period	0	0	0	-271	0	-271	1	-270
Other comprehensive income	0	0	0	0	12	12	0	12
Total comprehensive income (loss)	0	0	0	-271	12	-259	1	-258
Allocation of retained earnings	0	-89	-651	740	0	0	0	0
Decrease of the nominal value of share	-17,897	0	1,182	16,715	0	0	0	0
Equity-settled share-based transactions (Note 17)	0	31	0	0	0	31	0	31
Equity instrument classification to liability (Note 12)	0	0	-250	0	0	-250	0	-250
Acquisition of non-controlling interest	0	0	0	75	0	75	-166	-91
Sale of investment property: revaluation reserve (Note 12)	0	0	-1,592	1,592	0	0	0	0
Balance as at 30 Sep 2012	**7,159**	**31**	**1,182**	**1,396**	**-715**	**9,053**	**0**	**9,053**

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 four concepts: Monton, Mosaic, Baltman and Ivo Nikkolo. AS Baltika's shares are listed on the Tallinn Stock Exchange. The largest shareholder and the only company holding above 20% of shares (Note 12) of AS Baltika is KJK Fund Sicaf-SIF (on ING Luxembourg S.A. account).

The Group's condensed consolidated interim report for the nine months ended 30 September 2012 has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The interim report should be read in conjunction with the Group's latest consolidated annual financial statements for the year ended 31 December 2011, 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 2011. New and revised standards and interpretations effective from 1 January 2012 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 management, which 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. Due to the macroeconomic environment and Group´s situation the management of the 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's risk management activities.

Market risk

Foreign exchange risk

Sales in foreign currencies constitute 65% (2011 9 months: 66%) of the revenues of the Group and are denominated in LTL (Lithuanian lit), LVL (Latvian lat), UAH (Ukrainian hryvnia), RUB (Russian rouble) and also PLN (Polish zloty) in 2011, for the foreign subsidiaries of the Group. The majority of raw materials used in production is acquired from countries located outside of European Union. The major foreign currency for purchases is USD (US dollar).

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

The Group's results are open to fluctuations in foreign currency rates against euro in those countries where AS Baltika has subsidiaries. The changes in average foreign currency rates against euro in the reporting period were the following: Russian rouble +1.71% (2011: -1.88%), Ukrainian hryvnia +8.64% (2011: -7.33%), Polish zloty -4.67% (2011: -0.53%) and Latvian lat +1.44% (2011: +0.09%). The Lithuanian lit is pegged to the euro. The change in average rate of US dollar in the reporting period was +8.94% (2011: -7.07%).

Foreign exchange risk arises from cash and bank (Note 3), trade receivables (Note 4) and trade payables (Note 11).

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 2012 and 2011. Based on the management's assessment, the effect of losses resulting from changes in foreign currencies does not exceed the risk tolerance determined by the Group, except in the case of devaluation. If feasible, foreign currencies collected are used for the settling of liabilities measured in the same currency. Additionally the Group uses the option 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 current and non-current borrowings issued at floating interest rate and thus exposing the Group to cash flow interest rate risk. There is no fair value interest rate risk as the Group has no interest bearing financial instruments, which are recognised at fair value. Interest rate risk is primarily caused by the potential fluctuations of Euribor and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

Majority non-current borrowings at 30 September 2012 and 31 December 2011 were subject to a floating interest rate based on Euribor, which is fixed every one or six months. The Group analyses its interest rate exposure on a dynamic 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, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Cash and cash equivalents

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted for operations in the Baltic and Central European region as long-term counterparties. For Eastern Europe the "B" rating is also considered acceptable. The Group has chosen banks with "A" rating to be the main partners for managing the cash and cash equivalents and financing the Group's operations in Estonia and overseas.

Trade receivables

For the wholesale customers, their financial position, past experience and other factors are taken into consideration as the basis for credit control. According to the Group's credit policy, for new clients prepayments are required and for long-term contractual clients no collaterals to secure the trade receivables are required from counterparties but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

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At 30 September 2012 the maximum exposure to credit risk from trade receivables (Note 4) and other non-current assets (Note 6) amounted 1,706 thousand euros (31 December 2011: 795 thousand euros) on a net basis after the allowances.

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

Liquidity risk

Liquidity risk is the potential risk that the Group has limited or insufficient financial (cash) resources to meet the obligations arising from the Group's activities. If the volume of financing between banks reduces significantly, it may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. 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 Group companies to use the Group's resources up to the limit established by the Parent company.

Financial liabilities by maturity at 30 September 2012

		Undiscounted cash flows[1]			
	Carrying amount	**1-6 months**	**9 months - 1 year**	**1-5 years**	**Total**
Loans (Note 10)[2]	5,728	448	1,181	4,824	6,453
Finance lease liabilities (Note 10)	42	27	19	7	53
Convertible bonds (Note 10)	1,529	5	112	1,636	1,753
Trade payables (Note 11)	4,813	4,813	0	0	4,813
Other financial liabilities (Note 11)[3]	133	133	0	0	133
Total	**12,245**	**5,426**	**1,312**	**6,467**	**13,205**

Financial liabilities by maturity at 31 December 2011

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans (Note 10)[2]	18,166	4,195	16,627	20,822
Finance lease liabilities (Note 10)	146	126	28	154
Convertible bonds (Note 10)	10	10	0	10
Trade payables (Note 11)	3,945	3,945	0	3,945
Other financial liabilities (Note 11)[3]	119	119	0	119
Total	**22,386**	**8,395**	**16,655**	**25,050**

[1]For interest bearing borrowings carrying floating interest rate based on Euribor, the last applied spot rate to loans has been used.
[2]Overdraft facilities are shown under loans payable within 1-5 years based on the contractual date of payment.
[3]Other financial liabilities include accrued interest in the amount of 51 thousand euros (31 December 2011: 21 thousand euros) and accrued expenses in amount of 82 thousand euros (31 December 2011: 98 thousand euros).

Operational risk

The Group's operations are mostly affected by the cyclical nature of economies in target markets and changes in competitive positions, as well as risks related to specific markets (especially non-European Union markets – Russia and Ukraine).

To manage the risks, the Group attempts to increase the flexibility of its operations: the sales volumes and the activities of competitors are also being monitored and if necessary, the Group makes adjustments in price levels, marketing activities and collections offered. In addition to central gathering and assessment of information, an important role in analysing and planning actions is played by a market organisation in each target market enabling the Group to obtain fast and direct feedback on market developments on one hand and adequately consider local conditions on the other.

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As improvement of flexibility plays an important role in increasing the Group's competitiveness, continuous efforts are being made to shorten the cycles of business processes and minimise potential deviations. This also helps to improve the relative level and structure of inventories and the fashion collections' meeting consumer expectations.

The most important operating risk arises from the Group's inability to produce collections which would meet customer expectations and the goods that cannot be sold when expected and as budgeted. Another important risk is that the Group's information technology system is unable to ensure sufficiently fast and accurate transmission of information for decision-making purposes.

To ensure good collections, the Group employs a strong team of designers who monitor and are aware of fashion trends by using internationally acclaimed channels. Such a structure, procedures and information systems have been set up at the Group which help daily monitoring of sales and balance of inventories and using the information in subsequent activities. In order to avoid supply problems, cooperation with the world's leading procurement intermediaries as well as fabric 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 other stakeholders 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.

Consistent with industry practice, the Group monitors capital on the basis of the capital to net debt ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated statement of financial position and net debt. The Group's strategy is to achieve the capital to net debt ratio within the range of 30% to 35%, but due to macroeconomic and Group´s situation it was not achieved in 2011. In 2012 the ratio has improved remarkably due to significant reduction in borrowings.

Capital to net debt ratio of the Group

	30 Sep 2012	**31 Dec 2011**
Total interest carrying borrowings (Note 10)	7,270	18,312
Cash and bank (Note 3)	-1,260	-863
Net debt	6,010	17,449
Total equity	9,053	9,622
Total capital	15,063	27,071
Total capital to net debt ratio	**40%**	**64%**

Fair value

The Group estimates that the fair values of the assets and liabilities measured in the statement of financial position at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated statement of financial position at 30 September 2012 and 31 December 2011. 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. Therefore, management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. 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 bank

	30 Sep 2012	31 Dec 2011
Cash on hand	389	391
Cash at bank and overnight deposits	871	472
Total	**1,260**	**863**

Cash and bank by currency

	30 Sep 2012	31 Dec 2011
UAH (Ukrainian hryvnia)	480	155
RUB (Russian rouble)	292	277
EUR (euro)	250	221
LTL (Lithuanian lit)	169	162
LVL (Latvian lat)	69	46
PLN (Polish zloty)	0	2
Total	**1,260**	**863**

NOTE 4 Trade and other receivables

	30 Sep 2012	31 Dec 2011
Trade receivables, net	897	533
Other prepaid expenses	915	881
Tax prepayments and tax reclaims, thereof	721	675
Value added tax	612	656
Prepaid income tax	15	14
Other taxes	94	5
Other current receivables	46	100
Total	**2,579**	**2,189**

Information about the receivables from related parties is in Note 22.

Trade receivables

	30 Sep 2012	31 Dec 2011
Trade receivables, gross	907	1,203
Allowance for impairment of trade receivables	-10	-670
Trade receivables, net	**897**	**533**

Trade receivables (net) by due date

	30 Sep 2012	31 Dec 2011
Not due	847	463
Up to 1 month past due	15	35
1-3 months past due	30	23
3-6 months past due	5	3
Over 6 months past due	0	9
Total	**897**	**533**

Trade receivables (net) in measurement currency

	30 Sep 2012	31 Dec 2011
EUR (euro)	657	358
LVL (Latvian lat)	113	90
RUB (Russian rouble)	64	49
LTL (Lithuanian lit)	36	36
UAH (Ukrainian hryvnia)	27	0
Total	**897**	**533**

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NOTE 5 Inventories

	30 Sep 2012	31 Dec 2011
Fabrics and accessories	1,790	1,487
Allowance for impairment of fabrics and accessories	-13	-13
Work-in-progress	62	62
Finished goods and goods purchased for resale	9,891	8,798
Allowance for impairment of finished goods and goods purchased for resale	-100	-450
Prepayments to suppliers	208	164
Total	**11,838**	**10,048**

The allowance for finished goods and goods purchased for sale as at 30 September 2012 compared to previous reporting date has decreased as the sales discounts were much steeper in the first half of the year than expected in the fourth quarter. In addition, a greater allowance was made in the end of last year, because of the high final discount sales in the beginning of 2012 in the now closed stores.

NOTE 6 Other non-current assets

	30 Sep 2012	31 Dec 2011
Non-current lease prepayments	390	367
Other long-term receivables	806	262
Total	**1,196**	**629**

NOTE 7 Investment property

	2012	2011
Balance as at 1 January	**8,549**	**7,069**
Disposal	-8,549	0
Balance as at 30 September	**0**	**7,069**

At the beginning of the reporting period investment property consisted of 4,500 square metres of land and two office buildings, located at 24 Veerenni in Tallinn, Estonia. Real estate space that was for own usage by Group was recorded as fixed assets.

In line with the plan to exit operating real estate and focus on its core business, AS Baltika´s subsidiary OÜ Baltika TP sold office buildings and land located at Veerenni 24 to AS Kawe Group on 31 July 2012.

The amount of this transaction was 13.6 million euros of which 13 million euros was settled at the time of selling and 0.6 million will be settled within five years.

Proceeds from the sale of the real-estate were used to reduce the Group´s borrowings (loan liabilities decreased by 13 million euros). As a result of the transaction Baltika´s investment property and fixed assets in the amount of 13.6 million euros decreased in full. Short and long term receivables increased by a total of 0.6 million euros.

The Group continues to rent the space for its head office and store “Moetänav” in the same location.

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NOTE 8 Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	Total
31 December 2010						
Acquisition cost	**11,607**	**5,861**	**6,979**	**19**	**13**	**24,478**
Accumulated depreciation	-3,005	-4,445	-4,908	0	0	-12,357
Net book amount	**8,602**	**1,416**	**2,071**	**19**	**13**	**12,121**
Additions	46	28	32	0	0	106
Reclassifications from inventories	0	0	5	0	0	5
Disposals	-1	-15	-29	-5	-11	-61
Reclassifications to inventory	0	-10	-3	0	0	-13
Reclassification	10	2	-1	-10	-1	0
Depreciation	-577	-334	-703	0	0	-1,614
Currency translation differences	-8	-13	-16	0	-1	-38
30 September 2011						
Acquisition cost	**11,472**	**5,752**	**6,707**	**4**	**0**	**23,935**
Accumulated depreciation	-3,400	-4,678	-5,351	0	0	-13,429
Net book amount	**8,072**	**1,074**	**1,356**	**4**	**0**	**10,506**
31 December 2011						
Acquisition cost	**9,231**	**5,633**	**6,691**	**0**	**0**	**21,555**
Accumulated depreciation	-3,360	-4,655	-5,509	0	0	-13,524
Net book amount	**5,871**	**978**	**1,182**	**0**	**0**	**8,031**
Additions	84	38	205	16	0	343
Reclassifications from inventories	0	0	18	0	0	18
Disposals	-5,031*	-39	-6	0	0	-5,076
Reclassifications to inventories	0	0	-7	0	0	-7
Reclassification	-15	4	17	-6	0	0
Depreciation	-375	-290	-431	0	0	-1,096
Currency translation differences	-4	7	8	0	0	11
30 September 2012						
Acquisition cost	**3,780**	**5,462**	**6,919**	**10**	**0**	**16,171**
Accumulated depreciation	-3,250	-4,764	-5,933	0	0	-13,947
Net book amount	**530**	**698**	**986**	**10**	**0**	**2,224**

*The real estate property in Veerenni 24 was sold on 31. July 2012, see more details in Note 7.

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NOTE 9 Intangible assets

	Licenses, software and other	Trade-marks	Prepayments	Goodwill	Total
31 December 2010					
Acquisition cost	**2,774**	**643**	**23**	**2,048**	**5,488**
Accumulated depreciation	-1,451	-139	0	0	-1,590
Net book amount	**1,323**	**504**	**23**	**2,048**	**3,898**
Additions	18	0	0	194	212
Disposals	-1	0	0	0	-1
Reclassification	3	0	-3	0	0
Amortisation	-243	-24	0	0	-267
Currency translation differences	-6	0	0	-89	-95
30 Sept 2011					
Acquisition cost	**2,821**	**643**	**20**	**2,153**	**5,637**
Accumulated depreciation	-1,727	-163	0	0	-1,890
Net book amount	**1,094**	**480**	**20**	**2,153**	**3,747**
31 December 2011					
Acquisition cost	**2,187**	**643**	**10**	**2,218**	**5,058**
Accumulated depreciation	-1,222	-171	0	0	-1,393
Net book amount	**965**	**472**	**10**	**2,218**	**3,665**
Additions	9	0	0	0	9
Disposals	-2	0	0	0	-2
Amortisation	-197	-25	0	0	-222
Currency translation differences	2	0	0	70	72
30 September 2012					
Acquisition cost	**2,182**	**643**	**10**	**2,288**	**5,123**
Accumulated depreciation	-1,405	-196	0	0	-1,601
Net book amount	**777**	**447**	**10**	**2,288**	**3,522**

NOTE 10 Borrowings

	30 Sep 2012	31 Dec 2011
Current borrowings		
Current portion of non-current bank loans	1,329	2,047
Current portion of finance lease liabilities	35	121
Other current loans (Note 22)	0	1,000
Convertible bonds (Note 22)	5	10
Total	**1,369**	**3,178**
Non-current borrowings		
Non-current bank loans	4,399	15,119
Non-current finance lease liabilities	7	25
Convertible bonds (Note 22)	1,524	0
Total	**5,930**	**15,144**
Total borrowings	**7,299**	**18,322**

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In May this year AS Baltika signed an agreement with a related party, according to which two-year term convertible bonds were issued. The bonds were paid for partly with monetary contribution (203 thousand euros) and partly by off-setting AS Baltika´s liabilities to the related party (liabilities in the amount of 1,046 thousand euros arising from the loan agreement signed in December 2011 and liabilities in the amount of 250 thousand euros arising from the loan agreement signed in November 2011, previously classified as an equity instrument in reserves). A liability component was recognised at the issuance of the bonds, interest rate of the bonds is comparable with market interest rate. Detailed information about the convertible bonds can be found in Note 22.

During the reporting period, the Group made loan repayments in the amount of 13,644 thousand euros (2011: 2,044 thousand euros). Interest expense of the loans and other interest carrying borrowings of the reporting period amounted to 784 thousand euros (2011: 935 thousand euros), including 44 thousand euros interest expense from convertible bonds. The used limit of the Group´s overdraft facilities with the banks as at 30 September 2012 amounted to 1,546 thousand euros (31 December 2011: 382 thousand euros). In the third quarter the Group signed an annex to previous loan agreement and received a loan in the amount of 1,000 thousand euros.

Interest carrying loans and bonds of the Group as at 30 September 2012

	Carrying amount	Average risk premium
Borrowings at floating interest rate (based on 1-month and 6-month Euribor)	5,728	EURIBOR+4.32%
H-bonds (Note 22)	1,500	7.50%
Total	**7,228**	

Interest carrying loans of the Group as at 31 December 2011

	Carrying amount	Average risk premium
Borrowings at floating interest rate (based on 1-month and 6-month Euribor)	17,166	EURIBOR+4.6%
Borrowings at fixed interest rate (Note 22)	1,000	10.00%
Total	**18,166**	

NOTE 11 Trade and other payables

	30 Sep 2012	31 Dec 2011
Current liabilities		
Trade payables	4,813	3,945
Tax liabilities, thereof	981	1,567
Personal income tax	169	177
Social security taxes and unemployment insurance premium	447	443
Value added tax	330	849
Corporate income tax liability	22	51
Other taxes	13	47
Payables to employees[1]	911	921
Other accrued expenses[2]	133	119
Customer prepayments	13	26
Other current payables	221	207
Total	**7,072**	**6,785**
Non-current liabilities		
Other liabilities[3]	33	83

[1]Payables to employees consist of accrued wages, salaries and vacation reserve.
[2]Accrued expenses include interest payable in the amount of 51 thousand euros (31 December 2011: 21 thousand euros).
[3]Other non-current liabilities consist mostly of deferred income.

Information about the liabilities to related parties is in Note 22.

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Trade payables and other accrues expenses in denominated currency

	30 Sep 2012	31 Dec 2011
EUR (euro)	3,436	2,486
USD (US dollar)	1,195	1,270
RUB (Russian rouble)	132	53
LVL (Latvian lat)	68	56
LTL (Lithuanian lit)	54	75
UAH (Ukrainian hryvnia)	45	14
PLN (Polish zloty)	1	95
Other currencies	15	15
Total	**4,946**	**4,064**

NOTE 12 Equity

Share capital and reserves

	30 Sep 2012	31 Dec 2011
Share capital	7,159	25,056
Number of shares (pcs)	35,794,850	35,794,850
Nominal value of share (EUR)	0.20	0.70
Statutory reserve	1,182	652
Revaluation surplus	0	1,592
Other reserves (Note 22)	0	250

At the reporting date, 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.

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

On 20 April 2012 the annual general meeting of shareholders decided to decrease the nominal value of the share from 0.7 euros to 0.2 euros. The meeting also decided to decrease share capital to 7,159 thousand euros: retained earnings increased by 16,715 thousand euros and statutory reserve increased by 1,182 thousand euros.

In May this year an agreement with a related party was signed, according to which the equity instrument (loan carrying no interest) was offset with convertible bonds (Note 10, 22).

In accordance with the sale of investment property the revaluation surplus decreased and retained earnings increased in the amount of 1,592 thousand euros (Note 7).

Change in the number of shares

	Issue	Number of shares
Number of shares as at 31 Dec 2010, thereof		**31,494,850**
Ordinary shares		27,494,850
Preference shares		4,000,000
Cancelled at 31 May 2011	Cancelling of preference shares	-4,000,000
Issued at 31 May 2011	Issue of ordinary shares	4,000,000
Issued at 3 August 2011	Issue of ordinary shares	4,300,000
Number of shares as at 31 Dec 2011		**35,794,850**
Number of shares as at 30 Sep 2012		**35,794,850**

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Shareholders as at 30 September 2012

	Number of shares	Holding
1. ING Luxembourg S.A.	7,590,914	21.21%
2. Clearstream Banking Luxembourg S.A. clients	6,572,004	18.36%
3. BMIG OÜ*	4,750,033	13.27%
4. Skandinaviska Enskilda Banken Ab clients	3,573,665	9.98%
5. Svenska Handelsbanken clients	1,715,000	4.79%
6. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	743,531	2.08%
Maire Milder	316,083	0.88%
Andrew Paterson	11,000	0.03%
Persons related to members of Management Board	8,100	0.02%
Entities connected to Supervisory Council not mentioned above	1,002,427	2.80%
7. Other shareholders	9,512,093	26.58%
Total	**35,794,850**	**100%**

Shareholders as at 31 December 2011

	Number of shares	Holding
1. ING Luxembourg S.A.	7,590,914	21.21%
2. E. Miroglio S.A.	4,968,330	13.88%
3. BMIG OÜ*	4,750,033	13.27%
4. Skandinaviska Enskilda Banken Ab clients	3,591,060	10.03%
5. Svenska Handelsbanken clients	1,895,000	5.29%
6. Members of management and supervisory boards and persons related to them		
Meelis Milder	726,336	2.03%
Maire Milder	316,083	0.88%
Andrew Paterson	11,000	0.03%
Persons related to members of Management Board	8,100	0.02%
Entities connected to Supervisory Council not mentioned above	977,837	2.73%
7. Other shareholders	10,960,157	30.63%
Total	**35,794,850**	**100.00%**

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

The 35,794,850 ordinary shares of the Parent company are listed on the Tallinn Stock Exchange. The Parent company does not have a controlling shareholder or any shareholders jointly controlling the entity.

NOTE 13 Segments

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

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

- Baltic region consists of operations in Estonia, Latvia and Lithuania;
- Eastern European region consists of operations in Russia and Ukraine;
- Central European region consists of operations in Poland (Baltika Poland Sp.z.o.o. ended its business activities in 2011).

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The Parent company's Management Board assesses the performance of the operating segments based on a measure of external revenue and segment profit. External revenue amounts provided to Management Board are measured in a manner consistent with that of the financial statements. The segment profit is an internal measure used in the internally generated reports to assess the performance of the segments and comprises segment's gross profit less operating expenses directly attributable to the segment, except for other operating income and expenses. The amounts provided to Management Board with respect to inventories are measured in a manner consistent with that of the financial statements. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment based on the operations of the segment and the physical location of the inventories.

The segment information provided to the Management Board for the reportable segments for the period ended at 30 September 2012 and at 30 September 2011 is as follows

	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
9M 2012 and as at 30 Sept 2012						
Revenue (from external customers)	25,031	12,106	0	2,606	401	40,144
Segment profit (loss)[2]	4,861	-233	0	807	372	5,807
Incl. depreciation and amortisation	-579	-303	0	0	0	-882
Inventories of segments	4,316	2,156	0	0	0	6,472
9M 2011 and as at 30 Sept 2011						
Revenue (from external customers)	22,233	12,320	738	2,283	350	37,924
Segment profit (loss)[2]	3,159	-697	-330	684	323	3,139
Incl. depreciation and amortisation	-766	-519	-31	0	0	-1,316
Inventories of segments	4,012	2,506	10	0	0	6,528

[1]The wholesale segment includes the sale of goods, materials and sewing services and the sales from e-commerce.
[2]The segment profit is the segment operating profit, excluding other operating expenses and income. Due to change in management reporting how the expenses are allocated, the comparative numbers of 2011 three quarters segment operating profit (loss) were changed accordingly.

Reconciliation of segment profit to consolidated operating profit

	Q3 2012	Q3 2011	9M 2012	9M 2011
Total segment profit	2,390	1,211	5,807	3,139
Unallocated expenses[1]:				
Costs of goods sold and distribution costs	-1,305	-1,254	-3,341	-3,539
Administrative and general expenses	-620	-628	-1,988	-2,122
Other operating income (expenses), net	-151	-61	13	-404
Operating profit (loss)	**314**	**-732**	**491**	**-2,926**

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

Reconciliation of segment inventories to consolidated inventories

	30 Sep 2012	31 Dec 2011	30 June 2011
Total inventories of segments	6,472	5,707	6,528
Inventories in Parent company and production companies	5,366	4,341	7,150
Inventories on statement of financial position	**11,838**	**10,048**	**13,678**

In July 2012 AS Baltika sold its real-estate property, which resulted in the Group exiting real-estate business, more detailed info in Note 7.

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NOTE 14 Revenue

	Q3 2012	Q3 2011	9M 2012	9M 2011
Sale of goods	14,244	13,376	39,567	37,489
Lease revenue	57	125	401	350
Sale of sewing services	12	1	101	61
Other	31	9	75	24
Total	**14,344**	**13,511**	**40,144**	**37,924**

NOTE 15 Cost of goods sold

	Q3 2012	Q3 2011	9M 2012	9M 2011
Materials and supplies	5,890	5,729	15,884	15,144
Payroll costs in production	720	787	2,050	2,262
Operating lease expenses	158	171	474	512
Other production costs	89	90	294	271
Depreciation of assets used in production (Notes 8,9)	49	57	154	172
Change in allowance for inventories	0	0	-350	-320
Total	**6,906**	**6,834**	**18,506**	**18,041**

NOTE 16 Distribution costs

	Q3 2012	Q3 2011	9M 2012	9M 2011
Operating lease expenses	2,480	2,477	7,423	7,737
Payroll costs	2,385	2,523	7,175	7,503
Depreciation and amortisation (Notes 8,9)	284	463	976	1,425
Advertising expenses	358	309	910	890
Fuel, heating and electricity costs	147	170	491	534
Fees for card payments	98	93	285	273
Consultation and management fees	50	29	207	203
Municipal services and security expenses	56	66	200	202
Travel expenses	55	55	165	146
Freight costs	52	60	162	181
Information technology expenses	46	45	141	152
Renovation expenses of retail outlets	36	20	111	68
Communication expenses	36	39	105	124
Bank fees	18	21	57	71
Packaging costs	19	21	57	66
Training expenses	14	13	39	41
Expenses for uniforms	3	4	15	12
Other sales expenses[1]	216	312	653	655
Total	**6,353**	**6,720**	**19,172**	**20,283**

[1]Other sales expenses mostly consist of insurance and customs expenses and service fees connected to administration of market organisations.

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NOTE 17 Administrative and general expenses

	Q3 2012	Q3 2011	9M 2012	9M 2011
Payroll costs[1]	296	306	919	977
Depreciation and amortisation (Notes 8,9)	41	93	188	281
Bank fees	55	71	185	199
Information technology expenses	60	70	180	202
Operating lease expenses	68	10	81	34
Sponsorship, gifts, donations	13	16	63	33
Fuel, heating and electricity expenses	16	21	60	68
Training expenses	8	3	25	42
Management and consulting fees	7	3	22	16
Municipal services and security expenses	10	6	20	19
Communication expenses	4	11	14	31
Travel expenses	2	2	6	8
Other administrative expenses[2]	40	16	225	212
Total	**620**	**628**	**1,988**	**2,122**

[1]Payroll costs include payroll expenses for employee services received under the share options programme in the amount of 31 thousand euros (2011: 101 thousand euros).
[2]Other administrative expenses consist of insurance and office expenses and fees connected to auditing, accounting, management, consulting and other services.

NOTE 18 Other operating income

	Q3 2012	Q3 2011	9M 2012	9M 2011
Foreign exchange income	0	0	32	0
Gain from sale of non-current assets	10	0	18	2
Realization of assets impaired in previous periods	1	0	33	0
Other operating income	6	20	7	21
Total	**17**	**20**	**90**	**23**

NOTE 19 Other operating expenses

	Q3 2012	Q3 2011	9M 2012	9M 2011
Foreign exchange losses	116	38	0	320
Loss from writing off of non-current assets	42	15	42	15
Membership fees	1	2	5	5
Fines, penalties and tax interest	0	5	5	25
Representation costs	0	4	3	6
Other operating expenses	9	17	22*	56
Total	**168**	**81**	**77**	**427**

*Other operating expenses include 12 thousand euros of tax expense

NOTE 20 Finance income and costs

	Q3 2012	Q3 2011	9M 2012	9M 2011
Interest costs	-191	-318	-784	-936
Foreign exchange income (losses)	53	-106	70	-92
Other finance income	0	0	0	1
Other finance costs	26	-1	-15	-2
Total	**-112**	**-425**	**-729**	**-1,029**

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NOTE 21 Earnings per share

		Q3 2012	Q3 2011	9M 2012	9M 2011
Weighted average number of shares	pcs	35,794,850	34,269,044	35,794,850	30,212,174
Net profit (loss) attributable to equity holders of the parent		201	-1,172	-271	-3,980
Basic earnings (loss) per share	EUR	**0.01**	**-0.03**	**-0.01**	**-0.13**
Diluted earnings (loss) per share	EUR	**0.01**	**-0.03**	**-0.01**	**-0.13**

The Group had no dilutive potential ordinary shares as at 30 September 2012 and 31 December 2011, therefore diluted earnings per share equal basic earnings per share.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in nine months of 2012 was 0.41 euros (2011: 0.95 euros).

NOTE 22 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 either significant influence or control, generally implying an ownership interest of 20% or more (Note 12);
- members of the Management Board and the Supervisory Council;
- 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.

Only members of the Parent company Management Board and Supervisory Council are considered as related parties, as only they have responsibility for planning, directing and controlling Group activities.

Transactions with related parties

	Q3 2012		Q3 2011		9M 2012		9M 2011	
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
Goods	0	0	33	0	1	8	322	0
Services	61	0	58	0	180	0	168	0
Total	**61**	**0**	**91**	**0**	**181**	**8**	**490**	**0**

In 2012 AS Baltika bought mostly management, communication and other services, in 2011 AS Baltika purchased materials for production, also has bought management and other services.

Balances with related parties

	30 Sep 2012	31 Dec 2011
Other current loans and interests (Notes 10, 11)	1,563	1,003
Trade payables (Note 11)	95	233
Balance from issuance of equity instrument (Note 12)	0	250
Payables to related parties total	**1,658**	**1,486**

All transactions in 2012 as well as in 2011 and balances with related parties as at 30 September 2012 and 31 December 2011 were with entities under the control or significant influence of the members of the Management Board and Supervisory Council and close family members. As at 30 September 2012 the balances from borrowings, interests are partly with counterparty, who is also an owner that has significant influence. As at 31 December 2011 the balances from borrowings, interests and issuance of equity instrument are with counterparty, who is also an owner that has significant influence.

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Compensation for the members of the Management Board and Supervisory Council

	Q3 2012	Q3 2011	9M 2012	9M 2011
Salaries of the members of the Management Board	62	85	185	224
Remuneration of the members of the Supervisory Council	4	7	17	22
Total	**66**	**92**	**202**	**246**

No compensations for terminating Management Board or Supervisory Council status were paid.

As at 30 September 2012 AS Baltika had four members of the Management Board (31 December 2011: four members) and five members of the Supervisory Council (31 December 2011: six members).

Convertible bonds

The annual general meeting held on 18 June 2009 decided that 1,850,000 convertible bonds (G-bonds) with a par value of 0.0064 euros should be issued within the framework of the Group's management incentive program. Each bond entitles its holder to subscribe for one share of the company with a nominal value of 0.70 euros. The share subscription period for G-bonds shall be from 1 July 2012 until 31 December 2012. The share subscription price is 0.77 euros. Totally were subscribed 1,842 500 bonds.

The annual general meeting of shareholders held on 20 April 2012 decided to issue two types of convertible bonds:

- 5,000,000 convertible bonds (H-bond) with the nominal value 0.30 euros. Each bond gives its owner the right to subscribe one share with a nominal value of 0.20 euros. The share subscription price is 0.30 euros. The difference between the share subscription price and nominal value of the share is share premium. The share subscription period is from 11 May 2013 until 10 May 2014. The annual interest of bonds is 7,5%. The mentioned convertible bonds were issued to a related party with significant influence KJK Fund, Sicav-SIF (Notes 10, 12);
- 2,350,000 convertible bonds (I-bond) with the nominal value 0.01 euros. Each bond gives its owner the right to subscribe one share of the Company with a nominal value of 0.20 euros. The share subscription price is 0.36 euros. The difference between the share subscription price and nominal value of the share is share premium. The share subscription period is from 01 July 2015 until 31 December 2015. The bonds were issued to the management of Baltika Group companies.

	Issue date	Bond conversion period	Number of convertible bonds 30 Sep 2012	Number of convertible bonds 31 Dec 2011
G-Bond	30 June 2009	01 July 2012 - 31 Dec 2012	937,500	1,842,500
H-Bond	11 May 2012	11 May 2013 - 10 May 2014	5,000,000	0
I-Bond	30 June 2012	01 July 2015 - 3 Dec 2015	2,350,000	0

NOTE 23 Subsidiaries

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

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

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

NOTE 24 Events after the reporting date

From 1 October 2012 Baltika´s Management Board had an additional member - sales and marketing strategy will be managed by a new Board member Kati Kusmin.

AS BALTIKA SUPERVISORY COUNCIL

JAAKKO SAKARI MIKAEL SALMELIN
Member of the Supervisory Council since 21.06.2010
Partner, KJK Capital Oy
Born in 1980
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 30.09.2012: 0

TIINA MÕIS
Chairman of the Supervisory Council since 07.06.2006, Member of the Supervisory Council since 03.05.2006
Chairman of the Management Board of AS Genteel
Born in 1957
Degree in Economical Engineering, Tallinn University of Technology
Other assignments:
Member of the Supervisory Council of AS Nordecon International,
Member of the Supervisory Councils of AS Rocca al Mare Kool,
Member of the Supervisory Council of AS Haabersti Jäähall,
Member of the Supervisory Councils of AS LHV Pank and AS LHV Group,
Member of the Board of Estonian Chamber of Commerce and Industry,
Member of Estonian Accounting Standards Board.
Baltika shares held on 30.09.2012: 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
Born in 1962
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 30.09.2012: 0

LAURI KUSTAA ÄIMÄ
Member of the Supervisory Council since 18.06.2009
Managing Director of Kaima Capital Oy
Born in 1971
Master of Economics, University of Helsinki
Other assignments:
Member of the Supervisory Council of AS Tallink Grupp,
Member of the Board of Oy Tallink Silja Ab,
Member of the Supervisory Council of Salva Kindlustuse AS,
Member of the Supervisory Council of AS Premia Foods,
Member of the Supervisory Council of AS PKL,
Vice-chairman of the Board of AAS BAN,
Member of the Board of UAB Litagra,
Vice-chairman of the Management Board of Amber Trust Management SA,
Chairman of the Management Board of Amber Trust II Management SA,
Chairman of the Management Board of KJK Fund SICAV-SIF,
Chairman of the Board of Directors, KJK Management SA
Chairman of the Board of Directors, KJK Capital Oy
Member of the Board of Cumulant Capital Fund Management Oy,
Chairman of the Audit Committee of AB Snaige,
Member of the Audit Committee of AB Sanitas,
Member of the Nominations Committee of Kitron ASA.
Baltika shares held on 30.09.2012: 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
Born in 1966
Automation and telemechanics, Tallinn University of Technology
Other assignments:
Chairman of the Board of AS Eesti Telekom
Chairman of the Board of AS EMT
Baltika shares held on 30.09.12: 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
Born in 1958
Degree in Economic Cybernetics, University of Tartu
Baltika shares held on 30.09.2012: 743,531 shares[1]

MAIGI PÄRNIK-PERNIK
Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Born 1974
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika's shares 30.09.2012: 0

MAIRE MILDER
Member of the Management Board, Branding and Retail Developing Director
Member of the Board since 2000, in the Group since 1999
Born in 1958
Degree in Biology and Geography, University of Tartu
Baltika shares held on 30.09.2012: 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
Born in 1969
Baltika shares held on 30.09.2012: 11,000 shares

KATI KUSMIN
Member of the Board since 2012, in the Group since 2012
Sales and Marketing Director
Faculty of Economics, Tallinn University of Technology
Baltika shares 30.09.2012: 0

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