AS BALTIKA

LISTING PROSPECTUS

Tallinn, 9 July 2013

This Listing Prospectus has been prepared in connection with the admission to trading of additional shares of Aktsiaselts BALTIKA (the “Company” or “Baltika”, together with its subsidiaries, the "Group" or “Baltika Group”), registration code 10144415, address at Veerenni 24, Tallinn, Estonia - a public limited liability company incorporated in Estonia.

Baltika is converting 5,000,000 convertible H-bonds, issued on 11 May 2012, to ordinary shares with the issue of new ordinary shares (the "Admission Shares" or in singular the “Admission Share”).

The convertible H-bond holder is KJK Fund, Sicav-SIF. KJK Fund, Sicav SIF has requested the conversion of all the H-bonds.

No application has been made for an offer of securities of the Company to the public on the basis of this Prospectus.

The share price is 0.30 euro per Admission Share (the "Issuance Price"). The Issuance price consists of 0.20 euros nominal value and 0.10 euros share premium.

The Company's shares are traded on the Main List of the NASDAQ OMX Tallinn Stock Exchange (“NASDAQ OMX Tallinn”). The Company has made an application to list the Admission shares on the Main List of the NASDAQ OMX Tallinn. Trading with the Admission shares is expected to commence on the NASDAQ OMX Tallinn on or about 24 July 2013.

Once the issuance of Admission Shares is registered with the Estonian Central Registry of Securities, the Admission Shares will rank *pari passu* with all the existing shares of the Company. The Admission Shares will be eligible for any dividends declared and paid on the Company's shares for the financial period ended on 31 December 2013, and for any dividends declared and paid thereafter.

This Prospectus is prepared merely in connection with the listing of the Admission Shares on the Main List of the NASDAQ OMX Tallinn. The Prospectus and the listing does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Admission Shares in any jurisdiction to any person by the Company or any of its shareholders.

Investing in the Admission Shares involves risks. This Prospectus has been prepared to present a fair overview of the Admission Shares. However, the value may be affected by circumstances not reflected in this Prospectus. Please see section" Risk Factors" below.

This Prospectus has been prepared by the Company in connection with the listing of the Admission Shares on the NASDAQ OMX Tallinn in accordance with the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (OJ L 345, 31.12.2003, p. 64–89) and in accordance with the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses and dissemination of advertisements and its subsequent amendments. This prospectus has been prepared in accordance with Prospectus Regulation Article 26b proportionate disclosure regime set out in Annex XXV.

The information contained in this Prospectus has been provided by the Company and other sources identified herein. You may not use this Prospectus for any other purpose than for obtaining information on the issuance of additional shares.

RESPONSIBLE PERSONS

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company, having taken reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Tallinn, 09 July 2013

Management Board of Baltika

/digitally signed/	/digitally signed/
Meelis Milder	Maigi Pärnik-Pernik
/digitally signed/	
Kati Kusmin	Maire Milder
Andrew J. D. Paterson	

LEGAL NOTICE TO SUBSCRIBER

This Prospectus will be governed by and construed in accordance with Estonian laws. Any disputes relating to the Prospectus will be settled in a competent court of law, having its jurisdiction in Estonia.

No person has been authorised to give any information or to make any representation in connection with the Prospectus other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of an offer, subscribe or to buy any of the Admission shares in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the sale of the Admission Shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Company to inform about themselves and to acquaint themselves with and to observe such restrictions. Neither the delivery nor distribution of this Prospectus nor the sale or delivery of the Admission Shares shall in any circumstances constitute a representation or create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise) or affairs of the Company since the date of this Prospectus. The Company will update any information presented in this Prospectus in accordance with the applicable provisions of the Estonian Securities Market Act.

THE ADMISSION SHARES OR THEIR DISTRIBUTION HAS BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES AUTHORITY OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES, AND THE ADMISSION SHARES MAY NOT BE RE-OFFERED OR RE-SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OF U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION.

Each owner or prospective purchaser of Admission Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Admission Shares or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Admission Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales, and the Company shall bear no responsibility for these obligations.

The contents of this Prospectus are not construed as legal, business or tax advice. Prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

Any new significant circumstances, mistakes or inaccuracies relating to the information included in this Prospectus which is capable of affecting the assessment of the Admission Shares and which become known between the time when this Prospectus is approved and the admission shall be immediately stated by the Company in an addendum to this Prospectus.

AVAILABLE INFORMATION

This Prospectus has been published in an electronic form on the website of the Estonian Financial Supervision Authority (www.fi.ee).

The Articles of Association of the Company, the annual reports, including audited consolidated financial statements, of the Company for the financial years ended 31 December 2010, 2011 and 2012 are available on the NASDAQ OMX Tallinn's website (www.nasdaqomxbaltic.com) and on the website of the Company (www.baltikagroup.com).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are forward-looking. Such forward-looking statements and information are assumptions based on information available to the Company. When used in this document, the words "anticipate," "believe," "estimate", "plan" and "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company's technological development, growth management, relations with customers and suppliers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under section "Risk Factors".

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

The Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date set forth on the cover.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 (the **''Consolidated Annual Financial Statements''**) are incorporated into this Prospectus by reference. The Consolidated Financial Statements have been prepared in accordance with the IFRS approved by the European Union ("IFRS"). The Consolidated Annual Financial Statements were audited by AS PricewaterhouseCoopers with its registered office in Tallinn (See *"Independent Auditors"*). These are incorporated hereto by reference (please see Section 14 Information incorporate by reference.

The unaudited consolidated interim financial statements of the Group for the three months ended 31 March 2013 and 31 March 2012 (the **''Consolidated Interim Financial Statements''**, and together with the Consolidated Annual Financial Statements, the ''**Consolidated Financial Statements**''), prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") are incorporated into this Prospectus by reference. All consolidated financial statements are available on the NASDAQ OMX Tallinn's website (www.nasdaqomxbaltic.com) and on the website of the Company (www.baltikagroup.com). The Company is going to publish the unaudited consolidated interim financial results of Q2 of 2013 on 08 August 2013. These are incorporated hereto by reference (please see Section 14 Information incorporate by reference).

Certain financial information presented in this Prospectus has been obtained directly from the Consolidated Financial Statements of the Group, while certain other financial information presented herein has been recomputed by the Management from amounts contained in the Consolidated Financial Statements. Please note that ratios and indicators set forth herein have not been audited.

Certain financial and other information set forth in a number of tables in this Prospectus has been rounded off, for the convenience of readers. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given.

All references in this Prospectus to (i) “kroon” or “EEK” refer to the currency of Estonia used until 1 January 2011, (ii) "euro" or “EUR” refer to the currency of Estonia after 1 January 2011.

All financial information is presented in thousands of euros, unless otherwise stated.

CONTENTS

1 SUMMARY

This summary (the "Summary") is a brief overview of the information disclosed in the prospectus for the listing of Admission Shares.

This summary is made up of disclosure requirements known as "Elements". These elements are numbered in sections A-E (A1-E7). This summary contains all Elements required to be included in a summary for this type of securities and issuer. Because some elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though and element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of "not applicable".

Section A – Introduction and warnings

Element	Title	Disclosure
A.1	Introduction and warnings	This summary should be read as an introduction to the prospectus and any decision taken based on this prospectus should be based on consideration of the prospectus as a whole. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff might, under the Estonian legislation have to bear the costs of translating the prospectus before the legal proceedings are initiated. No civil liability shall attach to any person solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

Section B – Issuer

Element	Title	Disclosure
B.1	Legal and commercial name	The legal (business) name of the Company is AS Baltika.
B.2	Domicile/legal form/legislation/country of incorporation	Baltika, public limited liability company, is established and operating pursuant to the laws and regulations of the Republic of Estonia. The Company is registered at Harju County Court registration department under the registry code 10144415.
B.3	Key factors regarding current operations, principal activities, categories of products sold and services performed. Principal markets.	The Company's main activities are design, development, production and sales arrangement of the fashion brands of clothing. Baltika Group is an international fashion retailer operating Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo retail concepts. As of 31 March 2013 the Group has 112 stores in five markets in the Baltics and Eastern Europe. Baltika Group employs a vertically integrated business model which means that the Group controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales.
B.4a	Significant recent trends affecting the industry.	Fashion retailing is affected strongly by macroeconomic background that in the largest segment – Baltic countries has been improving.

B.5	Group description. Position of the company within the Group.	**The Group structure as at 09.07.2013**

	Location	Activity	Holding as at 09 July 2013
Parent company			
AS Baltika	Estonia	Wholesale	
Subsidiary			
OÜ Baltika Retail	Estonia	Holding	100%
OÜ Baltman	Estonia	Retail	100%
SIA Baltika Latvija	Latvia	Retail	100%
UAB Baltika Lietuva	Lithuania	Retail	100%
Baltika Ukraina Ltd	Ukraine	Retail	100%
OOO Kompania "Baltman RUS"	Russia	Retail	100%
OOO "Olivia" [1]	Russia	Retail	100%
OY Baltinia AB	Finland	Dormant	100%
Baltika Sweden AB	Sweden	Dormant	100%
OÜ Baltika Tailor	Estonia	Production	100%
OÜ Baltika TP	Estonia	Real estate management	100%

[1]OOO Olivia controls its subsidiaries OOO Stelsing and OOO Plazma.

B.6	Persons, directly or indirectly having interest in the Company's capital or voting rights notifiable under Estonan law and the amount of such interest. Voting rights of major shareholders. Direct or indirect control of the company.	According to the data registered in the Estonian Central Register of Securities as at 05 July 2013, the following persons held at least 5% of the shares in their securities accounts: ING Luxembourg S.A. clients 21.21%, Clearstream Banking Luxembourg S.A. clients 18.30%, BMIG OÜ 13.27%, Skandinaviska Enskilda Banken Ab clients 9.52%. The biggest shareholder of Baltika was KJK Fund Sicav-SIF (on ING Luxembourg S.A. account) holding 21.21% of ordinary shares of Baltika. Based on last information notified to AS Baltika as at 03 April 2012 E.Miroglio Finance S.A. held 15.88% Baltika shares via Clearstream Banking Luxembourg S.A. client account. OÜ BMIG ownership: Meelis Milder 32.3%, Maire Milder 32.3%, entity controlled by Meelis Milder 15.9%. In total as at 5 July 2013 the members of the Management Board controlled directly or through the companies under their control 16.28% of ordinary shares of Baltika. None of the shareholders have any different voting rights compared to other shareholders.
B.7	Selected historical key financial information. Narrative description of significant change to the Company's financial condition and operating	The Articles of Association of the Company, the annual reports, including audited consolidated financial statements, of the Company for the financial years ended 31 December 2010, 2011 and 2012, the results of the Q1 of 2013 and the sales figures of April, May 2013 are available on the NASDAQ OMX Tallinn's website www.nasdaqomxbaltic.com and on the website of the Company www.baltikagroup.com.

	results subsequent to the period covered by selected historical key financial information.	No significant change to the Company's financial condition and operating results has occurred from 31.03.2013 to issuance of the Prospectus.

B.7

Summary of the Selected Financial Information

Consolidated statement of financial position

in EUR thousands	**31.03.2013** unaudited	**31.12.2012** audited	**31.12.2011** audited	**31.12.2010** audited
ASSETS				
Current assets				
Cash and cash equivalents	815	2,078	863	823
Trade and other receivables	2,125	1,836	2,189	3,119
Inventories	11,455	11,471	10,048	10,804
Total current assets	14,395	15,385	13,100	14,746
Non-current assets				
Deferred income tax asset	637	637	838	838
Other non-current assets	1,104	1,088	629	780
Investment property	-	-	8,549	7,069
Property, plant and equipment	2,810	2,256	8,031	12,121
Intangible assets	4,090	4,150	3,665	3,898
Total non-current assets	8,641	8,131	21,712	24,706
TOTAL ASSETS	23,036	23,516	34,812	39,452
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	1,649	1,598	3,178	2,125
Trade and other payables	6,264	7,005	6,785	6,981
Total current liabilities	7,913	8,603	9,963	9,107
Non-current liabilities				
Borrowings	5,468	4,702	15,144	17,953
Other liabilities	21	25	83	37
Total non-current liabilities	5,489	4,727	15,227	17,990
TOTAL LIABILITIES	**13,402**	**13,330**	**25,190**	**27,096**
EQUITY				
Share capital at par value	7,159	7,159	25,056	20,129
Share premium	94	63	89	1 332
Reserves	1,182	1,182	2,494	2,784
Retained earnings	2,471	1,667	-11,592	-4,961
Net profit (loss) for the period	-603	804	-5,863	-6,344
Currency translation differences	-669	-689	-727	-747
Total equity attributable to equity holders of the parent	9,634	10,186	9,457	12,194
Non-controlling interest	-	-	165	162
TOTAL EQUITY	9,634	10,186	9,622	12,356
TOTAL LIABILITIES AND EQUITY	23,036	23,516	34,812	39,452

Selected data from consolidated statement of comprehensive income

in EUR thousands	IQ 2013 unaudited	IQ 2012 unaudited	2012 audited	2011 audited	2010 audited
Revenue	13,186	12,643	56,332	53,409	52,207
Operating profit/(loss)	-527	-790	1,959	-4,450	-4,719
Profit/(Loss) before income tax	-603	-1,025	1,056	-5,791	-5,925
Net profit/(loss)	-603	-1,043	805	-5,860	-6,332

Selected data from consolidated statement of cash flows

in EUR thousands	IQ 2013 unaudited	IQ 2012 unaudited	2012 audited	2011 audited	2010 audited
Net cash used in operating activities	-1,049	-656	1,337	-1,313	-5,000
Net cash used in investing activities	-1,042	-50	-733	-66	1,190
Net cash generated from financing activities	817	325	608	1 449	4,055
Effect of exchange gains (losses) on cash and cash equivalents	11	-	3	-30	193
Total	**-1,263**	**-381**	**1 215**	**40**	**438**

Key figures and ratios (unaudited)

	IQ 2013	2012	2011	2010
Key share data (EUR)				
Number of shares outstanding (end of period)	35,794,850	35,794,850	35,794,850	27,494,850
Weighted average number of shares	35,794,850	35,794,850	31,629,918	23,348,686
Share price (end of period)	0.74	0.57	0.30	1.14
Market capitalisation, in millions (end of period)	26.63	20.51	10.74	31.32
Earnings per share (EPS)	-0.02	0.02	-0.19	-0.27
Change in EPS, % (comparative period)	33%	111%	32%	50%
P/E	Neg.	28.7	Neg.	Neg.
Book value per share	0.27	0.28	0.27	0.45
P/B	2.7	2.1	1.1	2.5
Dividend per ordinary share (DPS)	0	0	0	0
Dividend yield	0%	0%	0%	0%
Dividend payout ratio	0%	0%	0%	0%

Market cap = Share pricexShares outstanding
EPS = Net profit (attributable to parent)/Weighted average number of shares
P/E = Share price/EPS
Book value per share = Equity/Shares outstanding
P/B = Share price/Book value per share
Dividend yield = Dividends per share/Share price
Dividend payout ratio = Paid out dividends/Net profit (attributable to parent)

B.8	Selected key pro forma financial information	Not applicable: no pro-forma financial information is outlined.
B.9	Profit forecast	Not applicable: Baltika has not issued a profit forecast.
B.10	Qualifications in the audit report on the historical financial information	Not applicable – no qualifications. The auditor for the financial years 2010, 2011 and 2012 was AS PricewaterhouseCoopers, address Pärnu mnt 15, Tallinn, Estonia.
B.11	Working capital	The Management Board believes that the Group's working capital is sufficient to meet all the liabilities for at least the 12-month period following the date of this Prospectus.

Section C – Securities

Element	**Title**	**Disclosure**
C.1	Type and class of securities and security identification number	Security: AS Baltika ordinary shares ISIN code: EE3100003609
C.2	Currency of the issue	EUR
C.3	Number of shares issued and fully paid/issued but not fully paid. Par value per share	The current share capital of the Company comprises of 35,794,850 shares with the nominal value of 0.20 euros per share.
C.4	Rights attached to the securities	The company has one class of shares. Shares rank pari passu. Shareholders exercise their power to decide on corporate matters at general meetings of shareholders.
C.5	Restrictions on free transferability of securities	Not applicable: free transferability has not been restricted in Baltika's articles of association. Baltika shares are not subject to any general transfer restrictions.
C.6	Admission to trading /name of regulated market	An application has been made to the NASDAQ OMX Tallinn AS for the listing of Admission shares.
C.7	Dividend policy	Not applicable - the Company lacks long-term policy on distribution of dividends. Based on Estonian Commercial Code dividends cannot be paid on the year simplified reduction was made and the two consecutive years. Therefore no dividends will be paid prior to year 2015.

Section D – Risks

Element	**Title**	**Disclosure**
D.1	Key risks specific to the Company or the industry	While the risks described below are the main ones, they do not constitute an exhaustive list of the risks to which the Group may be exposed and which may need to be addressed. There may be risks that the Group is currently not aware of or does not consider significant at present but which could likewise have an effect on the Group

or the price of the shares to be listed. Nor is it possible to preclude the emergence of certain unforeseen difficulties that could have an impact on the Group's financial performance.

Operational risks

Competition

The Group earns most of its revenue from fashion retailing and faces intense competition in all its markets. The Group's main competitors are large international fashion retail groups whose financing and marketing options are better than those of the Group entities. They may have advantages in managing their operating costs and because of economies of scale they may be able to negotiate more favourable terms from suppliers. Should the market situation change and an international fashion retailer decide to grow its market share aggressively by lowering the price, the Group could find it difficult to compete and could lose market share, which in turn could have an adverse impact on its financial position. This kind of competition risk includes also new entrants by large fashion retail groups to any of the new markets. There are new entrants that can be predicted like H&M and Debenhams that will enter in coming years to more markets in the Baltics, but if and what effect they will have on Baltika Group and its brands competitiveness is difficult to predict. The Group is not able to guarantee that it can compete successfully with current or future competitors or that increasing competition will not have an adverse effect on its operations, financial position or financial performance. If the Group is unable to remain competitive, it may find it difficult to increase or maintain the current level of its revenue.

Consumers' purchasing behaviour

The Group operates in business that is dependent of consumer spending and behaviour that can change over time due to economic environment and consumer sentiment. Any economic downturn would most likely constrain sales. The Group, as a retailer and as such its cash flows are heavily dependent on its retail performance, the latter is essential because retail cash flows are used to finance the purchase of new inventory.

Dependence on suppliers

In conducting its business, the Group relies on a number of key suppliers that provide the Group with products and materials. The Group's management is of the opinion that the Group has several alternative suppliers and is therefore not directly dependent on any single supplier. However, there is no guarantee that the Group could find a replacement for a cost-effective key supplier, which could lead to an increase in costs and a decrease in profitability.

Dependence on key personnel

Baltika Group success depends on a range of key competencies and the people who possess them. Over the years, the Group has acquired expertise and experience and the departure of any of the key personnel could have a disruptive effect on the Group's performance.

New professionals are hard to find because the number of people that have retailing,

		particularly fashion retailing, competencies is extremely limited. In Estonia, fashion retail training is not available and there are no companies similar to Baltika Group. For Baltika Group, the main strategic areas are brand management, design and retailing. Even if a person with appropriate competencies is found, additional in-house training has to be provided because each market has specific features which need to be considered. Such training is resource-intensive and the contribution of the new employee can be seen after a year only. Baltika Group has consistently striven to mitigate the risk through effective teamwork, employee development, training and knowledge sharing. Also, the departure of any key executive may cause limited but noticeable damage to the Group's management quality and the motivation of the remaining staff. **Financing and loan agreements** The Group's loan and lease agreements and guarantees include various restrictive covenants and impose the obligation to obtain the creditor's prior consent for certain activities such as taking additional loans, issuing new shares, distributing dividends, changing the Group's structure or field of activity and merging with another company. All loan, lease and guarantee agreements signed with financing institutions include the usual default and cross-default provisions. The cross-default provisions expose the Group to the risk of default that depends on meeting the obligations taken under agreements signed with other financing institutions. Most agreements define taking additional debt obligations without the creditor's prior consent as breach of contract. Breach of a loan, lease or guarantee agreement or submission of an early repayment claim by a creditor may have a significant adverse impact on the Group's operations, financial performance and financial position. The Group has entered into financing agreements with various financing institutions. Inability to meet the obligations taken under those agreements may result in the realization of the collateral put up by the Group through enforcement proceedings. Most of the interest rates of the loans taken by the Group entities are linked to the EURIBOR base rate. Accordingly, a rise in the EURIBOR base rate will result in growth in the Group's finance costs. **Industry-specific risks** 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 the 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 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 plans.

Risks inherent in foreign operations

Besides Estonia, the Group operates in Latvia, Lithuania, Russia and Ukraine. The Group's Russian and Ukrainian operations may be influenced by the instability of their economic environment, which in turn may have an adverse impact on the Group's financial position and financial performance.

Risks relating to doing business in the Baltic states

Markets such as Estonia, Latvia and Lithuania are subject to slightly greater risks than more mature markets, including legal, economic and political risks. Political risks, though, do not seem to be very relevant in the Baltic states like they are in Russia and Ukraine.

Risks relating to doing business in Russia and Ukraine

Baltika Group has business operations in Russia and Ukraine. Russia and Ukraine are subject to significantly greater legal, economic and political risks than those in more mature markets.

Russia

One of the biggest risks in Russia would appear to be its macro environment which might be volatile due to its massive over-reliance on its commodity sector. 80% of Russia's exports constitute oil, natural gas, metals, timber, and defence equipment. Russia's reliance on its fuels sector poses problems for most other aspects of its economy, especially its currency. The rate of inflation may remain quite variable due to its sensitivity to commodity prices. A sharp and sustained fall in oil prices would undermine the economic recovery.

Another issue is Russia's challenging business environment. Russia's management practices rank low in international surveys, there are also corporate scandals, all stemming from the government's interference in business. The biggest risks remain corruption and the arbitrary rule of law.

Ukraine

Ukraine still lacks the necessary legal infrastructure and regulatory framework which are essential to support market institutions, the effective transition to a market economy and broad based social and economic reforms. Although the government has generally been committed to economic reform, the implementation of reform has consistently been impeded by a lack of political consensus and controversies. No assurance can be given that reform policies favouring privatisation, industrial restructuring and tax reform will continue to be implemented and, even if implemented, that those policies will be successful. The legal system in this country remains in transition and is therefore subject to greater risks and uncertainties than those in a more mature legal system.

Financial risks

In its daily activities, the Group is exposed to different types of risks. Risk management 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 variable 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. Management of the Group's Parent company considers all the risks as significant risks for the Group.

The basis for risk management at 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 Council of Baltika monitors the management's risk management activities.

Market Risk

Foreign exchange risk

Sales in foreign currencies in 2012 constituted 65% of the revenues of the Group and are denominated in LVL (Latvian lat), LTL (Lithuanian lit), RUB (Russian rouble), UAH (Ukrainian hryvnia) and in 2011 also PLN (Polish zloty), for the foreign subsidiaries of the Group. The majority of raw materials used in production are acquired from countries located outside of the European Union. The major 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 respective market.

No instruments were used to hedge foreign currency risks in 2013, 2012, 2011 and 2010. 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. 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-carrying 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 carrying financial instruments, which are recognised at fair value. Interest rate risk is primarily caused by the potential fluctuations of Euribor and the changing of the average interest rates of banks. The Group's risk margins have not changed significantly and correspond to market conditions.

All non-current borrowings as at 31 December 2012 and 31 December 2011 were subject to a floating interest rate based on Euribor, which is fixed every month or six months or had a fixed interest rate. 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.

Credit risk

Credit risk arises from cash and cash equivalents, deposits (recognised as other receivables) with banks and financial institutions as well as outstanding receivables.

Cash and cash equivalents

For banks and financial institutions, mostly independently rated parties with a minimum rating of "A" are accepted as long-term counterparties in Baltic states. Mostly for banks in Eastern Europe, the "B" rating is also considered acceptable.

Receivables

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. Credit risk can arise from wholesale activities. Generally from new clients from Eastern Europe prepayments are required. 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 but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

		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, commercial bond issues, and monitors receivables and purchase contracts. The Group's current account/overdraft facility is in use for more flexible management of liquid assets, enabling some of the Group companies to use the Group's resources up to the limit established by the Parent company.
D.3	Key risks that are specific to the shares	**Volatility of the share price** There is no certainty about future movements in the price of a share. The general market price of shares may depend on several factors such as future interest rates, sector-specific indicators and market conditions, the Group's performance and cash flows, and the market terms of securities issued by other companies operating in the same or similar industry. The share price may fluctuate even if the Group's operating results meet expectations. **Future dividend pay-outs** There is no certainty that the Company will pay dividends on the shares. Nor is there any certainty about the size of a dividend payment. The distribution and size of dividends are proposed by the Company's Management Board and Council to the general meeting of the Company's shareholders for the resolution.. Dividend distributions depend on the Company's unrestricted cash funds and estimated cash needs, the Group's financial performance and financial position, restrictions from the Commercial Code, any restrictive covenants provided in the Company's loan agreements and other factors. **Analyses published in respect of the Group** Share trading depends extensively on the reports and research published by sector and securities analysts in respect of the Group and its operations. The Group has no control over the activities of such analysts. If one or several analysts covering the Group lower the target price of the share, the share price may drop.

Section E – Offer

Element	**Title**	**Disclosure**
E.1	Total net proceeds. Estimate of total expenses of the offering (including estimated expenses charged to the investor)	Admission to trading is related to conversion of issued convertible H-Bonds. No additional proceeds are received from the issuance. The expenses related to the registration should be approximately 10 thousand euros.
E.2a	Reasons for the offering/use of proceeds/estimated net amount of proceeds	Admission to trading is related to conversion of issued convertible H-Bonds.

E.3	Terms and conditions of the offering	Not applicable – not an offering
E.4	Interests material to the offering/Conflicting interests	Clearstream Banking S.A. filed an action on 14 July 2012 to Harju County Court against Baltika and contested the decision made on 20 April 2012 by the ordinary general meeting of shareholders. Clearstream Banking S.A. is on the opinion that the decision of Baltika to issue the convertible bonds and to increase conditionally the share capital was not made, or alternatively, that the decision is void. The decision to issue convertible bonds was made together with the decision to bar the pre-emptive right of the shareholders to subscribe for the bonds. The decision was adopted with the qualified majority of votes (3/4 of the votes present at the meeting). The decision to issue H-Bonds is alleged by Clearstream Banking S.A. to be void as H-Bonds were issued to one shareholder, KJK Fund, Sicav-SIF, and in such case all other shareholders whose pre-emptive rights were excluded should have been granted a prior consent to such decision. The claim is in pre-trial proceedings as of 9 July 2013. The first hearing to decide whether the court has grounds for refusal to hear action is scheduled to take place on 28 August 2013. Management is not aware of any other conflicting interest with the issuance of Admission Shares and underlying H-bonds.
E.5	Name of persons or entity offering to sell the security. Lock-up agreements:parties involved; period of lock-up	Not applicable – not an offering
E.6	Immediate dilution. Amount and percentage of immediate dilution of existing Shareholder except Subscriber	Upon completion of the issuance of 5,000,000 Admission Shares there will be 40,794,850 Company's shares issued and outstanding. The Admission Shares represent approximately 12.3% of the Company's share capital following the admission and approximately 14.0% of the Company's share capital prior to the admission.
E.7	Estimated expenses charged to the Subscriber by the Company	Not applicable – no expenses charged

2 RISK FACTORS

While the risks described below are the main ones, they do not constitute an exhaustive list of the risks to which the Group may be exposed and which may need to be addressed. There may be risks that the Group is currently not aware of or does not consider significant at present but which could likewise have an effect on the Group or the price of the shares to be listed. Nor is it possible to preclude the emergence of certain unforeseen difficulties that could have an impact on the Group's financial performance.

2.1 OPERATIONAL RISKS

Competition

The Group earns most of its revenue from fashion retailing and faces intense competition in all its markets. The Group's main competitors are large international fashion retail groups whose financing and marketing options are better than those of the Group entities. They may have advantages in managing their operating costs and because of economies of scale they may be able to negotiate more favourable terms from suppliers. Should the market situation change and an international fashion retailer decide to grow its market share aggressively by lowering the price, the Group could find it difficult to compete and could lose market share, which in turn could have an adverse impact on its financial position. This kind of competition risk includes also new entrants by large fashion retail groups to any of the new markets. There are new entrants that can be predicted like H&M and Debenhams that will enter in coming years to more markets in the Baltics, but if and what effect they will have on Baltika Group and its brands competitiveness is difficult to predict. The Group is not able to guarantee that it can compete successfully with current or future competitors or that increasing competition will not have an adverse effect on its operations, financial position or financial performance. If the Group is unable to remain competitive, it may find it difficult to increase or maintain the current level of its revenue.

Consumers' purchasing behaviour

The Group operates in business that is dependent of consumer spending and behaviour that can change over time due to economic environment and consumer sentiment. Any economic downturn would most likely constrain sales. The Group, as a retailer and as such its cash flows are heavily dependent on its retail performance, the latter is essential because retail cash flows are used to finance the purchase of new inventory.

Dependence on suppliers

In conducting its business, the Group relies on a number of key suppliers that provide the Group with products and materials. The Group's management is of the opinion that the Group has several alternative suppliers and is therefore not directly dependent on any single supplier. However, there is no guarantee that the Group could find a replacement for a cost-effective key supplier, which could lead to an increase in costs and a decrease in profitability.

Dependence on key personnel

Baltika Group success depends on a range of key competencies and the people who possess them. Over the years, the Group has acquired expertise and experience and the departure of any of the key personnel could have a disruptive effect on the Group's performance.

New professionals are hard to find because the number of people that have retailing, particularly fashion retailing, competencies is extremely limited. In Estonia, fashion retail training is not available and there are no companies similar to Baltika Group. For Baltika Group, the main strategic areas are brand management, design and retailing.

Even if a person with appropriate competencies is found, additional in-house training has to be provided because each market has specific features which need to be considered. Such training is resource-intensive and the contribution of the new employee can be seen after a year only.

Baltika Group has consistently striven to mitigate the risk through effective teamwork, employee development, training and knowledge sharing.

Also, the departure of any key executive may cause limited but noticeable damage to the Group's management quality and the motivation of the remaining staff.

Financing and loan agreements

The Group's loan and lease agreements and guarantees include various restrictive covenants and impose the obligation to obtain the creditor's prior consent for certain activities such as taking additional loans, issuing new shares, distributing dividends, changing the Group's structure or field of activity and merging with another company.

All loan, lease and guarantee agreements signed with financing institutions include the usual default and cross-default provisions. The cross-default provisions expose the Group to the risk of default that depends on meeting the obligations taken under agreements signed with other financing institutions. Most agreements define taking additional debt obligations without the creditor's prior consent as breach of contract. Breach of a loan, lease or guarantee agreement or submission of an early repayment claim by a creditor may have a significant adverse impact on the Group's operations, financial performance and financial position.

The Group has entered into financing agreements with various financing institutions. Inability to meet the obligations taken under those agreements may result in the realization of the collateral put up by the Group through enforcement proceedings. Most of the interest rates of the loans taken by the Group entities are linked to the EURIBOR base rate. Accordingly, a rise in the EURIBOR base rate will result in growth in the Group's finance costs.

2.2 INDUSTRY-SPECIFIC RISKS

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 the 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 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 plans.

2.3 RISKS INHERENT IN FOREIGN OPERATIONS

Besides Estonia, the Group operates in Latvia, Lithuania, Russia and Ukraine. The Group's Russian and Ukrainian operations may be influenced by the instability of their economic environment, which in turn may have an adverse impact on the Group's financial position and financial performance.

Risks relating to doing business in the Baltic states

Markets such as Estonia, Latvia and Lithuania are subject to slightly greater risks than more mature markets, including legal, economic and political risks. Political risks, though, do not seem to be very relevant in the Baltic states like they are in Russia and Ukraine.

Risks relating to doing business in Russia and Ukraine

Baltika Group has business operations in Russia and Ukraine. Russia and Ukraine are subject to significantly greater legal, economic and political risks than those in more mature markets.

Russia

One of the biggest risks in Russia would appear to be its macro environment which might be volatile due to its massive over-reliance on its commodity sector. 80% of Russia's exports constitute oil, natural gas, metals, timber, and defence equipment. Russia's reliance on its fuels sector poses problems for most other aspects of its economy, especially its currency. The rate of inflation may remain quite variable due to its sensitivity to commodity prices. A sharp and sustained fall in oil prices would undermine the economic recovery.

Another issue is Russia's challenging business environment. Russia's management practices rank low in international surveys, there are also corporate scandals, all stemming from the government's interference in business. The biggest risks remain corruption and the arbitrary rule of law.

Ukraine

Ukraine still lacks the necessary legal infrastructure and regulatory framework which are essential to support market institutions, the effective transition to a market economy and broad based social and economic reforms. Although the government has generally been committed to economic reform, the implementation of reform has consistently been impeded by a lack of political consensus and controversies. No assurance can be given that reform policies favouring privatisation, industrial restructuring and tax reform will continue to be implemented and, even if implemented, that those policies will be successful. The legal system in this country remains in transition and is therefore subject to greater risks and uncertainties than those in a more mature legal system.

2.4 FINANCIAL RISKS

In its daily activities, the Group is exposed to different types of risks. Risk management 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 variable 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. Management of the Group's Parent company considers all the risks as significant risks for the Group.

The basis for risk management at 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 Council of Baltika monitors the management's risk management activities.

Market Risk

Foreign exchange risk

Sales in foreign currencies in 2012 constituted 65% of the revenues of the Group and are denominated in LVL (Latvian lat), LTL (Lithuanian lit), RUB (Russian rouble), UAH (Ukrainian hryvnia) and in 2011 also PLN (Polish zloty), for the foreign subsidiaries of the Group. The majority of raw materials used in production are acquired from countries located outside of the European Union. The major 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 respective market.

No instruments were used to hedge foreign currency risks in 2013, 2012, 2011 and 2010. 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. 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-carrying 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 carrying 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.

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Credit risk arises from cash and cash equivalents, deposits (recognised as other receivables) with banks and financial institutions as well as outstanding receivables.

Cash and cash equivalents

For banks and financial institutions, mostly independently rated parties with a minimum rating of "A" are accepted as long-term counterparties in Baltic states. Mostly for banks in Eastern Europe, the "B" rating is also considered acceptable.

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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. Credit risk can arise from wholesale activities. Generally from new clients from Eastern Europe prepayments are required. 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 but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

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, commercial bond issues, and monitors receivables and purchase contracts. The Group's current account/overdraft facility is in use for more flexible management of liquid assets, enabling some of the Group companies to use the Group's resources up to the limit established by the Parent company.

2.5 RISKS RELATED TO SHARES

Volatility of the share price

There is no certainty about future movements in the price of a share. The general market price of shares may depend on several factors such as future interest rates, sector-specific indicators and market conditions, the Group's performance and cash flows, and the market terms of securities issued by other companies operating in the same or similar industry. The share price may fluctuate even if the Group's operating results meet expectations.

Future dividend pay-outs

There is no certainty that the Company will pay dividends on the shares. Nor is there any certainty about the size of a dividend payment. The distribution and size of dividends are proposed by the Company's Management Board and Council to the general meeting of the Company's shareholders for the resolution.. Dividend distributions depend on the Company's unrestricted cash funds and estimated cash needs, the Group's financial performance and financial position, restrictions from the Commercial Code, any restrictive covenants provided in the Company's loan agreements and other factors.

Analyses published in respect of the Group

Share trading depends extensively on the reports and research published by sector and securities analysts in respect of the Group and its operations. The Group has no control over the activities of such analysts. If one or several analysts covering the Group lower the target price of the share, the share price may drop.

3 ADMISSION SHARES

3.1 ADMISSION SHARES

Company name	Aktsiaselts BALTIKA
Registration number	10144415
Type of Admission Shares	ordinary shares
Number of Admission Shares	5,000,000
Post-admission percentage of Admission shares from share capital	12.3%
Nominal value of the share	EUR 0.20
Issuance price per each share	EUR 0.30
Conversion term	On or about 10 July 2013

The current share capital of the Company comprises of 35,794,850 shares with the nominal value of 0.20 euro per share. Share capital post-admission will be 40,794,850 shares with total share capital at nominal value of 8,158,970 euros.

3.2 UNDERLYING CONVERTIBLE BONDS

The ordinary general meeting of shareholders held on 20 April 2012 decided to issue 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 KJK Fund, Sicav-SIF. H-Bond holder is entitled to subscribe for the Admission Shares during the Share Subscription Period only by itself. KJK Fund, Sicav-SIF has requested the conversion. See for all conditions https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=498139&messageId=610785.

3.3 TERMS AND CONDITIONS OF THE ADMISSION SHARES

3.3.1 SUBSCRIBER

The subscriber of the Admission Shares is KJK Fund, Sicav-SIF who does not have the right to transfer H-Bonds or the right to subscribe for shares to third parties.

3.3.2 CONVERSION

KJK Fund, Sicav-SIF has used its right to request H-Bond conversion to ordinary shares. Baltika needs to carry out required procedures including registering current Prospectus. The conversion shall take place at 22 July 2013.

3.3.3 ISSUANCE PRICE

The Issuance price will be 0.30 euro per Admission Share. The funds paid for H-bonds are used at conversion as the payment for Admission shares.

3.3.4 SETTLEMENT AND TRADING

The Admission Shares allocated to KJK Fund, Sicav-SIF shall be transferred to their securities accounts on or about 22 July 2013.

Trading with the Admission Shares is expected to commence on NASDAQ OMX Tallinn on or about 24 July 2013.

3.4 BACKGROUND AND REASONS FOR THE ADDITIONAL SHARE CAPITAL

The purpose of the issuance of convertible bonds was to obtain financing to support the operations of the Group. Investment loan received from AS Swedbank together with the capital were obtained to carry out investment scheme into own retail network. The investment plan that is on-going, involves renovating existing stores and opening additionally approximately 20 new stores in existing markets. Investment loan was received on the condition that the shareholders will contribute additional funds of 1 million euros to the Company. KJK Fund SICAV_SIF loaned 1 MEUR to the Company in December 2012 and these fund were used as the payment for the H-Bonds.

3.5 DIVIDENDS AND DIVIDEND POLICY

The Admission Shares will be eligible for dividends, if any, declared in respect of the financial year ended 31 December 2013, and for subsequent periods. Once the share capital increase relating to the issue of Admission Shares of the Company has been registered with the Estonian Commercial Register, the newly issued shares will rank equally with the outstanding Shares for any dividends.

The Company lacks long-term policy on distribution of dividends. In 2010, 2011 and 2012 the Company did not pay dividends on ordinary shares to the shareholders. No profit was distributed during this period to the shareholders of ordinary shares. Dividends may be paid to the shareholders from net profit or from undistributed profit from previous years from which losses from previous years have been deducted. Under the Estonian Commercial Code, a general meeting of shareholders may authorise the payment of dividends on the terms and conditions set out in the profit distribution proposals presented by the Management Board and Council.

The Company issued preference shares in 2009, which pursuant to the Articles of Association of the Company, gave the right to receive for a period of two years a fixed dividend amount (10% of the nominal value of the share). Dividends in the amount of 340 thousand euros have been paid to the shareholders of the preference shares.

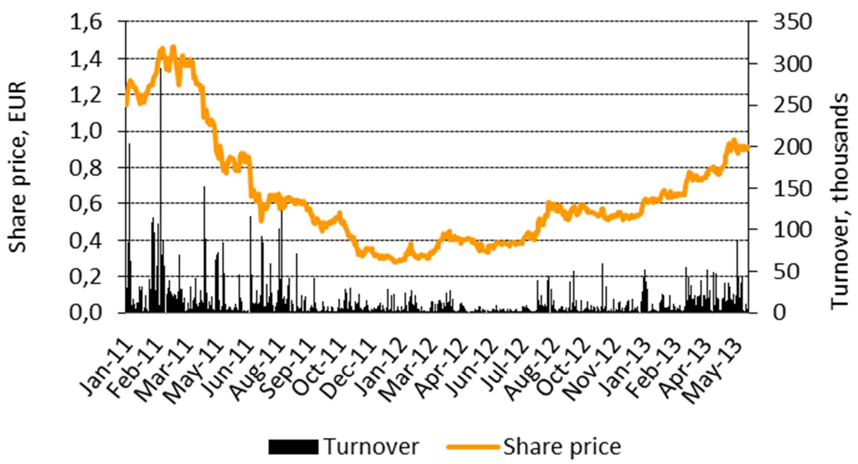
Based on the decision of the ordinary general meeting of shareholders on 20 April 2012, Company made simplified share capital reduction. Based on Estonian Commercial Code dividends cannot be paid on the year simplified reduction was made and the two consecutive years. Therefore no dividends will be paid prior to year 2015.

The declaration and payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management Board to be relevant at the time.

3.6 PRICE OF SHARE AND TRADING

In 2012 the share last price increased by 91.0% to 0.573 euros and the market value of the Group was 20,510 thousand euros at the end of 2012. During the same period the general index of NASDAQ OMX Tallinn increased by 38.2%. By the end of April 2013 the share price increased to 0.88 euros.

Share price and turnover



Share trading history

EUR	2013[1]	2012	2011	2010
High	0.948	0.650	1.519	1.230
Low	0.576	0.277	0.295	0.540
Average	0.777	0.439	0.815	0.820
Last price	0.910	0.573	0.300	1.139
Last price change, %	58.8%	91.0%	-73.7%	56.0%
Trade volume	2,292,931	4,067,574	6,663,797	9,389,183
Turnover, in thousands	1,726	1,749	5,505	7,840

[1]Share trading until 31 May 2013

3.7 ISSUE OF ADMISSION SHARES AND DILUTION

In connection with the conversion, the Company will issue 5,000,000 new shares. The issuance of convertible bonds and the related share capital conditional increase was approved by the Company's ordinary general meeting of shareholders on 20 April 2012. The decision has been published on the NASDAQ OMX Tallinn and on the Company's website on 20 April 2012. The conditional increase of the share capital was registered in the Commercial registry on 11 May 2012. Pursuant to the terms and conditions of the issuance of H-Bonds, the H-Bond holder was entitled to require from the Company that H-Bonds were exchanged to ordinary shares during the time period of 11 May 2013 until 10 May 2014, KJK Fund SICAV-SIF delivered such request on 6th June 2013. Pursuant to Article 351^1 (3) of the Commercial Code, the management board shall issue the shares only based on a resolution of the general meeting and for compliance with such resolution, and not before the issue price of a share has been paid. Pursuant to Article 351^1 (4), the share capital and number of shares is deemed to be increased as of the issue of the share. The Management Board shall issue the Admission Shares and register them in the Estonian Central Registry of Securities. From that date the share capital and the number of shares is deemed to be increased.

Pursuant to Article 351^1 (5) not later than within one month after the end of the financial year, the management board shall submit an application to the Commercial registry for entry in the registry the number of shares issued based on a resolution on conditional increase of share capital and the corresponding increase of the share capital during the financial year. The Management Board will apply to the Commercial registry for entry in the registry of the Admission Shares in July 2013.

The Admission Shares represent approximately 14.0% of the Company's share capital prior to the admission and approximately 12.3% of the Company's share capital following the admission.

4 ISSUER

4.1 GENERAL INFORMATION OF THE COMPANY

The Company’s business name is Aktsiaselts BALTIKA. The Company is a limited company established pursuant to the laws and regulations of the Republic of Estonia. The Company is registered at Harju County Court registration department under the registry code 10144415. Please see the Company’s website www.baltikagroup.com for more information.

The Company was established on 1 August 1991 and registered with the enterprise register held by the local municipality. After the enforcement of the Estonian Commercial Code, all companies had to register themselves pursuant to the requirements of the new legislation. Baltika was registered at Harju County Court registration department on 9 May 1997. The legal address of the Company is Veerenni 24, Tallinn 10135, Estonia and the phone number is +372 630 2731.

Baltika’s shares are listed on the NASDAQ OMX Tallinn stock exchange. The listing dates are as follows: 5 June 1997 (Main List), 7 May 1998 (Secondary List) and 17 February 2003 (Main List). NASDAQ OMX Tallinn belongs to the world’s largest exchange company NASDAQ OMX Group.

The Company’s activities are design, development, production and sales arrangement of the fashion brands of clothing. Baltika Group is an international fashion retailer operating Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo retail concepts. In addition to some other brands offered in Baltika brands’ stores new brand Blue Inc will be sold under franchise agreement from autumn 2013. As of 31 March 2013 the Group had 112 stores in five markets in the Baltics and Eastern Europe. Baltika Group employs a vertically integrated business model, which means that the Group controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales. The financial year is the calendar year.

The Group’s all own production is located in Estonia. Approximately ¾ of own production staff are employed in Tallinn and ¼ in Ahtme.

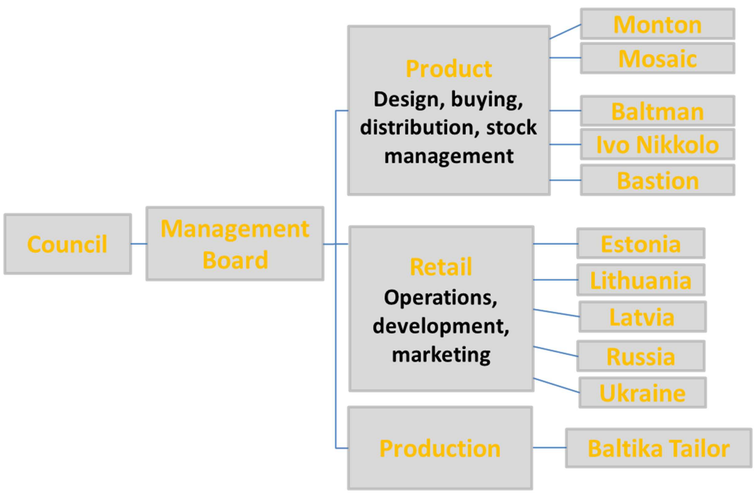
4.2 HISTORY OF BALTIKA GROUP

2012 Baltika Group acquires Estonian well-known brand Bastion
2012 Baltika Group exits real-estate business and sells Baltika Quarter
2012 Baltika Group opens Monton e-store that serves customers in Europe, Russia and Ukraine
2011 Baltika Group exits the Polish market
2010 Baltika Group’s renovated office is awarded with Estonian Cultural Endowment Annual Award for architecture and Estonian Society of Interior Architects Annual Award in the category of offices
2010 Sale of the MasCara and Herold brands
2009 Baltika Group exits the Czech market
2009 Baltika Group opens novel concept store Moetänav, representing all Baltika´s four brands
2009 Baltika Group establishes Baltika Quarter to unite design and creative companies
2008 Baltika Group’s wholesales operations to be expanded to Western Europe, the company signs a contract with a leading European department store chain Peek & Cloppenburg
2008 Baltika is recognised for having the best investor relations on the Tallinn Stock Exchange
2008 Baltika Group celebrates its 80th anniversary

2007 Estonian Association for Personnel Development recognises Baltika's Retail Academy as one of the best personnel projects in Estonia
2007 Monton is the sponsor of Latvian Olympic Committee
2007 First store opened in the Czech Republic (in 2009 Baltika closes the market)
2007 Baltika nominated as finalist in two categories in the European Business Awards
2006 Baltika Group acquires Estonian well-known designer brand Ivo Nikkolo
2006 Baltika Group opens its 100th store
2006 CHR and Evermen concepts rebranded as Mosaic
2005 Monton becomes the grand sponsor of the Estonian Olympic Committee
2005 Strategic turnaround completed
2005 Exit of a long-term strategic shareholder; management controlled company becomes largest single shareholder at the time
2002 Monton brand launched in five markets
2002 Strategic turnaround into vertically integrated fashion retailer begins
2000 First stores opened in Ukraine and Poland (in 2011 Baltika Group closes the Polish market)
1997 Baltika listed on the Tallinn Stock Exchange that belongs to the NASDAQ OMX Group today
1996 First store opened in Latvia
1995 Evermen collection launched
1994 First store opened in Russia
1993 First store opened in Lithuania
1993 First ladies wear collection, Christine Collection (CHR), launched
1991 First store opened in Estonia
1991 First menswear collection, Baltman, launched
1991 Baltika is privatised
1988 Production of ladies wear begins
1959 Company is restructured and renamed Baltika, producing formal menswear
1928 Gentleman established in Tallinn as producer of raincoats

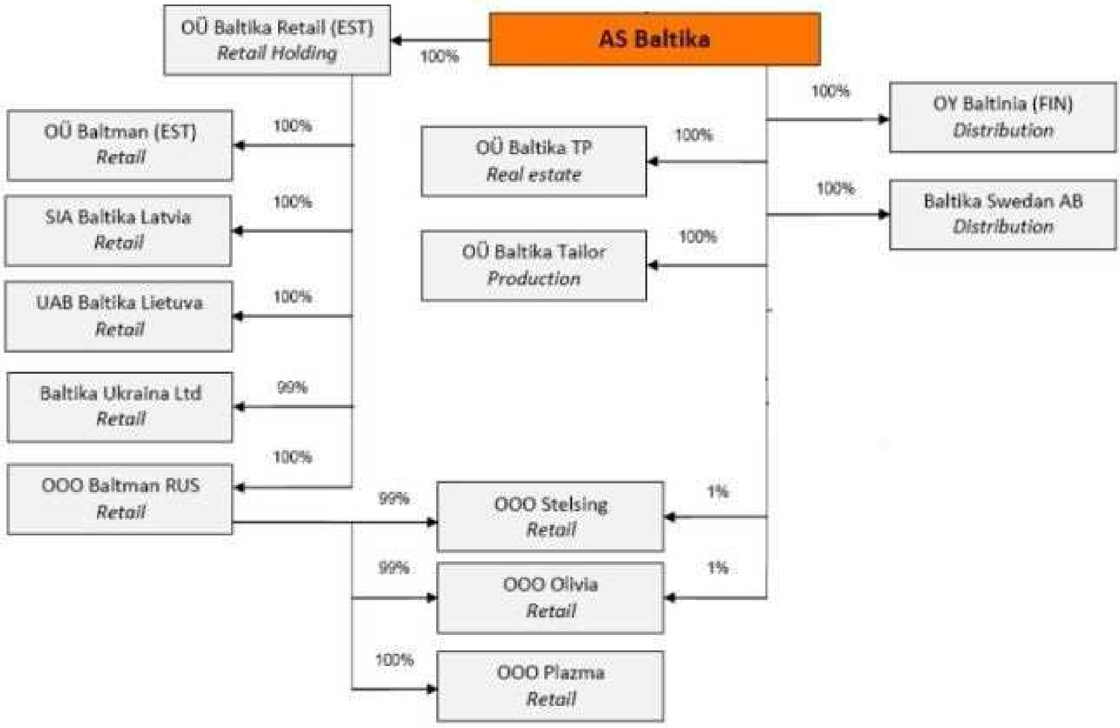
4.3 MANAGEMENT STRUCTURE OF BALTIKA GROUP

Baltika Group employs a vertically integrated business model which means that the Group controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales.



4.4 LEGAL STRUCTURE OF BALTIKA GROUP

As at 09.07.2013



AS Baltika , OÜ Baltika Retail, OÜ Baltman, OÜ Baltika Tailor, OÜ Baltika TP are located in Estonia; SIA Baltika Latvija in Latvia; UAB Baltika Lietuva in Lithuania; Baltika Ukraine Ltd in Ukraine, OOO Kompania "Baltman RUS", OOO "Olivia" OOO "Stelsin and OOO "Plazma" in Russia; OY Baltiknia AB in Finland; Baltika Sweden AB in Sweden.

4.5 BRAND PORTFOLIO

Baltika Group has a brand portfolio covering a broad customer base. A balanced portfolio of five retail concepts includes:

Monton – an exciting, quality fashion brand for women and men, reflecting global trends in its unique way;

Mosaic – an international brand for women and men, who are practical, responsible and well-organized and have a need for uncomplicated and reliable fashion;

Baltman – a prestigious business wear brand for men, offering stylish, classic and high-quality clothing and personal service;

Ivo Nikkolo – a designer fashion brand for ladies allowing the customer to express her own individuality and complement her lifestyle;

Bastion - oriented to a woman who values quality, classical style and Estonian production.

The operation of a portfolio of different brands serves a broad customer base and offers stability in the fast-moving fashion business. Nevertheless, the Group is looking for new opportunities every day – collections are continuously evolving, as the design and sourcing teams are engaged in developing exciting new products that increase brand attractiveness and sales efficiency. All of the concepts have a common characteristic: a quality product with fashionable design and unique style offered at competitive prices. Each collection is designed to meet the target customer's needs and personality. At the same time, every brand is focused to contribute positively to the Group's bottom line.

4.6 MATERIAL CONTRACTS

Material contracts entered into in the last 2 years that are not frequent or part of ordinary course of business:

1. In November 2012 Baltika Group signed an agreement for the purchase of the Bastion trademark and the acquisition of retail stores operated under the Bastion trade name.

2. In July 2012 Baltika signed an addendum to the contract with AS Swedbank according to which a 3 million euros additional loan will be granted to the Company based on the investment plan for the next 12 months. AS Swedbank also prolonged the maturity date of outstanding 0.6 million euros long-term loan by about two years. The new investment loan and existing 0.6 million euros loan maturity date is 28 July 2016. No changes were made to the interest margin. See 6.9 Principal resources for further conditions on the Swedbank loan.

3. In July 2012 Baltika subsidiary OÜ Baltika TP sold Veerenni 24 property to OÜ Kawe Invest. The transaction amounted to 13,600 thousand euros. Of the transaction amount 600 thousand euros will be received in equal instalments over 5 years.

4. In May 2012 Baltika acquired additional shares of Aktsiaselts Virulane (6,2%) and became 100% shareholder of Aktsiaselts Virulane. In June 2012 a merger agreement between Aktsiaselts Virulane and Baltika was signed, the merger balance sheet date is 1 January 2012 and the merger was completed in September 2012.

5. In May 2012 Baltika signed the subscription agreement for 5,000,000 convertible H-Bonds with KJK Fund, Sicav-SIF with 2 years term and, in total amount of 1,500 thousand euros, in accordance with the earlier decision of the ordinary general meeting of shareholders.

6. Baltika converted in November 2011 250 thousand euros existing liabilities to KJK Fund Sicav-SIF to loan that carries no interest, which is recorded as equity instrument in equity and signed a loan agreement with KJK Fund, Sicav-SIF in December 2011 in the amount of 1,000 thousand euros that carried 10% interest. The funds were later transferred into convertible H-Bonds.

5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information of Baltika Group is derived as at and from the years ended on 31 December 2010, 31 December 2011 and 31 December 2012 as well as for the three months ended 31 March 2013 and 2012.

The information as at and for the years ended on 31 December 2010, 31 December 2011 and 31 December 2012 have been extracted from the Annual Consolidated Financial Statements, unless stated otherwise. The information as at and for three months ended on 31 March 2013 and 31 March 2012 has been extracted from the Consolidated Interim Financial Statements.

The Annual Consolidated Financial Statements incorporated by reference in this Prospectus, have been audited by AS PricewaterhouseCoopers. The Consolidated Interim Financial Statements, incorporated by reference in this Prospectus, have not been audited nor subject to the auditors review.

The following selected consolidated financial information of Baltika Group should be read together with the Consolidated Financial Statements and other financial data included elsewhere in this Prospectus.

5.1 SELECTED DATA FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in EUR thousands	31.03.2013 unaudited	31.12.2012 audited	31.12.2011 audited	31.12.2010 audited
ASSETS				
Current assets				
Cash and cash equivalents	815	2,078	863	823
Trade and other receivables	2,125	1,836	2,189	3,119
Inventories	11,455	11,471	10,048	10,804
Total current assets	**14,395**	**15,385**	**13,100**	**14,746**
Non-current assets				
Deferred income tax asset	637	637	838	838
Other non-current assets	1,104	1,088	629	780
Investment property	-	-	8,549	7,069
Property, plant and equipment	2,810	2,256	8,031	12,121
Intangible assets	4,090	4,150	3,665	3,898
Total non-current assets	**8,641**	**8,131**	**21,712**	**24,706**
TOTAL ASSETS	**23,036**	**23,516**	**34,812**	**39,452**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	1,649	1,598	3,178	2,125
Trade and other payables	6,264	7,005	6,785	6,981
Total current liabilities	**7,913**	**8,603**	**9,963**	**9,107**
Non-current liabilities				
Borrowings	5,468	4,702	15,144	17,953
Other liabilities	21	25	83	37
Total non-current liabilities	**5,489**	**4,727**	**15,227**	**17,990**
TOTAL LIABILITIES	**13,402**	**13,330**	**25,190**	**27,096**
EQUITY				
Share capital at par value	7,159	7,159	25,056	20,129
Share premium	94	63	89	1 332
Reserves	1,182	1,182	2,494	2,784
Retained earnings	2,471	1,667	-11,592	-4,961
Net profit (loss) for the period	-603	804	-5,863	-6,344
Currency translation differences	-669	-689	-727	-747
Total equity attributable to equity holders of the parent	**9,634**	**10,186**	**9,457**	**12,194**
Non-controlling interest	-	-	165	162
TOTAL EQUITY	**9,634**	**10,186**	**9,622**	**12,356**
TOTAL LIABILITIES AND EQUITY	**23,036**	**23,516**	**34,812**	**39,452**

Source: Consolidated Financial Statements

5.2 SELECTED DATA FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In EUR thousands	**3m 2013** unaudited	**3m 2012** unaudited	**2012** audited	**2011** audited	**2010** audited
Revenue	13,186	12,643	56,332	53,409	52,207
Cost of goods sold	-6,424	-6,188	-25,615	-25,042	-25,171
Gross profit	**6,762**	**6,455**	**30,717**	**28,367**	**27,036**
Distribution costs	-6,575	-6,584	-26,193	-27,095	-28,446
Administrative and general expenses	-735	-684	-2,722	-2,864	-2,928
Other operating income	28	33	341	59	646
Other operating expenses	-7	-10	-184	-2,917	-1,027
Operating profit (loss)	**-527**	**-790**	**1,959**	**-4,450**	**-4,719**
Finance income	17	107	61	3	201
Finance costs	-93	-342	-964	-1,344	-1,406
Profit (loss) before income tax	**-603**	**-1,025**	**1,056**	**-5,791**	**-5,925**
Income tax expense	0	-18	-251	-69	-407
Net profit (loss)	**-603**	**-1,043**	**805**	**-5,860**	**-6,332**
Loss attributable to:					
Equity holders of the parent company	-603	-1,044	804	-5,863	-6,344
Non-controlling interest	0	1	1	3	12
Other comprehensive income (loss)					
Currency translation differences	20	78	38	20	-145
Total comprehensive income (loss)	**-583**	**-965**	**843**	**-5,840**	**-6,477**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company	-583	-966	842	-5,843	-6,490
Non-controlling interest	0	1	1	3	12
Basic earnings per share	-0.02	-0.03	0.02	-0.19	-0.27
Diluted earnings per share	-0.02	-0.03	0.02	-0.19	-0.27

Source: Consolidated Financial Statements

5.3 SELECTED DATA FROM CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands	**3m 2013** unaudited	**3m 2012** unaudited	**2012** audited	**2011** audited	**2010** audited
Cash generated from operating activities	-1,049	-656	1,337	-1,313	-5,000
Cash used in investing activities	-1,042	-50	-733	-66	1,190
Cash generated from financing activities	817	325	608	1,449	4,055
Effect of exchange gains (losses) on cash and cash equivalents	11	0	3	-30	193
Total	**-1,263**	**-381**	**1,215**	**40**	**438**

Source: Consolidated Financial Statements

5.4 SELECTED DATA FROM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Currency translation differences**	**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	-5,863	0	-5,863	3	-5,860
Other comprehensive income	0	0	0	0	20	20	0	20
Total comprehensive income (loss)	0	0	0	-5,863	20	-5,843	3	-5,840
Equity-settled share-based transactions	0	134	0	0	0	134	0	134
Equity instrument	0	0	250	0	0	250	0	250
Conversion of share capital to euros	1,917	-1,377	-540	0	0	0	0	0
Increase of share capital	3,010	0	0	-287	0	2,723	0	2,723
Balance as at 31 December 2011	**25,056**	**89**	**2,494**	**-17,455**	**-727**	**9,457**	**165**	**9,622**
Profit for the period	0	0	0	804	0	804	1	805
Other comprehensive income	0	0	0	0	38	38	0	38
Total comprehensive income	0	0	0	804	38	842	1	843
Offsetting losses	0	-89	-651	740	0	0	0	0
Decrease of the nominal value of share	-17,897	0	1,182	16,715	0	0	0	0
Equity-settled share-based transactions	0	63	0	0	0	63	0	63
Equity instrument classification to liability	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	0	0	-1,592	1,592	0	0	0	0
Balance as at 31 December 2012	**7,159**	**63**	**1,182**	**2,471**	**-689**	**10,186**	**0**	**10,186**
Profit (loss) for the period	0	0	0	-603	0	-603	0	-603
Other comprehensive loss	0	0	0	0	20	20	0	20
Total comprehensive income (loss)	0	0	0	-603	20	-583	0	-583
Equity-settled share-based transactions	0	31	0	0	0	31	0	31
Balance as at 31 March 2013	**7,159**	**94**	**1,182**	**1,868**	**-669**	**9,634**	**0**	**9,634**

Source: Consolidated Financial Statements

5.5 KEY FIGURES AND RATIOS

	31.12.2012	31.12.2011	31.12.2010
Balance sheet data in EUR thousands			
Total assets	23,516	34,812	39,452
Interest-bearing liabilities	6,271	18,312	19,821
Shareholders' equity	10,186	9,457	12,194
Other data			
Number of stores	113	115	120
Sales area, sqm	22,210	23,111	24,424
Number of employees (31 Dec)	1,288	1,363	1,419

	2012	2011	2010
Operating results in EUR thousands			
Revenue	56,332	53,409	52,207
Gross profit	30,717	28,367	27,036
Operating profit	1,959	-4,450	-4,719
Profit before income tax	1,056	-5,791	-5,925
Net profit	805	-5,860	-6,332
Key ratios(unaudited)			
Revenue growth	5.5%	2.3%	-7.2%
Retail sales growth	5,2%	3.1%	-5.9%
Share of retail sales in revenue	93%	94%	93%
Share of exports in revenue	68%	70%	73%
Gross margin	54.5%	53.1%	51.8%
Operating margin	3.5%	-8.3%	-9.0%
EBITDA margin	6.6%	-2.6%	-2.4%
EBT margin	1.9%	-10.8%	-11.3%
Net margin	1.4%	-11.0%	-12.2%
Current ratio	1.8	1.3	1.6
Debt to equity ratio	61.6%	190.3%	160.4%
Net gearing ratio	41.2%	181.3%	153.8%
Inventory turnover	2.37	2.13	2.30
Return on equity	8.9%	-54.8%	-52.6%
Return on assets	2.8%	-15.1%	-14.9%
Key share data(EUR)			
Number of shares outstanding (31 Dec)	35,794,850	35,794,850	27,494,850
Weighted average number of shares	35,794,850	31,629,918	23,348,686
Share price (31 Dec)	0.57	0.30	1.14
Market capitalisation, in thousands (31 Dec)	20,510	10,738	31,317
Earnings per share (EPS)	0.02	-0.19	-0.27
Change in EPS, %	111%	32%	50%
P/E	28.7	Neg.	Neg.
Book value per share	0.28	0.27	0.45
P/B	2.1	1.1	2.5
Dividend per share (DPS)	0	0	0
Dividend yield	0%	0%	0%
Dividend pay-out ratio	0%	0%	0%

Any reference to Baltika's "share" or "shares" is a reference to ordinary shares unless indicated otherwise.

Source: the Company

Definitions of key ratios

Gross margin = (Revenue-Cost of goods sold)/Revenue
Operating margin = Operating profit/Revenue
EBITDA margin = Operating profit-amortisation, depreciation and loss from disposal of fixed assets/Revenue
EBT margin = Profit before income tax/Revenues
Net margin = Net profit (attributable to parent)/Revenue
Current ratio = Current assets/Current liabilities
Debt to equity ratio = Interest-bearing liabilities/Equity
Net gearing ratio = (Interest-bearing liabilities-Cash and bank)/Equity
Inventory turnover = Cost of goods sold/Average inventories[a]
Return on equity = Net profit (attributable to parent)/Average equity[a]
Return on assets = Net profit (attributable to parent)/Average total assets[a]
Market cap = Share price (31 Dec)xShares outstanding (31 Dec)
EPS = Net profit (attributable to parent)/Weighted average number of shares
P/E = Share price (31 Dec)/EPS
Book value per share = Equity/Shares outstanding (31 Dec)
P/B = Share price (31 Dec)/Book value per share
Dividend yield = Dividends per share/Share price (31 Dec)
Dividend payout ratio = Paid out dividends/Net profit (attributable to parent)

[a]Based on 12-month average

6 BUSINESS AND FINANCIAL OVERVIEW

6.1 OVERVIEW OF THE PRINCIPAL ACTIVITIES

The Group's business activities are divided into operating segments which are retail (Baltic Region and Eastern Europe), wholesale and e-com, real estate management (not relevant from 2013).

In total, Baltika Group ended the first quarter of 2013 with revenue of 13,186 thousand euros, a 4% increase compared to first quarter in prior year.

Revenue by segment

in EUR thousands	**Q1 2013** unaudited	**Q1 2012** unaudited	**2012** audited	**2011** audited	**2010** audited
Sale of goods	12,289	11,531	52,665	50,072	48,643
Wholesale and e-com	874	846	3,019	2,704	3,007
Real estate management	2	168	403	483	385
Other	21	98	245	150	172
Total	**13,186**	**12,643**	**56,332**	**53,409**	**52,207**

Source: Consolidated Financial Statements

The biggest portion (93% in year 2012 and first quarter of 2013) of the Group's revenues is generated from retail. The Group's sales revenues and profitability of its retail system continued to improve in the first quarter of 2013 – retail revenue increased by 7% compared to same period in prior year. Retail sales compared to first quarter in prior year grew in all Baltic countries: Estonia 17%, Latvia 9% and Lithuania 6%. Sales decreased in Russia and Ukraine, which was due to decrease in sales area; sales efficiency grew on all of Baltika's markets, reaching on average 8%.

From February 2012 Baltika brand Monton offers its products also through e-store.

Baltika signed first franchise agreement

On 2 April 2013 Baltika signed franchise agreement to open Monton fashion stores in Belarus with Belarusian retail operator Valanga OOO. The plan involves opening in the next five years at least 5 Monton stores with 150-250m2 operating area in Minsk. The first Monton store in Belarus and Baltika's first store under franchise agreement will be opened this year in August.

New trademark and first operation as franchisee

Baltika signed on 15 May 2013 contract as franchisee with A Levy & Son Ltd, London attaining representation rights of Blue Inc trademarks in Baltic countries. Taking the franchise is part of Baltika's strategic goal to use retail network operator experience to grow sales and market share in the Baltic countries. First Blue Inc stores will be opened in the third quarter of 2013 in Tallinn, Estonia; Riga and Valmiera in Latvia. Three year plan includes opening at least 10 Blue Inc stores in the Baltics.

There have been no other notable changes in production, sales, inventory and expenses, sales prices until the date of the Prospectus not disclosed herein.

6.2 OVERVIEW OF BRANDS

In terms of brands, the largest proportion of Baltika's retail revenue is generated by Monton whose retail sales for the first quarter of 2013 accounted for 49% of the Group's total retail revenue. Mosaic contributed 32%, Baltman and Ivo Nikkolo 8% each and the newest brand in the Group – Bastion 3%.

There are new entrants that can be predicted like H&M and Debenhams that will enter in coming years to more markets in the Baltics, but if and what effect they will have on Baltika Group and its brands competitiveness is difficult to predict.

Retail sales by brand in 1Q 2013 and year 2012 with comparatives

	Sales				Proportion			
	Q1 2013	**Q1 2012**	**2012**	**2011**	**Q1 2013**	**Q1 2012**	**2012**	**2011**
Monton	5,990	6,037	27,005	26,584	49%	52%	51%	53%
Mosaic	3,907	3,531	16,270	15,485	32%	31%	31%	31%
Baltman	1,027	975	4,613	4,003	8%	8%	9%	8%
Ivo Nikkolo	948	965	4,285	3,859	8%	8%	8%	8%
Bastion	334	0	105	0	3%	0%	0%	0%
Other	83	23	387	141	1%	0%	1%	0%
Total	**12,289**	**11,531**	**52,665**	**50,072**	**100%**	**100%**	**100%**	**100%**

Source: the Company

Monton

Monton (www.montonfashion.com) is exciting, quality fashion brand reflecting global trends in its own unique way.

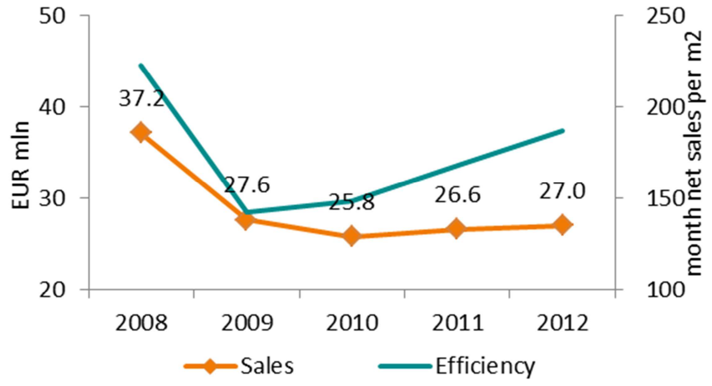
In the first quarter of 2013, retail sales of Monton totalled 5,990 thousand euros. Compared to the same period in 2012, sales decreased by 1%.

In 2012 retail sales of Monton totalled 27,005 thousand euros. Compared to 2011, sales increased by 2% while the retail area decreased by 9%. Sales area decreased mostly in Russia -16%. Sales revenue growth was achieved in all Baltic markets; the most notable increase was in Latvia by 17% and Lithuania by 11%.

Monton's largest market continues to be Russia, which accounts for 27% of retail sales of the brand.

In 2012 sales efficiency growth of 12% was achieved by closing inefficient stores, and by making changes in collection and brand team. Monton achieved increase of sales efficiency in all markets. Sales revenue per square meter grew most in Latvia by 18% and in Russia by 15%. Highest sales efficiency was in Russia.

Monton retail sales



Source: the Company

A very good result was achieved in 2012 with Monton collection for men, which gross profit increased compared to last year by 13%. Offering of formal wear portion was increased in the autumn collection (suits and shirts) and the positive outcome of the decision is proved with sales increase of suits by 35% and shirts by 62%.

Year 2012 was important for Monton for various reasons: it was 10-th anniversary year that brought various interesting events in all markets. In addition 2012 was year of the Olympics and a successful Olympic fan collection sale supported Monton sales results. The collection for the next Olympics, Sochi 2014, is already in the making and the collection will be available at the stores in Estonia in December 2013.

The visual style and identity, creation of new store concept is a very important step for the development of the brand and in increasing export potential. Baltika developed Monton brand visual identity and store concepts with the assistance of international creative agency Dan Pearlman.

New branding was fully implemented in 2012; new sales discount design was implemented in spring. The first new-concept store was opened in St Petersburg in December 2012. In first quarter of 2013 new-concept flagship stores were opened in all Baltic countries and the gradual renovation will continue in other stores.

The new Monton store concept, which is inspired by the decor and atmosphere of urban loft living, offers the customers a convenient and attractive shopping environment complete with functional furniture, which provides more playful opportunities for presenting Monton's collection and the season's trendiest outfits. The key features of the new concept include furniture components that resemble the brand logo, logo-patterned wallpaper, suitcase-style wall furniture, focus points in window openings in a brick wall, a lounge-style sitting section, a cosy fitting room area, mannequin groups on floor podiums, a branded cash desk and image photos depicting the mullioned windows of a loft.

One of the larger planned changes in 2013 is to increase the offering of accessories through new product groups.

Mosaic

Mosaic (www.mosaic-fashion.com) is an international brand for women and men, who are practical, responsible and well-organized, and have a need for uncomplicated and reliable fashion.

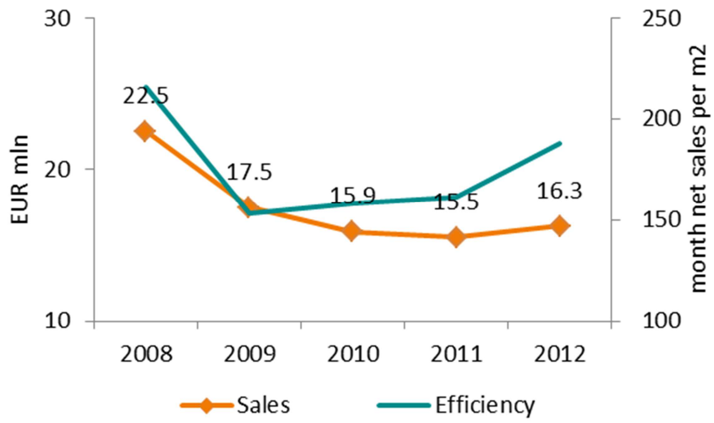
Mosaic retail revenue for the first quarter of 2013 was 3,907 thousand euros, which signifies an 11% increase compared to prior year.

Mosaic's retail revenue for 2012 was 16,270 thousand euros that is 5% better result than in previous year. Average sales area decreased in 2012 by 10%, most of it in Russia, where several inefficient stores were closed.

Sales revenue growth was achieved in all markets, except Russia (due to decrease of sales area by 27% as a result of closing stores). In all other markets sales increase was in the range of 8%-10%.

Main target for Mosaic in 2012 was sales efficiency growth that resulted in 17% growth.

Mosaic retail sales



Source: the Company

2012 was important for Mosaic as new branding was fully taken to use and new sales discount design launched.

New Mosaic shop was opened in Magistral shopping centre in Tallinn in spring 2012 that used the style of new-concept. Implementation of new store concept on a larger scale will start in second half of 2013. First new flagship store will be opened in Spice shopping center in Riga in second half of 2013 and existing stores will be renovated based on new store concept.

Mosaic plays an important role in the Group's wholesale revenue (72% in 2012).

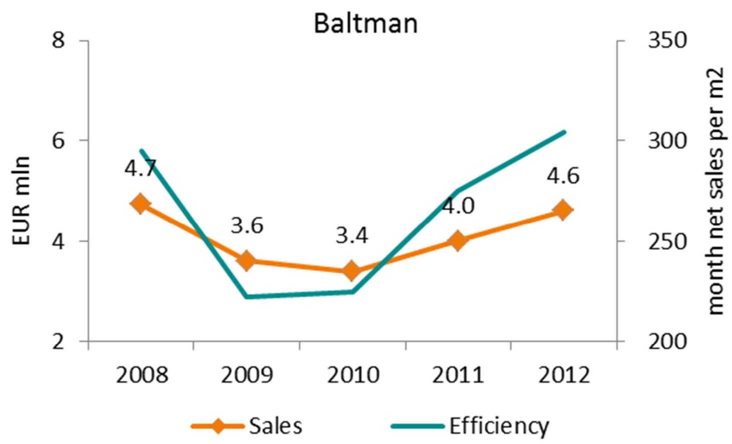
Baltman

Baltman (www.baltman.eu) is a prestigious business wear brand for men, offering stylish, classic and high-quality clothing and personal service.

Baltman's first quarter 2013 revenue was 1,027 thousand euros, that is 5% increase compared to same period in previous year.

For Baltman 2012 was a very successful and important year in many ways. The most important was increase of retail sales by 14% totalling 4,613 thousand euros. Sales revenue growth was achieved in all markets and was highest in Latvia. The brand was not only able to increase retail sales but profitability at the same time. Improvement compared to previous year was 18% due to better inventory management and considerably lower markdown rates. Baltman's sales efficiency growth in 2012 was 10% and Baltman is the brand which had highest sales revenue per square meter in Baltika Group.

Baltman retail sales



Source: the Company

German men's quality clothing brand Stones was added in 2012 to Baltman stores to offer clients even wider selection of smart casual products.

The year 2012 was exceptional also in the sense that Baltman's activity on men's fashion scene was recognised in various ways. In early spring, Baltman's designer Aivar Antonio Lätt was nominated for the most prestigious Estonian fashion award Kuldnõel (Golden Needle) and his dignified sharp-lined special collection was praised by both fashion critics and professionals. In autumn, Baltman presented its special collection, Baltman Limited Edition by Antonio, at Estonia's most awaited fashion event, Tallinn Fashion Week. The fabrics of the male collection that blended the southern colour spectrum with the Nordic cuts were specially ordered from Italy and all articles were one-off designer pieces.

Baltman design is also worn by Estonian national football team, who received, in line with continued cooperation in 2012, high-quality special order coats.

Ivo Nikkolo

Ivo Nikkolo (www.ivonikkolo.com) is a designer fashion brand for ladies offering premium business outfit and occasion wear to express own individuality.

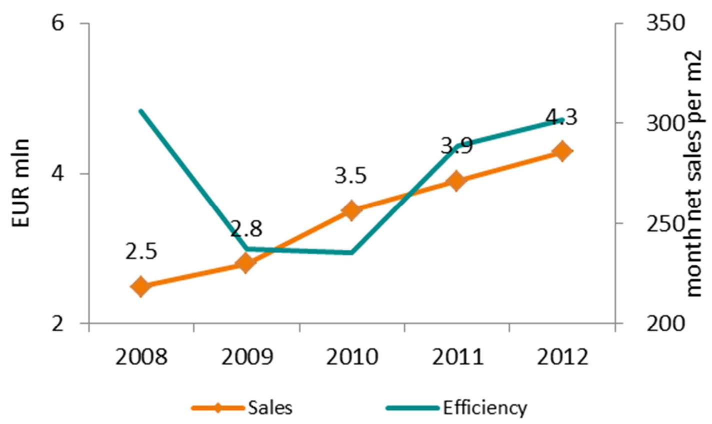
Ivo Nikkolo's first quarter 2013 sales amounted to 948 thousand euros, that is a decrease of 2% compared to same period in prior year.

2012 brought stable growth for Ivo Nikkolo. The brand's sales for 2012 totalled 4,653 thousand euros, from which 4,285 thousand euros were earned from sales through retail system and 368 thousand euros from sales to wholesale partners.

Compared to 2011 Ivo Nikkolo achieved 9% growth in total sales in 2012, while growth in sales through retail system was 11%. Due to growing interest, Ivo Nikkolo expanded its collection sales in multibrand stores, resulting in sales revenue growth, highest in Ukraine (+53%) and in Latvia (+23%).

Sales efficiency increased by 7% in 2012. In largest market – Estonia – growth was 17%.

Ivo Nikkolo retail sales



Source: the Company

The target for the year 2013 is to open new-concept store in Riga and grow sales through partners in Finland and Russia. The growth shall be supported by balanced collection taking into account the client's needs and markets that are operated in, and more detailed description of brand identity.

Bastion

Bastion (www.bastion.ee) is oriented to a woman who values quality, classical style and Estonian production

The purchase of Bastion in 2012 was part of strategy to strengthen Baltika's brand portfolio and the additional trademark helps to expand its target customer base, offer a wider product range and increase its market share. The Estonian fashion brand with 25 years of history has strong offering of formal and special occasion clothing, fitting for feminine figure and larger models for the size 34-48.

Baltika aims to retain the positioning and style of the collection and develop the brand export potential. Company believes that Bastion has strong retail and wholesale potential in the Group's home market, the Baltics, as well as in Scandinavia and Eastern Europe. All 7 stores have been successfully integrated to Baltika retail network and brand is performing as planned.

6.3 OVERVIEW OF THE MARKETS AND STORES

At the end of the first quarter of 2013, Baltika Group had 112 stores in five countries with a total sales area of 22,193 square metres. By the end of first quarter in 2012 the Group had streamlined store portfolio. In the end of 2012 Bastion stores were added to the network.

Stores by market

	31.03.2013	31.12.2012	31.12.2011	31.12.2010
Estonia	35	36	29	30
Lithuania	27	27	29	31
Russia	18	18	23	23
Latvia	16	16	16	15
Ukraine	16	16	18	17
Poland	0	0	0	4
Total stores	**112**	**113**	**115**	**120**
Total sales area, sqm	**22,193**	**22,210**	**23,111**	**24,424**

Source: the Company

Retail network by market and brand as at 31 March 2013

	Monton	Monton Mixed brands	Mosaic	Baltman	Ivo Nikkolo	Bastion	Total
Estonia	7	3	10	4	5	6	**35**
Lithuania	6	5	9	5	2	0	**27**
Russia	10	6	2	0	0	0	**18**
Latvia	3	4	4	2	2	1	**16**
Ukraine	6	3	7	0	0	0	**16**
Total	**32**	**21**	**32**	**11**	**9**	**7**	**112**

Source: the Company

The Baltic markets contributed 68 % and the Eastern European markets 32% of the Group's retail revenue during the first quarter of 2013. Presence and market share of Baltika brands is higher in the Baltic countries, than in Eastern-Europe.

The Baltic markets have strong competition from the international fashion brands operated by companies like Apranga (Zara, Berchka etc brands), LPP (Reserved, Mohito etc), Põldma Kaubanduse (Denim Dream, Desigual etc), Stockmann (various). In the last years Baltic economic growth figures have been exceeding that of Eurozone which reflects also in both through growth of retail space and number of new entrants like H&M and Debenhams. Russian market has seen in last year's stable growth, declining inflation and low unemployment rate increasing consumer purchasing power. This has brought new competitors to the market: local brands (Zarina, Love Republic etc) and international

(Marks&Spencer, Massimo Dutti etc). Russian consumer confidence has been under pressure in 2013 with the economy growing at the slowest rate since 2009 (1.6% y/y in Q1 2013). Ukrainian retail is a relatively young market. Despite the advantage of domestic companies with experience to deal with local administration and knowledge of Ukrainian consumers' needs, clothing market has been the focus of foreign retailers. Despite lack of visible improvements in economy the market is seeing a number of new shopping centre developments.

No significant changes have taken place in markets that Baltika operates in during 2013 up to date of the Prospectus. The 2013 6 months sales results compared to same period in prior year showed increase in sales in the Baltic markets: Estonia 18%, Latvia 11% andLithuania 8% while sales in Russia decreased by 1% and in Ukraine by 3%. Estonia, Lithuania, Latvia, Ukraine have shown expected stable growth in local currency while the slowdown of growth in Russia is unplanned.

Retail sales by market

in EUR thousands, unaudited	Q1 2013	Q1 2012	2012	2011	2010
Estonia	3,863	3,305	16,281	14,676	13,038
Lithuania	2,464	2,316	10,895	9,919	9,853
Russia	2,379	2,430	9,826	10,502	10,633
Latvia	2,072	1,895	8,922	7,613	6,450
Ukraine	1,511	1,585	6,742	6,624	7,161
Poland	0	0	0	738	1,508
Total	**12,289**	**11,531**	**52,665**	**50,072**	**48,643**

Source: the Company

6.4 WHOLESALE

Baltika Group's wholesale and e-com revenue for the first quarter of 2013 amounted to 874 thousand euros, 3% increase from the first quarter of 2012.

The Group's wholesale revenue for 2012 amounted to 3,019 thousand euros, increasing by 12% compared to 2011. The largest brand for wholesale is Mosaic.

Good cooperation with large partners has continued in 2012 (Peek & Cloppenburg, Tallinna Kaubamaja and Stockmann). 2012 has brought a number of new wholesale partners' through which the collections have also reached new countries like Belorussia and Israel. With the target to increase Mosaic wholesale to Finland, brand showroom was opened in Helsinki. Effort had been put into finding franchise partners to offer products outside areas of Baltika Group's retail network. These projects should show results in the second half of year 2013.

Monton e-store, the new sales channel opened in February 2012, has dispatched the collection to 24 European countries in 2012. In addition to the opportunities provided by the e-store, the group strives to offer excellent customer experiences through pre-shopping. In 2012, a lot of work was done to improve the availability of quality visual information – most products were photographed and the photos were uploaded to the website as soon as they were completed. The results are tangible – Monton's website traffic has doubled and the number of pages viewed on the website has increased significantly.

6.5 FINANCIAL PERFORMANCE

Operating expenses

Operating expense to revenue ratio was 55% in the first quarter of 2013. While there was general and administrative expense rental increase, with the increase in revenues on the same cost base the ratio has improved by 2 percentage points (2012 first quarter: 57%).

Due to restructuring the retail system and in spite of inflation pressure to the expenses, the Group managed to decrease distribution expenses in 2012. Distribution expenses, amounted to 26,193 thousand euros, decreased 902 thousand euros compared to previous year. Cost-savings were made in rents and communication expenses. Payroll costs remained at the same level due to bonuses paid for good results.

Administrative expenses decreased by 142 thousand euros, although it included additional rent expense from August 2012 due to sale of Baltika Quarter. Due to distribution and administrative expense decrease the Group achieved operating expenses to revenue ratio improvement by 5 percentage points to 51%.

Earnings and margins

Gross profit margin improved by 0.2 percentage points increasing to 51.3% in the first quarter of 2013. Gross profit of the quarter was 6,762 thousand euros, that is 5% and 307 thousand euros more than in the same period prior year.

2012 gross profit margin improvement was 1.4 percentage points and the Group earned 30,717 thousand euros gross profit. 2012 gross profit increased by 2,350 thousand euros i.e. 8% and that in spite of 8% lower operating area.

In 2013 first quarter Baltika Group improved its financial result by 440 thousand euros. Quarter's net loss was 603 thousand euros, which signifies compared to 1,043 thousand euros in prior year an improvement of 42%.

The year 2012 profit before tax was 1,056 thousand euros and net profit 805 thousand euros. Baltika Group finished the year 2012 with 3,725 thousand euros EBITDA.

6.6 FINANCIAL POSITION

At 31 March 2013, Baltika Group had total assets of 23,036 thousand euros. No significant events have taken place since 31 March 2013 to issuance of this Prospectus that would materially impact the financial position of the Group.

At the end of the first quarter of 2013, inventories totalled 11,455 thousand euros, similar level with the 16 thousand euros decrease compared with the previous year-end.

At the end of the first quarter of 2013, property, plant and equipment and immaterial assets totalled 6,900 thousand euros, which signifies and increase of 494 thousand euros compared with the previous year-end due to the investments into retail network.

At the end of first quarter of 2013 financial liabilities amounted to 10,762 thousand euros, a 209 thousand euros decrease compared with the previous year-end.

Total equity as at 31 March 2013 amounted to 9,634 thousand euros.

6.6.1 PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment consists mainly of retail network related fixed assets.

In July 2012 Veerenni 24 property was sold to OÜ Kawe Invest, a company belonging to Kawe Group. The transaction amounted to 13.6 million euros and as the sale price was equal to the book value of the assets the sale transaction had no significant impact for in the income statement. The net book value of the property sold consisted of 8.5 million euros investment property and 5.1 million euros building and structures.

The Group is not aware of any environmental issues that may affect the utilisation of the tangible fixed assets.

Property, plant and equipment at net book value

In EUR thousands	31.03.2013 unaudited	31.12.2012	31.12.2011	31.12.2010
Buildings and structures	856	672	5,871	8,602
Machinery and equipment	659	694	978	1,416
Other fixtures	1,224	887	1,182	2,071
Construction in progress	71	3	0	19
Total	**2,810**	**2,256**	**8,031**	**12,108**

Source: Consolidated Financial Statements

6.6.2 FINANCIAL LIABILITIES

From financial liabilities loans are secured, further information in Section "Principal resources"

Financial liabilities by maturity at 31 March 2013 (unaudited)

		Undiscounted cash flows[1]		
	Carrying amount	1-12 months	1-5 years	Total
Loans[2]	5,561	1,866	4,097	5,963
Finance lease liabilities	30	23	9	32
Convertible bonds, share options	1,526	114	1,636	1,750
Trade payables	3,598	3,598	0	3,598
Other financial liabilities	47	47	0	47
Total	**10,762**	**5,648**	**5,742**	**11,390**

Source: the Company

Financial liabilities by maturity at 31 December 2012 (audited)

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

Financial liabilities by maturity at 31 December 2011 (audited)

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

Financial liabilities by maturity at 31 December 2010 (audited)

		Undiscounted cash flows[1]		
	Carrying amount	**1-12 months**	**1-5 years**	**Total**
Loans[2]	19,444	2,798	20,149	22,947
Finance lease liabilities	377	251	152	403
Trade payables	4,355	4,355	0	4,355
Other financial liabilities	300	300	0	300
Total	**24,476**	**7,704**	**20,301**	**28,005**

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

Source: Annual Consolidated Financial Statements

6.6.3 CAPITALIZATION

The table below illustrates the Group’s capitalization as at 31 March 2013.

in EUR thousands	**31.03.2013 unaudited**
Share capital at par value	7,159
Share premium	94
Reserves	1,182
Retained earnings	1,868
Currency translation differences	-669
Total	**9,634**
Interest carrying borrowings*	**7,091**
Total capitalization	**16,725**

*All the borrowings except convertible bonds are secured, see section *“Principal resources*“.

Source: Consolidated Interim Financial Statements

6.7 CASH FLOW AND CAPITAL RESOURCES

In 2010 and 2011 the main objective was to strengthen the financial position and liquidity in order to guarantee the fulfilment of the Company's liabilities to banks and vendors. The capital and its structure needed to be strengthened as well.

In August 2011 additional 4,300,000 ordinary shares were issued. As a result of the shares issue the Group received additional cash in amount of 3,010 thousand euros.

The underlying funds for H-Bond (1,500 thousand euros) 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).

In July 2012 Baltika Group sold Veerenni property for 13,600 thousand euros and reduced the Swedbank loan by 13,000 thousand euros it received on sale.

Baltika signed an addendum to the contract with AS Swedbank on 31 July 2012 according to which a 3 million euros additional loan will be granted to the company based on the investment plan for the next 12 months. AS Swedbank also prolonged the maturity date of outstanding 600 thousand euros long-term loan by about two years. Last 1,000 thousand euros from the investment loan was received in April 2013.

In 2012 Baltika Group achieved positive cash flow from operating activities amounting to 1,337 thousand euros, improvement compared to prior year was 2,650 thousand euros. 2012 cash flow included financing of working capital, mainly due to bringing future production cycle earlier, total of 1,550 thousand euros.

The year 2012 was pivotal in both returning to profit and strengthening the financial position. By divesting real estate, considerably reducing the loan burden and improving its investment capabilities, Baltika Group created a solid basis and opened up new opportunities for future development.

Starting from signing the loan addendum in 2012 and continuing until signing the prospectus the resources have been used actively for investing activities.

6.8 FINANCIAL LIQUIDITY

6.8.1 INDEBTEDNESS

The table below illustrates the Group's indebtedness as at 31 March 2013.

Indebtedness

in EUR thousands	**31.03.2013 unaudited**
A. Cash and cash equivalents	815
B. Liquidity	**815**
C. Current portion of long-term bank loans	1,626
D. Other current financial liabilities	23
E. Current borrowings (C) + (D)	**1,649**
F. Net current borrowings (E) - (B)	**834**

G. Non-current bank loans	3,935
H. Other non-current financial liabilities*	1,533
I. Non-current borrowings (G) + (H)	**5,468**
K. NET FINANCIAL INDEBTEDNESS (F) + (I)	**6,302**

*Includes 1,500 thousand euros H-Bond that will be converted into Admission shares.
Source: Consolidated Interim Financial Statement

6.8.2 NET GEARING RATIO OF THE GROUP

In EUR thousands	**31.03.2013** unaudited	**31.12.2012** audited	**31.12.2011** audited	**31.12.2010** audited
Interest carrying borrowings	7,091	6,271	18,312	19,821
Cash and cash equivalents	-815	-2,078	-863	-823
Net debt	6,276	4,193	17,449	18,998
Total equity	9,634	10,186	9,622	12,356
Net gearing ratio	**65%**	**41%**	**181%**	**154%**

Net gearing ratio is calculated as net debt divided by equity. Net debt is calculated as interest carrying borrowings less cash and cash equivalents.

Source: Consolidated Financial Statements, the Company

6.8.3 WORKING CAPITAL

In the opinion of the Issuer, the working capital of the Group is sufficient for its present requirements (12 upcoming months). Historical working capital as at dates of balance sheet together with relevant ratios is presented in the table below.

in EUR thousands	**31.03.2013** unaudited	**31.12.2012** unaudited	**31.12.2011** unaudited	**31.12.2010** unaudited
Working capital	6,482	6,782	3,137	5,639
Current ratio	1.8	1.8	1.3	1.6
Quick ratio	0.4	0.5	0.3	0.4

Source: the Company

Working capital = Current assets – current liabilities
Current ratio = Current assets / Current liabilities
Quick ratio = (Current assets – Inventory) / Current liabilities

At the end of the 2012 and at 31 March 2013 the working capital is positive and has improved compared to the year ending 2011 and 2010.

6.9 PRINCIPAL RESOURCES

The Company is funding its activities in addition to owner’s resources with cash generated from operating activities and bank borrowings.

The following financial information is derived as at and from the years ending on 31 December 2010, 31 December 2011 and 31 December 2012 and as at and from the period ending on 31 March 2013.

The Annual Consolidated Financial Statements incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers. The Consolidated Interim Financial Statements, incorporated by reference in this Prospectus, have not been audited nor subject to the auditors review.

The following selected consolidated financial information of Baltika Group should be read together with the Consolidated Financial Statements and other financial data included elsewhere in this Prospectus.

Borrowings

in EUR thousands	**31.03.2013** unaudited	**31.12.2012**	**31.12.2011**	**31.12.2010**
Current borrowings				
Current portion of long-term bank loans	1,626	1,570	2,047	1,697
Current finance lease liabilities	21	23	121	233
Convertible bonds and liability component of preference shares	2	5	10	195
Other current loans	0	0	1,000	0
Total	**1,649**	**1,598**	**3,178**	**2,125**
Non-current borrowings				
Non-current bank loans	3,935	3,165	15,119	17,747
Non-current finance lease liabilities	9	13	25	144
Convertible bonds and liability component of preference shares	1,524	1,524	0	62
Total	**5,468**	**4,702**	**15,144**	**17,953**
Total borrowings	**7,117**	**6,300**	**18,322**	**20,078**

Source: Consolidated Financial Statements

Interest bearing borrowings consist of bank loans, convertible H-bonds and other interest bearing liabilities.

Interest carrying loans of the Group as at 31 March 2013 (unaudited)

	Carrying amount	**Average risk premium**
Borrowings at floating interest rate (based on 1-month and 6-month Euribor)	5,561	EURIBOR+4,40%
H-bonds	1,500	7.50%
Total	**7,061**	

Source: Interim Consolidated Financial Statements

Interest carrying loans of the Group as at 31 December 2012 (audited)

	Balance, in th euros	**Average risk premium**
Borrowings at floating interest rate (based on1-month and 6-month Euribor)	4,735	EURIBOR+4,28%
H-bonds	1,500	7.50%
Total	**6,235**	

Interest carrying loans of the Group as at 31 December 2011 (audited)

	Balance, in th. Euros	Average risk premium
Borrowings at floating interest rate (based on1-month and 6-month Euribor)	17,166	EURIBOR+4,60%
Borrowings at fixed interest rate	1,000	10.00%
Total	**18,166**	

Interest carrying loans of the Group as at 31 December 2010 (audited)

	Balance	Average risk premium
Borrowings at floating interest rate (based on 1-month Euribor)	500	2.50%
Borrowings at floating interest rate (based on 3-month Euribor)	240	1.00%
Borrowings at floating interest rate (based on 6-month Euribor)	18,085	3.48%
Borrowings at fixed interest rate (overdraft)	2,807	7.55%
Liability component of preference shares	469	10.00%
Total	**22,102**	

Source: Annual Consolidated Financial Statements

The loan contracts of the Group include several covenants that may require early repayment of loans if the borrower does not fulfil the terms specified in the contract including:

- requirement to equity level;
- limited rights for incurring additional liabilities;
- limited rights for paying dividends and deciding to issue share capital;
- required ratios calculated on financial data etc.

The Group's collaterals for bank borrowings

As at 31 December 2012 the bank borrowings were secured with following asset types:

- commercial pledge to movables;
- trademarks;
- shares of the subsidiaries;
- cash equivalents on the bank accounts

As at 31 December 2012 carrying amount of assets pledged was 15,742 thousand euros, including inventories in amount of 11,223 thousand euros, property, plant and equipment in amount of 2,256 thousand euros, intangible assets in amount of 1,216 thousand euros and cash on the bank accounts 1,047 thousand euros. As at 31 December 2011 carrying amount of assets pledged was 28,075 thousand euros, including inventories in amount of 9,884 thousand euros, property, plant and equipment in amount of 8,018 thousand euros, intangible assets in amount of 1,447 thousand euros, investment property in the amount of 8,549 thousand euros and cash on the bank accounts 177 thousand euros.

Bank loans set certain level to financial ratios for the Group. As at 31 December 2012 there were no conflicts to the set financial ratios.

6.10 INVESTMENTS

The Company's investment activities can be divided into two: retail network (all investments related to stores) and all other. The volume of the investments depends on strategic decisions and financing opportunities.

Investments 2010-2012, 1Q 2013

2010

- Total of 0.4 million euros investments were made in 2010, majority of which went into retail network – 0.3 million euros.

2011

- Total of 0.3 million euros were made in 2011, most of which went into retail network.

2012

- Total of 0.7 million euros were made in 2011, most of which went into retail network - 0.6 million euros.

2013

- Baltika Group invested 1 million euros in the first quarter out of which majority went into retail network.

Investments in progress and future investments

In 2013 the Group continues to implement its investment plan. According to the unveiled investment scheme in 2012, in the next few years the Group intends to open 25 new stores and to invest 5 million euros in the retail system of which around 3 million will be invested in 2013. The Group received 3 million euros investment loan from bank, but the later investments should be financed through own resources. Renovation of almost 20 stores and the launch of around ten new stores, primarily in Latvia, Russia and Ukraine will be made in 2013. The portion of investment in Estonia over the years should remain under a third of the total investment. The Group has already signed rent agreements with some of the new stores to be opened in the near term taking indirect investment obligation, for which the Group holds sufficient own resources to carry out the investments. According to the investment plan, the Group will also continue to launch new-concept Monton stores and in the second half of 2013 will open the first new-concept Mosaic stores.

7 COUNCIL, MANAGEMENT AND EMPLOYEES

Pursuant to the provisions of the Estonian Commercial Code and the Company's Articles of Association, the control and management of the Company is divided among the General Meeting of Shareholders, the Supervisory Council (the "Council") and the Management Board (the "Management Board").

7.1 COUNCIL

The Council is responsible for planning the business activities of the Company, organising the management of the Company and supervising the activities of the Management Board. The Council reports to the General Meeting of Shareholders.

According to the Company's Articles of Association, the Council comprises of three (3) to seven (7) members. Members of the Council shall be elected by the General Meeting for three (3) years. The members of the Council shall elect a chairman from among themselves who shall organise the activities of the Council. Meetings of the Council shall be held when necessary but not less frequently than once every three (3) months.

According to the Company's Articles of Association, the Council has the competence to:

(1) Determine the agenda of the General Meeting;

(2) Review the annual report and prepare a report concerning it which shall be presented to the General Meeting of Shareholders;

(3) Review, once every four months, the overview of the economic activity and economic situation of the Company presented by the Management Board;

(4) Deliver to the General Meeting of Shareholders a proposal in respect of each item on the agenda;

(5) Elect and recall members of the Management Board;

(6) Determine the amount and procedure for the payment of remuneration to the members of the Management Board;

(7) Appoint and remove a procurator;

(8) Approve the annual budget of the Company;

(9) Decide on the conclusion of a transaction between the Company and a member of the Management Board of the Company, determine the terms and conditions of this transaction and decide on having legal disputes with Management Board members and appoint a representative of the Company in such transaction or legal dispute.

A meeting of the Council shall have a quorum if more than one half of the members of the Council participate. A resolution of the Council shall be adopted if more than one half of the members of the Council who participate in the meeting vote in favour. Each member of the Council shall have one vote. In 2012 there were six (6) Council meetings and most of the Council members attended meetings of the Council.

The Council of Baltika has been elected by the ordinary general meetings of shareholders on 20 April 2012 and it comprises of five (5) members.

At the date of this Prospectus the members of the Council are:

JAAKKO SAKARI MIKAEL SALMELIN

Chairman, 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 09 July 2013: 0

TIINA MÕIS

Member of the Supervisory Council since 03.05.2006
Chairman of the Management Board of AS Genteel
Degree in Economical Engineering, Tallinn University of Technology
Other assignments:
Member of the Supervisory Council of AS Nordecon International,
Member of the Supervisory Councils of AS Rocca al Mare Kool,
Member of the Supervisory Council of AS Haabersti Jäähall,
Member of the Supervisory Councils of AS LHV Pank and AS LHV Group,
Member of the Board of Estonian Chamber of Commerce and Industry,
Member of Estonian Accounting Standards Board.
Baltika shares held on 09 July 2013: 977,837 shares (on AS Genteel account)

REET SAKS

Member of the Supervisory Council since 25.03.1997
Attorney at Raidla Lejins & Norcous Law Office
Degree in Law, University of Tartu
Other assignments:
Member of the Management Board of MTÜ International Association for the Protection of Intellectual Property (AIPPI) Estonian National Group.
Baltika shares held on 09 July 2013: 0

LAURI KUSTAA ÄIMÄ

Member of the Supervisory Council since 18.06.2009
Managing Director of Kaima Capital Oy
Master of Economics, University of Helsinki
Other assignments:
Member of the Supervisory Council of AS Tallink Grupp,
Member of the Board of Oy Tallink Silja Ab,
Member of the Supervisory Council of Salva Kindlustuse AS,
Member of the Supervisory Council of AS Premia Foods,
Member of the Supervisory Council of AS PKL,
Vice-chairman of the Board of AAS BAN,
Member of the Board of UAB Litagra,

Vice-chairman of the Management Board of Amber Trust Management SA,
Chairman of the Management Board of Amber Trust II Management SA,
Chairman of the Management Board of KJK Fund SICAV-SIF,
Chairman of the Board of Directors, KJK Management SA
Chairman of the Board of Directors, KJK Capital Oy
Member of the Board of Cumulant Capital Fund Management Oy,
Chairman of the Audit Committee of AB Snaige,
Member of the Audit Committee of AB Sanitas,
Member of the Nominations Committee of Kitron ASA.

Baltika shares held on 09 July 2013: 24 590 shares (on Kaima Capital Eesti OÜ account)

VALDO KALM

Member of the Supervisory Council since 20.04.2012
Chairman of the Board of AS EMT
Automation and telemechanics, Tallinn University of Technology
Other assignments:
Chairman of the Board of AS Eesti Telekom
Baltika shares held on 09 July 2013: 0

The information in this Prospectus regarding the members of the Council and Management Board is an indication of the principal activities performed by them outside the Company where these are significant with respect to the Company.

7.2 MANAGEMENT BOARD

The Management Board manages the Company's daily business operations. According to the Company's Articles of Association, the Management Board is the management body of the Company which represents and directs everyday activities of the Company. The Board shall adopt all resolutions concerning activities of the Company and shall independently execute all transactions which are not placed within the competence of the general meeting of shareholders or the Council by the law and Articles of Association. The Management Board shall consist of three (3) to seven (7) members who shall be elected by the Council for three (3) years. The members of the Management Board shall elect a chairman of the Management Board from among themselves. The chairman of the Management Board shall organise work of the Board and direct everyday activities of the Company pursuant to law and according to the requirements of the Articles of Association.

7.3 MEMBERS OF THE MANAGEMENT BOARD

The Management Board of Baltika has been elected by the Council in 2011 and 2012 and it comprises of five (5) members. As at the date of this Prospectus, the Chairman of the Management Board is Meelis Milder, whose last term of office commenced on 21 September 2012. The members of the Management Board Maire Milder and Andrew James David Paterson last term of office commenced on 21 September 2012. Starting from 30 March 2011, Maigi Pärnik-Pernik was elected to the Management Board. Starting from 1 October 2012, Kati Kusmin was elected to the Management Board.

At the date of this Prospectus the members of the Management Board are:

MEELIS MILDER

Chairman of the Management Board, Baltika CEO
Chairman of the Board since 1991, in the Group since 1984
Degree in Economic Cybernetics, University of Tartu
Baltika shares held on 09 July 2013: 743,531 shares[1]

MAIGI PÄRNIK-PERNIK

Member of the Management Board, Chief Financial Officer
Member of the Board since 2011, in the Group since 2011
Degree in Economics, Tallinn University of Technology,
Master of Business Administration, Concordia International University
Baltika's shares 09 July 2013: 0

MAIRE MILDER

Member of the Management Board, Branding and Retail Developing Director
Member of the Board since 2000, in the Group since 1999
Degree in Biology and Geography, University of Tartu
Baltika shares held on 09 July 2013: 316,083 shares (thereof 30,000 shares on Maisan OÜ account)[1]

ANDREW J. D. PATERSON

Member of the Management Board, Commercial Director
Member of the Board since 2008, in the Group since 2003
Baltika shares held on 09 July 2013: 11,000 shares

KATI KUSMIN

Member of the Management Board, Sales and Marketing Director
Member of the Board since 2012, in the Group since 2012
Degree in Economics, Tallinn University of Technology
Baltika shares 09 July 2013: 0

[1]Management Board members hold additionally the shares of Baltika through the holding company OÜ BMIG (see the section 8.2 "Shareholders") – Meelis Milder 32.3%, Maire Milder 32.3%, entity controlled by Meelis Milder 15.9% .

7.4 REMUNERATION OF COUNCIL AND MANAGEMENT BOARD

Total amount of remuneration of Council and Management Board members

Thousands	Q1 2013 unaudited	Q1 2012 unaudited	2012	2011	2010
Total amount of remuneration of Council and Management Board members	93	66	367	333	309

Source: Consolidated Financial Statements

The remuneration of the Council is determined from 1 December 2004 and has remained unchanged. The monthly remuneration of the chairman of the Council is EUR 639 and the other members of the Council EUR 383. The decision of the general meeting of shareholders on 7 December 2004 is available in the announcements made to NASDAQ OMX Tallinn and is available on the website www.nasdaqomxbaltic.com. The Council members do not get any severance compensations when they are recalled from the Council.

Contract of service is concluded with four members of the Management Board for chairman or member functions as relevant.

The contractual severance benefits of members of the Management Board range from 3- to 18-fold monthly remuneration depending on the period of service.

Members of the Management Board, like other employees, are eligible to performance pay in accordance with the Group's bonus scheme, which is based on the performance of profit centres. The maximum bonus level for the chairman of the Management Board (CEO) is 2.5% of the Group's net profit for the financial year and 1% for other members of the Management Board. The maximum amount of prepayments of annual bonuses can be 50% of expected amount; the final one is calculated and made after the financial statements have been audited. The bonus of the chairman of the Management Board (CEO) is determined by the Council. The bonuses of members of the Management Board are determined by the chairman of the Council based on a proposal made by the chairman of the Management Board.

Members of the Management Board, similarly to all executives working under a director's contract in the Group, can receive one funded pension contribution of up to one month's salary per year, provided they have worked in the director's position for at least three years. Members of the Management Board may use a company car and are eligible to other benefits provided for in the company's internal rules. Members of the Management Board participated together with other employees of the Group in the I-Bond (option) program. For more detailed information on I-Bond conditions see Section 8.1 Changes in share capital.

7.5 ADDITIONAL INFORMATION ON MEMBERS OF COUNCIL AND MANAGEMENT BOARD

The members of the Council and Management Board are not having any family relationship between any of those persons, except for Meelis Milder and Maire Milder, who are married.

No member of the Council or the Management Board has had any interest in transactions effected by the Company or its subsidiaries, which are unusual in their nature or which contain unusual terms or conditions, during the financial years ended on 31 December 2012, 2011 and 2010. The Company is not aware of any potential conflicts of interest between the duties of the above mentioned persons to the Company and their private interests or other duties.

The Company is not aware of any convictions in relation to fraudulent offences or any official public incrimination and/or sanctions with respect to the members of its Council or Management Board or other key executives.

The Company is not aware of any bankruptcy proceedings initiated against the members of its Council or Management Board.

No member of the Council or Management Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of the Company or from acting in the management or conduct of the affairs of any other company.

7.6 AUDIT COMMITEE

To ensure conformance with the Auditors Activities Act, on 16 August 2010 the Council of Baltika decided that an audit committee should be formed for the Company and approved its rules of procedure. The audit committee is responsible for monitoring and analysing the processing of financial information, the effectiveness of risk management and internal controls, and the external audit of the consolidated financial statements. The committee is also responsible for making recommendations in relation to the above issues to prevent or eliminate problems and inefficiency.

The audit committee reports to the Council and its members are appointed and removed by the Council. The committee has two to five members whose term of office is three years. The members of the audit committee are not remunerated for serving on the committee. Baltika's audit committee is chaired by Reet Saks. Members of the committee are Tiina Mõis and Jaakko Sakari Mikael Salmelin. The members of the audit committee are all elected amongst the members of the Council. For more details on these individuals see section 9.2. Members of the Council.

The audit committee is authorized to:

- monitor and analyse the processing of financial information of the Company;
- monitor and analyse the efficiency of the risk management and internal control of the Company;
- monitor and analyse the process of auditing the consolidated financial reports of the Company;
- give recommendations for making proposals to the general meeting of shareholders of the Company and make proposals for election or recalling of an auditor of the Company;
- monitor and analyse independence of an auditor elected as the auditor of the Company and of an attorney at law in the capacity of legal representative of the company of auditors, as well as conformity of their actions with the requirements of the Authorised Public Accountants Act;
- determine the remuneration system for the management;
- give the Council recommendations and make proposals concerning avoiding or eliminating problems and/or inefficiency discovered in the course of performing its duties;
- give the Council recommendations and make proposals for bringing the inconsistencies with any legal acts and best practices of professional activity discovered in the course of performance of its duties into line with legal acts and requirements of the best practices of the professional activity;
- fulfil other functions related to the duties of the committee at the request of the Council.

Upon performance of its duties, the committee cooperates with the Council, the Management Board, the auditor of the Company and, if necessary, with other persons. The committee is accountable for its actions to the Council.. The audit committee meets when necessary. In 2012 the Audit Committee had one meeting.

7.7 COMPLIANCE WITH THE CORPORATE GOVERNANCE REGIME

The Corporate Governance Recommendations is a set of rules and principles which is designed, above all, for listed companies. The Corporate Governance Recommendations are available http://www.nasdaqomxbaltic.com/files/tallinn/bors/press/HYT_eng.pdf . Since the provisions of Corporate Governance Recommendations are recommendations by nature, the company need not observe all of them. However, where the company does not comply, it has to provide an explanation in its corporate governance report. The “comply or explain” approach has been mandatory for listed companies since 1 January 2006.

Baltika adheres to all applicable laws and regulations. As a public company, Baltika also observes the rules of the NASDAQ OMX Tallinn stock exchange and the requirement to treat investors and shareholders equally. Accordingly, Baltika complies, in all material respects, with the provisions of the Corporate Governance Recommendations.

The reports on the compliance with the Corporate Governance Recommendations for years 2006-2012 are available on the Company’s website www.baltikagroup.com.

7.8 SHAREHOLDING OF THE MANAGEMENT BOARD MEMBERS

The members of the Management Board hold as of 09 July 2013 the ordinary shares of the Company with voting rights as follows:

	No of shares	**No of shares**
OÜ BMIG	4,750,033	13.27%
Meelis Milder	743,531	2.08%
Maire Milder	316,083	0.88%
Andrew Paterson	11,000	0.03%
Close family member of Maire Milder and Meelis Milder	8,100	0.02%
Total Management Board members controlled	**5,828,747**	**16.28%**
Baltika share capital	**35,794,850**	**100%**

According to the Management Board’s knowledge no additional shareholdings above 5% are held by the Management Board members directly or indirectly through nominee account.

Source: the Company

7.9 EMPLOYEES

As at 31 March 2013, Baltika Group employed a total of 1,299 people that is 11 people more than 31 December 2012 (1,288): 717 (31.12.2012: 709) in the retail system, 398 (394) in manufacturing and 184 (185) at the head office and logistics centre. The 2013 first quarter average number of staff was 1,297 (2012 first quarter: 1,327).

In the prior years due to restructuring of retail network and decrease in volume the number of personnel has decreased. With the carrying out of investment plan and opening new stores the amount of personnel in retail is expected to increase.

The structure of personnel by country and activity

	31.03.2013	31.12.2012	31.12.2011	31.12.2010
BALTIKA AS – head office and logistics centre (Estonia)	184	185	165	178
Manufacturing (Estonia)	398	394	433	442
Retail, thereof	717	709	765	799
Estonia	188	183	170	185
Lithuania	177	178	182	192
Ukraine	122	126	154	137
Poland	0	0	1	25
Latvia	101	98	97	90
Russia	129	124	161	170
Total	**1,299**	**1,288**	**1,363**	**1,419**

Source: the Company

8 SHARE CAPITAL AND OWNERSHIP STRUCTURE

8.1 GENERAL INFORMATION ON BALTIKA SHARES

Baltika has 35,794,850 shares. The share grants its owner the right to participate in the general meeting of shareholders of the Company, in the distribution of profit and, upon dissolution of the Company, in the distribution of the remaining assets, as well as other rights prescribed by law or the Articles of Association. The share grants its owner one (1) vote at the general meeting of shareholders of the Company. The shares have equal voting rights and equal right to receive dividends.

Information on listed ordinary shares

NASDAQ OMX symbol: BLT1T
ISIN: EE3100003609
Minimum trading quantity: 1
Number of shares: 35,794,850
Nominal value of shares: 0.20 euro
Voting rights per share: 1 vote

8.2 CHANGES IN THE SHARE CAPITAL

Changes in 2012

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. Accordingly the meeting 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. The reduction was made to ensure compliance with the Commercial Code that requires net assets to be above half of share capital.

Changes in 2011

The annual general meeting of the shareholders of Baltika that convened on 11 May 2011 decided to convert the share capital of the Company and the par value of the shares from kroons to euros as on 1 January 2011, the Republic of Estonia joined the Euro area. In order to undertake the conversion of the share capital to euros, the general meeting decided to increase the share capital without making any additional contributions (through a bonus issue) by 1,917 thousand euros from share premium 1,377 thousand euros and reserves 540 thousand euros. Concurrently with the conversion of the share capital of the Company into euros, the general meeting resolved to undertake the conversion of the present nominal value of 10 kroons into euros and the increase of the nominal value by 0.06 euros for each share. The new nominal value of the share was 0.70 euro.

During 2011 the Company cancelled 4,000,000 preference shares and issued 4,000,000 ordinary shares instead.

Additional 4,300,000 ordinary shares were issued pursuant to the resolutions of the Council dated 27 June 2011 and 13 July 2011. As a result of the shares issue the Group received additional cash in amount of 3,010 thousand euros.

After this issue and currently Baltika has a total of 35,794,850 shares, all of them ordinary shares.

Changes in share capital

Date	Issue type	Issue price EUR	Number of shares issued	Total number of shares	Share capital at par value EUR '000	Share premium EUR '000
31.12.2010				**31,494,850**	**20,129**	**1,198**
30.05.2011	Share nominal conversion to euros				1,918	-1,377
31.05.2011	Cancelling of preference shares		-4,000,000	27,494,850	-2,556	0
31.05.2011	Issue of ordinary shares		4,000,000	31,494,850	2,556	0
03.08.2011	Issue of ordinary shares	0.70	4,300,000	35,794,850	3,010	0
31.12.2011				**35,794,850**	**25,057**	**89**
11.05.0212	Decrease of share nominal value				-17,898	0
31.12.2012				**35,794,850**	**7,159**	**63**
31.03.2013				**35,794,850**	**7,159**	**94**

Convertible bonds

The annual general meeting of shareholders held on 20 April 2012 decided to issue 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 KJK Fund, Sicav-SIF.

The annual general meeting of shareholders held on 20 April 2012 decided to issue 2,350,000 convertible bonds (I-bond) with the nominal value 0.01 euros. Each bond gives its owner the right to subscribe one share of the Company with a nominal value of 0.20 euros. The share subscription price is 0.36 euros. The difference between the share subscription price and nominal value of the share is share premium. The share subscription period is from 01 July 2015 until 31 December 2015.

Share capital of Baltika may increase in addition to Admission Shares by 470,000 euros, which is 5.8% of the shares post Admission Shares issuance and 6.6% of current share capital.

	Issue date	Bond conversion period	Number of convertible bonds 31 Dec 2012
H-Bond	11 May 2012	11 May 2013 - 10 May 2014	5,000,000
I-Bond	30 June 2012	01 July 2015 - 31 Dec 2015	2,350,000

Source: the Company

Pursuant to the Articles of Association approved by the ordinary general meeting of shareholders of 20 April 2012 the maximum share capital of the Company may be 20,000,000 euros.

Changes in share capital from convertible instruments outstanding

Date	Issue type	Issue price EUR	Number of shares issued	Total number of shares	Share capital at par value EUR '000	Share premium EUR '000
31.03.2013				**35,794,850**	**7,159**	**94**
22.07.2013*	Admission shares	0.3	5,000,000	**40,794,850**	**8,159**	**594**
31.12.2015*	Conversion of I-bonds	0.36	2,350,000	**43,144,850**	**8,629**	**970**

*Potential transaction without other transactions

Clearstream Banking S.A. filed an action on 14th July 2012 to Harju County Court against Baltika and contested the decision made on 20 April 2012 by the ordinary general meeting of shareholders. Clearstream Banking S.A. is on the opinion that the decision of Baltika to issue the convertible bonds and to increase conditionally the share capital was not made, or alternatively, that the decision is void. The decision to issue convertible bonds was made together with the decision to bar the pre-emptive right of the shareholders to subscribe for the bonds. The decision was adopted with the qualified majority of votes (3/4 of the votes present at the meeting). The decision to issue H-Bonds is alleged by Clearstream Banking S.A. to be void as H-Bonds were issued to one shareholder, KJK Fund, Sicav-SIF, and in such case all other shareholders whose pre-emptive rights were excluded should have been granted a prior consent to such decision. The claim is in pre-trial proceedings as of 09 July 2013. The first hearing to decide whether the court has grounds for refusal to hear action is scheduled to take place on 28 August 2013. Management is not aware of any other conflicting interest with the issuance of Admission Shares and underlying H-bonds.

8.3 SHAREHOLDERS

The largest shareholder of Baltika is KJK Fund Sicav-SIF (shares on ING Luxembourg S.A. account), which owned 21.21% of ordinary shares as at 31 March 2013. Post issuance of Admission shares KJK Fund, Sicav SIF will own 30.9% of shares.

As at 31 March 2013 the members of the Management Board controlled directly or through companies under their control 16.28% of ordinary shares of Baltika.

No shares are held by or on behalf of Baltika or any of the companies in the Group.

Major shareholders as at 5 July 2013

	Number of shares	Holding
1. ING Luxembourg S.A.	7,590,914	21.21%
2. Clearstream Banking Luxembourg S.A. clients	6,550,473	18.30%
3. BMIG OÜ*	4,750,033	13.27%
4. Skandinaviska Enskilda Banken Ab clients	3,407,532	9.52%
5. Svenska Handelsbanken clients	1,670,000	4.67%
6. Members of Management Board and Council 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 Council members not mentioned above	1,002,427	2.80%
7. Other shareholders	9,744,757	27.22%
Total	**35,794,850**	**100.00%**

*BMIG OÜ is controlled by members of Management Board
Underlying source: the ECRS

Major shareholders post issuance of Admission shares*

	Number of shares	Holding
1. ING Luxembourg S.A.	12,590,914	30.86%
2. Clearstream Banking Luxembourg S.A. clients	6,550,473	16.06%
3. BMIG OÜ	4,750,033	11.64%
4. Skandinaviska Enskilda Banken Ab clients	3,407,532	8.35%
5. Svenska Handelsbanken clients	1,670,000	4.09%
6. Members of Management Board and Council 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 Council members not mentioned above	1,002,427	2.46%
7. Other shareholders	9,744,757	23.89%
Total	**40,794,850**	**100.00%**

*Without other changes to shareholders than issuance of Admission shares

8.4 ISSUE OF THE ADMISSION SHARES

In connection with the conversion, the Company will issue 5,000,000 Admission Shares. H-Bonds that are converted to Admission Shares were approved by the annual general meeting of shareholders on 20 April 2012. The information was made public through the NASDAQ OMX Tallinn on 20 April 2012.

The Admission Shares represent approximately 14.0% of the Company's share capital immediately prior to the Admission and approximately 12.3% of the Company's share capital following the completion of the Admission.

8.5 RIGHTS ATTACHED TO THE SHARES

Pursuant to the Estonian Commercial Code, shareholders exercise their power to decide on corporate matters at general meetings of shareholders. A general meeting is competent to:

1) amend the articles of association;
2) increase and reduce share capital;
3) issue convertible bonds;
4) elect and remove members of the council;
5) elect an auditor;
6) designate a special audit;
7) approve the annual report and distribute profit;
8) decide on dissolution, merger, division or transformation of the public limited company;
9) decide on conclusion and terms and conditions of transactions with the members of the council, decide on the conduct of legal disputes with the members of the management board or council, and appointment of the representative of the public limited company in such transactions and disputes;
10) decide on other matters placed in the competence of the general meeting by law.

A general meeting may adopt resolutions on other matters related to the activities of the public limited company on the demand of the management board or council. The shareholders shall be jointly liable in the same manner as members of the management board or council for damage caused by resolutions adopted under such conditions on the demand of the management board or council.

The following general overview of regulation is provided with respect to the listed companies.

Pursuant to Article 291 of the Commercial Code, the ordinary general meeting of shareholders must be held within six months after the end of the financial year. The management board can convene an extraordinary general meeting of shareholders when needed. The management board must convene an extraordinary meeting pursuant to Article 292 of the Commercial Code, if the net assets of the public limited company are less than one-half of the share capital or less than the amount of share capital specified in § 222 of the Commercial Code or other minimum amount of share capital provided by law or if required by the council, auditor or shareholder, representing at least 1/20 of the share capital of the company or if it is clearly necessary in the interests of the company. If the management board fails to convene the extraordinary general meeting of shareholders within one month of the receipt of the request, the persons who requested the meeting are entitled to convene an extraordinary general meeting themselves.

Pursuant to Article 294 of the Commercial Code, notices to convene the ordinary general meeting of shareholders or an extraordinary general meeting of shareholders must be given no later than three weeks prior to the meeting. Notices to convene a general meeting of shareholders must be sent to shareholders by registered mail to their registered addresses (being the address of the shareholder entered in the shareholders' register of the company as maintained in the ECRS). If the company is aware or should be aware that the address of a shareholder is different from the one entered in the share register, the notice must be sent also to such address. Notices may be sent via regular mail, fax or e-mail, in case it is provided that the letter, fax or e-mail is accompanied by a notice requesting the recipient to immediately confirm the receipt to the management board. However, if the company has more than 50 shareholders, there is no need to send the notice to shareholders and respective notice may be published in at least one national daily newspaper in Estonia. Furthermore, a listed company is obliged to publish the respective notices in the manner that allows quick access by using means of communication and the aforementioned can presumably be deemed to be effective to publish information within the European Union. A listed company must also publish the notice on its Internet homepage. Pursuant to Article 294 of the Commercial Code, the notice shall include, inter alia, the place and time of the general meeting, the agenda for the same general meeting and the place where it is possible to access documents submitted to the general meeting of shareholders. Pursuant to Article 295 of the Commercial Code, a general meeting shall be held at the seat of the public limited company unless the articles of association prescribe otherwise.

The council of the company determines the agenda for the general meeting of shareholders. If, however, the shareholders or the auditor call a general meeting of shareholders, they also set the agenda for it. The management board or one or more shareholders whose shares represent at least 1/20 of the share capital of the company is entitled to request items be included on the agenda for the ordinary general meeting of shareholders. An issue which is initially not on the agenda of a general meeting may be included on the agenda with the consent of at least 9/10 of the shareholders who participate in the general meeting if their shares represent at least 2/3 of the share capital. Pursuant to Article 296 of the Commercial Code, if the requirements of law or of the articles of association for calling a general meeting are materially violated, the general meeting shall not have the right to adopt resolutions except if all the shareholders participate in or all the shareholders are represented at the general meeting. Decisions made at such meeting are void unless the shareholders with respect to whom the procedure for calling the meeting was violated approve of the decisions.

The organ or person, on whose initiative the general meeting was convened, must provide the draft decision for each item in the agenda for such general meeting.

In order to have the right to attend and vote with respect to listed company's general meeting of shareholders, a shareholder has to be on the shareholders list on the cut-off date, which is the same date as the date of the general meeting, if so determined in the articles of association. The Company's articles of association list the cut-off date, which is the same date as the date of the general meeting. In general the shareholders entitled to take part in a general meeting shall be determined as at seven days before the date of the general meeting. A shareholder may appoint his representative, whose authorisation to participate at a general meeting must be documented in writing. Notwithstanding the aforesaid, the participation of a representative shall not deprive the shareholder of the right to participate in the general meeting. Voting rights may not be exercised by a shareholder whose shares are registered in the name of a nominee unless the nominee account holder has given a power of attorney to the shareholder.

A general meeting of shareholders is capable of passing resolutions in case more than half of the votes represented by shares held by shareholders are present at the meeting, unless higher threshold is set forth with the articles of association, The Company has not set higher threshold for the quorum. If the meeting has no quorum, the management board must call a new general meeting of shareholders which shall take place within three weeks but not earlier than seven days after the previous meeting, and the next meeting shall be subject to no quorum requirements.

Voting rights

The Company has one class of ordinary shares with the nominal value of 0.20 euros. Each share shall entitle the shareholder to one vote. At a general meeting of shareholders the resolutions require the approval of a majority of the votes represented at the meeting. However, certain resolutions, such as amending the articles of association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger, division, reorganisation or liquidation of the company, require a majority of 2/3 of the votes represented at the general meeting of shareholders. Any issuance of new shares with waiving the existing shareholders' pre-emptive subscription rights requires a majority of at least 3/4 of the votes represented at the meeting. According to Article 235 of the Commercial Code, the rights attached to any class of shares may be amended only by a decision of the general meeting of shareholders which is supported by a qualified majority of 4/5 of all votes attaching to the shares of the company and at least 9/10 of the shareholders whose shares belong to such class of which the rights are amended. Pursuant to Article 237 of the Commercial Code, the consent of all holders of preference shares is required to adopt a resolution on cancellation or amendment of the preference of preference shares, or on cancellation of preference shares. Upon cancellation of the preferential right, the holders of preference shares shall acquire the right to vote.

Pre-emptive right of shareholder

Under the Estonian Commercial Code, a shareholder has a pre-emptive right to subscribe for the new shares in proportion to the sum of the nominal value or book value of the shareholder's shares. The pre-emptive right of the shareholders may be barred by a resolution of the general meeting which receives at least three-quarters of the votes represented at the general meeting. A shareholder may transfer the shareholder's pre-emptive right to subscribe for shares under the same terms and conditions as a transfer of shares. If a public limited company has several classes of shares and new shares of one or some classes are issued, the holders of the corresponding classes of shares have a pre-emptive right in the subscription of such shares before other shareholders. The management board shall send the resolution of the general meeting to the shareholders who have the pre-emptive right of subscription and who did not participate in the general meeting. The term for subscription of shares with a pre-emptive right shall be two weeks from the adoption of a resolution on increase of share capital unless the resolution of the general meeting prescribes a longer term.

A public limited company may issue, for a conditional increase of the share capital, bonds by a resolution of the general meeting, the holders of which have the right to convert their bonds to shares (convertible bond). If the public limited company issues convertible bonds, the shareholders have the pre-emptive right to subscribe for as upon the increase of the share capital.

Rights to dividends

Under the Estonian Commercial Code, a general meeting of shareholders may authorise the payment of dividends on the terms and conditions set out in the profit distribution proposal presented by the management board. The council has the right to make changes to the proposal of the management board before submission to the general meeting. Dividends, if any, should be paid in cash. Upon the consent of the shareholders, dividends may also be paid in other property.

The shareholders decide annually the dividend amount and procedure of payment on the basis of the approved annual report. As a general rule, no interim dividends may be paid in respect of a financial period for which an annual report (together with the audited financial statements) has not yet been approved by the general meeting. However, the articles of association may provide that the management board has the right, upon the consent of the council, to make advance payments to the shareholders on account of the estimated profit after the end of a financial year but before the approval of the annual report, provided that such advance payments do not exceed one-half of the amount that may be distributed among shareholders. Currently the Company's Articles of Association provide for such right of the Management Board.

Dividends may only be paid out from net profit or undistributed profit from previous financial years, and from which uncovered losses from previous years have been deducted. Dividends may not be paid to the shareholders if the net assets of the company, as recorded in the approved annual report of the previous financial year, are less than or would be less than the total of share capital and reserves, which, pursuant to applicable law may not be distributed to the shareholders.

Dividends of companies listed on the NASDAQ OMX Tallinn are paid only to those shareholders (or their nominees) who are entered on the list of shareholders (shareholders' register) as maintained in the ECRS on the respective record date. The NASDAQ OMX Tallinn Rules provide that a listed company is required to disclose information about closing the list of shareholders (fixing the record date) at least nine trading days before the record date. If a general meeting of shareholders adopts a resolution that relates to rights attached to the shares (for example, the declaration of payment of dividends), the record date may not be fixed at an earlier date than ten trading days after the date of the relevant general meeting.

Takeover of shares

Under the Estonian Commercial Code, on the application of a shareholder whose shares represent at least 9/10 of the share capital of a public limited company (majority shareholder), the general meeting of shareholders may decide in favour of the shares belonging to the remaining shareholders of the public limited company (minority shareholders) being taken over by the majority shareholder in return for fair monetary compensation. Such an application is delivered to the management board and may not be withdrawn and its conditions may not be amended to the disadvantage of minority shareholders.. The he majority shareholder shall determine the amount of compensation payable to minority shareholders. The amount of compensation shall be determined on the basis of the value of the shares to be taken over that these shares had ten days prior to the date on which the notice calling the general meeting was sent out. The management board shall provide the majority shareholder with all the necessary data and documents therefor and with information. Takeover is resolved by the general meeting of shareholders and a resolution on the takeover of shares belonging to minority shareholders shall be adopted if at least 95/100 of the votes represented by shares are in favour.

9 TAXATION

The following summary is based on the tax laws of Estonia in effect as of the date of this Prospectus and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is in no way exhaustive and does not take into account or discuss the tax laws of any jurisdiction other than Estonia. Investors are encouraged to seek specialist advice as to the Estonian and other tax consequences of the listing and the purchase, ownership and disposition of the Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax consequences applicable to their particular circumstances.

Corporate income taxation

Estonia operates a corporate income tax system that differs considerably from the traditional systems of corporate taxation. The corporate income tax system currently in force is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Flat-rate corporate income tax is charged on dividends and hidden profit distributions (such as fringe benefits, gifts and donations, transfer pricing adjustments and expenditures not related to the business activities of the company). No tax is levied on retained earnings.

The above distributions are taxed at the rate of 21/79 on the net amount of the profit distribution, corresponding to a tax rate of 21% on the gross amount (the sum of the distribution and the tax thereon) of the distribution. The tax is deemed a deferred corporate income tax and not a tax on shareholders hence no relief is available under tax treaties or EU directives.

Departing from the general rule described above, some profit distributions are exempted from the distribution tax. In particular, an Estonian resident company is not subject to the distribution tax for a redistribution of dividends received from a company that resides in an EEA ("European Economic Area ") member state or Switzerland and is a taxable person there (it is not required that income tax has actually been paid), provided that the Estonian company owned at least 10% of the share capital or votes in the distributing company at the point of receiving the dividends. The exemption applies for dividends from non-EEA or non-Swiss companies if the company was either subject to income tax on its profits or the dividends it distributed were subject to withholding tax.

Taxation of dividends

Except for the corporate income tax described above, dividends are not subject to any additional withholding tax in Estonia.

Taxation of capital gains from sale and exchange of shares

Income tax at a rate of 21% is charged on capital gains realised by Estonian resident individuals upon the sale or exchange of shares. Earnings of resident legal persons (corporate bodies), including capital gains, are taxed only upon distribution.

In general, capital gains realised by a non-resident shareholder on the sale or exchange of shares in an Estonian resident company are not taxable in Estonia. The gains are taxable only if the sale concerns shares in a company that has over 50% of its assets at the time of the sale, or any period during the two years preceding the sale, directly or indirectly made up of immovable property located in Estonia and in which the non-resident shareholder had a holding of at least 10% at the time of the sale. At the date of publishing the Prospectus the Company does not meet the conditions of being qualified as a ‘‘real estate company’’.

If the income tax on capital gains described above is charged, the taxable amount is considered to be the difference between the acquisition cost and the sale price or exchange value of the shares. Certified expenses directly related to the sale or exchange of shares can be deducted from the shareholder’s gain.

Taxation of liquidation proceeds and payments upon the reduction of share capital or redemption of shares

Liquidation proceeds and payments upon the reduction of share capital or redemption of shares are taxed as profit distributions taxable at the rate of 21/79 at the level of the Company to the extent that these payments exceed the contributions made to the equity capital of the Company.

Liquidation proceeds and payments upon the reduction of share capital or redemption of shares, received by Estonian resident individuals and non-residents, not exceeding the contributions made to the equity capital of the Company, are taxable at the rate of 21% at the level of the recipient if they exceed the acquisition cost of the shares.

Stamp duty and other transfer taxes

Currently there are no stamp duties or transfer taxes payable upon the transfer of Shares, except for the service fees of the custodians and/or the ECRS which maintains the stock register.

10 TRANSACTIONS WITH RELATED PARTIES

The Company has entered into and intends to enter into transactions in the future with related parties within the meaning of IAS 24 “Related Party Disclosures” (annex to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council) amended by Commission Regulation (EC) No. 1274/2008 of 17 December 2008 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1).

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.

Transactions with related parties

in EUR thousands	**Q1 2013**	**Q1 2012**	**2012**	**2011**	**2010**
	unaudited	unaudited	audited	audited	audited
Sale of goods	0	0	8	1	0
Purchases of goods	0	0	1	152	297
Purchases of services	57	50	303	476	224
Total	**57**	**50**	**312**	**629**	**521**

Source: Consolidated Financial Statements

Baltika Group has purchased materials (fabrics) for production; management-, communication- and other services from the parties related with members of the Management Board and Council. Management Board member Andrew Patterson management services are received under consultation agreement. No other contractual management services were purchased.

Balances with related parties

In EUR thousands	**31.03.2013**	**31.03.2012**	**31.12.2012**	**31.12.2011**	**31.12.2010**
	unaudited	unaudited	audited	audited	audited
Receivables from related parties	1		1	0	0
Payables to related parties	1,637*	1,376	1,610*	1,486	86

*Payables includes the H-Bond (nominal value 1,500 thousand euros) that will be converted to the Admission Shares

Source: consolidated Financial Statements

Total amount of remuneration of Council and Management Board members

Thousands	Q1 2013 unaudited	Q1 2012 unaudited	2012	2011	2010
Total amount of remuneration of Council and Management Board members[1]	**93**	**66**	**367**	**333**	**309**

[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.

Source: Consolidated Financial Statements

11 LEGAL MATTERS

Besides the claim filed against the Company by Clearstream Banking S.A. and described in details in point 8.2.., there have not been initiated against the Company any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering the previous 12 months which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

12 INDEPENDENT AUDITORS

Pursuant to the Estonian Commercial Code, the general meeting of shareholders elects the auditors. The general meeting of shareholders of 10 May 2013 elected AS PricewaterhouseCoopers, Pärnu mnt 15, Tallinn, Estonia, as the auditor of the Company for the financial year ending on 31 December 2013.

The Consolidated Annual Financial Statements of the Group incorporated by reference into this Prospectus were audited by AS PricewaterhouseCoopers.

AS PricewaterhouseCoopers with its registered office in Tallinn (Pärnu mnt 15, 10141 Tallinn) issued an unqualified auditor's opinion on the aforementioned financial statements.

The auditors of AS PricewaterhouseCoopers are members of the Estonian Board of Auditors.

In the period covered by the Consolidated Financial Statements included in this Prospectus, there were no events of resignation or dismissal of an auditor appointed to audit the financial statements of the Company or the Group.

13 ESTONIAN SECURITIES MARKET INTRODUCTION

Under Estonian law, limited liability companies are divided into two main categories: (i) a private limited company (osaühing, abbreviated as OÜ) and (ii) a public limited company (aktsiaselts, abbreviated as AS). Shareholders of limited liability companies are generally not personally liable for the obligations of the companies. The two company forms mainly differ in their requirements for capital and management structures.

Public limited companies have to register their shares with the Estonian Central Register of Securities (Eesti Väärtpaberite Keskregister) ("ECRS"). ECRS maintains the share registers of companies and records all the share transactions. The share ledgers of the listed companies are publicly available in the ECRS electronic database.

The NASDAQ OMX Tallinn and the Estonian securities market

NASDAQ OMX Tallinn stock exchange ("NASDAQ OMX Tallinn") and the Estonian Central Securities Depository (AS Eesti Väärtpaberikeskus) ("ECSD") are the leading securities market infrastructure operators in Estonia. Herein is a summary of the information concerning the Estonian regulated securities market and certain provisions of Estonian law and current securities market regulations in effect on the date of this Prospectus. The summary is based on Estonian laws and securities market regulations and publicly available information on NASDAQ OMX Baltic homepage.

NASDAQ OMX Tallinn

The NASDAQ OMX Tallinn is the only regulated secondary securities market in Estonia. It is operated by NASDAQ OMX Tallinn AS, a public limited company whose principal shareholder is NASDAQ OMX, Inc which is the world's largest exchange company.

The NASDAQ OMX Tallinn is a self-regulated organisation, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures, but is licensed and supervised by the Estonian Financial Supervision Authority ("EFSA"). The Rules of NASDAQ OMX Tallinn are established by NASDAQ OMX Tallinn AS, the operator of the NASDAQ OMX Tallinn, in order to ensure the regular and lawful operation of the stock exchange. The operator may unilaterally amend the NASDAQ OMX Tallinn Rules, though the EFSA must approve such amendments. The rules and regulations of the NASDAQ OMX Tallinn regulate the listing of securities and trading in them on the NASDAQ OMX Tallinn and the performance of the obligations arising from securities transactions performed on the NASDAQ OMX Tallinn. The NASDAQ OMX Tallinn Rules are established by the management board of the NASDAQ OMX Tallinn. The Rules are binding on the members of the NASDAQ OMX Tallinn and the issuers whose securities are listed or admitted to trading on the Main List or the Secondary List which is a separate market also regulated by the NASDAQ OMX Tallinn.

The activities of, and trading on, the NASDAQ OMX Tallinn are subject to two tiers of regulation. Laws and government regulations comprise the basic regulatory framework, which is then supplemented by the NASDAQ OMX Tallinn Rules. The principal laws governing the activities of, and trading on, the NASDAQ OMX Tallinn are the Estonian Securities Market Act and the Estonian Central Register of Securities Act.

Estonian Central Register of Securities and registration of shares

The ECRS is a public register established, inter alia for the registration and maintenance of shares, debt obligations and other securities stipulated in the Estonian Central Register of Securities Act, and transactions executed with such securities (including pledges). The ECRS is operated by the ECSD. The ECSD is organised as a public limited company, and all of its shares are fully owned by the NASDAQ OMX Tallinn's operator NASDAQ OMX Tallinn AS. The ECSD's primary functions include clearing and settling securities transactions, maintaining records of share ownership and pledges, and providing securities-related services to issuers and investors. The only securities settlement system ("SSS") in Estonia is the ECSD which is the responsible body for stock trades, including over-the-counter trades. The Estonian Central Bank acts as a settlement bank of the netted cash position of the participants in the SSS.

All shares listed and traded on the NASDAQ OMX Tallinn must be registered in the ECRS or another register of securities if it is approved by the NASDAQ OMX Tallinn. No share certificates are issued with respect to the registered shares. Shares are registered in the ECRS in book-entry form and are held in dematerialised form in the respective shareholders' electronic securities accounts opened in the ECRS. Therefore, all transactions involving shares listed on the NASDAQ OMX Tallinn must be recorded on the ECRS' electronic database by account operators and are cleared and settled through the ECSD. The rights attached to the shares are presumed to belong to the persons who are registered as the shareholders in the share register of the issuer maintained by the ECRS

The public has access to certain basic information, and has the right to obtain extracts and transcripts of documents from the ECRS, concerning the issuer (its name, seat and registry code) and the securities (the type, nominal value and amount of securities) registered with the ECRS. If shares are quoted on the stock exchange, the information concerning the shareholders is also accessible for the public. The Estonian Central Register of Securities Act stipulates further circumstances when additional information registered with the ECRS is accessible for third parties.

A securities account can be opened in the ECRS by any Estonian or non-residents. The opening of the account takes place through an account administrator (custodian). Account administrators are institutions that qualify under Estonian law as professional participants in the securities market, such as credit institutions and investment firms, and other persons specified by law. Foreign companies that hold an activity license of a professional securities market participant and are registered in a Member State of the EU, or with which the Republic of Estonia has a respective treaty may also qualify as account administrators.

Professional participants in the Estonian securities market and foreign legal entities meeting certain criteria are entitled to open a nominee account in the ECRS. A notation is made and maintained in the ECRS indicating the nominee status of the relevant account. Shares held in the nominee account are deemed to be the client's shares, and not the shares of the account owner, and thus cannot be brought into the bankruptcy estate of the owner of the nominee account. In the exercise of voting rights and other rights arising from a share, the owner of a nominee account must follow the instructions of the client. At the request of the client, the owner of a nominee account must grant authorisation in the required format to the client so that the client can represent the owner of the nominee account in the exercise of rights arising from the shares.

Listing on the NASDAQ OMX Tallinn

Bearing in mind that Company's shares are listed on the Main List of NASDAQ OMX Tallinn, an application has been made to list the Admission Shares on the main list.

In order to list shares on the Main List of the NASDAQ OMX Tallinn, among other requirements, a sufficient number of such shares must be held by the public. As a general rule, this condition is fulfilled if at least 25% of the share capital represented by the shares to be listed is held by the public, or taking into consideration the number of shares and their distribution among the public, the market would also operate properly at a lower percentage of shares held by the public, or such level of distribution is expected to be achieved shortly after listing. The NASDAQ OMX Tallinn Rules set out certain specific criteria as to determining whether shares are held by the public.

Trading on the NASDAQ OMX Tallinn

The trading system of the NASDAQ OMX Tallinn is open for trading to its members. Trading on the NASDAQ OMX Tallinn takes place on each business day from 10:00 a.m. to 3:55 p.m. (Estonian time). From 3:55 p.m. to 4:00 p.m. on the NASDAQ OMX Tallinn, the pre post-market trading is carried out. From 4:00 p.m. to 4:30 p.m. the NASDAQ OMX Tallinn carries out post-market trading. The NASDAQ OMX Tallinn uses the trading system INET, which in addition to Estonia is used by exchanges in Sweden, Finland, Denmark, Iceland, Latvia, Lithuania, and by exchanges of NASDAQ Group in the United States of America. The official trading currency of the NASDAQ OMX Tallinn trading system is euro.

Transactions can be concluded on the NASDAQ OMX Tallinn either through automatic matching or through manual trades. In the case of automatic matching, the buy and sell orders are matched by the trading system automatically according to price and time priorities. Automatically matched transactions are settled on the third day after the transaction (T+3), unless agreed otherwise. Manual trades are negotiated between stock exchange members outside the system and brokers must enter the deal in the trading system as soon as possible, but not later than three minutes after its conclusion. Manual trades may have a settlement day between T+1 (inclusive) and T+6 (inclusive). Generally, member firms may agree on a different settlement date of the transaction than the one provided in the previous sentence only on the consent of the NASDAQ OMX Tallinn.

The operator of the NASDAQ OMX Tallinn is required to ensure constant access on its website to information on the securities traded on the market, including the acquisition and transfer prices of the securities, recent prices, price changes, the highest and lowest prices and the volume and number of transactions. According to the Estonian Securities Market Act such information must be accurate, clear, precise and complete. The NASDAQ OMX Tallinn operates an electronic trading system that provides real time stock quotes, distributes issuer announcements and displays information regarding executed transactions, statistics and other such data. The operator of the NASDAQ OMX Tallinn must record at least the following regarding transactions concluded on the exchange: (i) the time at which the transaction is concluded; (ii) information regarding the market participant who concluded the transaction; (iii) the securities which served as the object of the transaction; and (iv) their number, nominal value and price. In accordance with the NASDAQ OMX Tallinn Rules, the operator of the NASDAQ OMX Tallinn has the right to request additional information regarding a transaction for the purposes of recording the transaction.

The Listing and Surveillance Committee of the NASDAQ OMX Tallinn has the right, for the purpose of ensuring sufficient liquidity of a security, to demand that the issuer concludes a market-making agreement with a member of the NASDAQ OMX Tallinn with respect to the securities to be listed.

Supervision of the NASDAQ OMX Tallinn

The main supervisory body of the market is Financial Supervisory Authority of Estonia, (EFSA).

The EFSA is an agency with autonomous competency and a separate budget, which operates at the Bank of Estonia and which acts pursuant to the principles and procedure provided in Financial Supervisory Authority Act.
The EFSA conducts financial supervision in the name of the state in order to enhance the stability and reliability of the entire financial sector.
NASDAQ OMX Tallinn performs market supervision over market participants and issuers of securities traded on the market, with respect to the price formation of the securities traded on the market, conducting and execution of transactions and fulfilment of provisions of the Rules and Regulations. NASDAQ OMX Tallinn exercises the market supervision on the grounds and within the scope prescribed by legal acts and the Rules and Regulations. NASDAQ OMX Tallinn and the EFSA co-operate in exercising market supervision.

Disclosure of transactions and ownership

A person who has acquired, either directly or indirectly, individually or together with persons operating in concert, a qualifying holding in a public limited company, and thus acquires or increases the number of votes owned thereby to more than 5, 10, 15, 20, 25 and 50 per cent or one-third or two-thirds of all votes represented by the shares of the public limited company, must immediately, but not later than within four business days, notify the public limited company and the EFSA and notify the number of votes owned by such person. The same notification requirements also apply in case the holding falls below the prescribed levels. The EFSA has the right to make exemptions from such notification requirements in certain circumstances. In the case of a company whose shares are listed on the NASDAQ OMX Tallinn, the disclosure obligations described above also apply in the case of the acquisition or reduction of a holding of five per cent. The issuer is also required to ensure that shareholders holding more than five per cent of the shares of the issuer disclose, through the issuer, all the significant provisions of all the agreements made with other shareholders or third parties which are aimed at restricting the free transferability of the shares or which may have a significant effect on the price of the shares.

In order to ensure that disclosure obligations established by law are also fulfilled in respect of shareholdings held by nominee accounts, the operator of a nominee account is required to enter into written agreements with the clients on whose behalf the operator holds securities. These agreements must, inter alia, require the client to notify the issuer and/or the competent supervisory body (the exact person to whom the notification must be submitted may vary depending on a particular transaction) if a holding in a company exceeds the threshold established by law or to obtain the permission of the competent supervisory body for the holding to exceed the threshold established by law (such permission is required, for example, in the case of the acquisition of a holding above a certain level in financial institutions, or in the case of an acquisition subject to concentration control by competition authorities). The NASDAQ OMX Tallinn Rules also regulate the disclosure of the issuer’s dealings in its own shares.

Market abuse

Estonian law prohibits market abuse, which, within the meaning of the Estonian Securities Market Act, is misuse of inside information and market manipulation. The same act also requires all persons providing investment services as a permanent activity to immediately notify the EFSA of a reasonable suspicion of market abuse.

Restrictions established for the misuse of inside information apply to all financial instruments admitted for trading on the market of Estonia or in a member state of the EEA, but also to instruments not admitted for trading, but the value of which depends on a financial instrument that are admitted to trading in Estonia or in an EEA Member State. Inside information is precise information which has not been made public, relating directly or indirectly to the financial instrument or its issuer and which, if it were made public, would probably have a significant effect on the price of the financial instrument or on the price of related derivative financial instruments. The law establishes additional conditions under which information may qualify as inside information.

An insider is considered to be a person who possesses inside information by virtue of being a partner or member of the management or supervisory bodies of the issuer, or by virtue of his shareholding in the issuer, or by virtue of having access to the information through the exercise of his employment, profession or duties, or by virtue of his criminal activities. Third parties who possess inside information are also treated as insiders if they knew or should have known that the information is inside information. The NASDAQ OMX Tallinn Rules stipulate that, among other persons, persons who hold or control at least 10 per cent of shares in an issuer, the subsidiaries of the issuer and certain officials of such shareholders and subsidiaries and persons associated with them are deemed to be insiders for the purpose of the NASDAQ OMX Tallinn Rules. Misuse of inside information comprises, inter alia actions, the trading on the basis of inside information, unauthorised disclosure of inside information, and the making of recommendations on the basis of inside information for the acquisition or disposal of financial instruments to which that information relates. Misuse of inside information is a subject of criminal offence, and may result in fines or imprisonment up to three years. The Securities Market Act also provides under set circumstances the right to demand from the issuer of the financial instrument traded on the Estonian market compensation of damages arising from the failure to disclose the information directly.

Issuers of publicly-traded securities and other individuals or entities that have regular access to inside information are required to establish internal rules and procedures to monitor access to inside information and prevent the disclosure of such information.

The Estonian Securities Market Act contains a non-exhaustive list of actions including price fixing, dissemination of rumours and false news and other methods that are deemed to constitute market manipulation. Credit institutions, investment firms and others providing investment recommendations must disclose any conflicts of interest they may have when providing investment advice. Under Estonian Penal Code, certain actions of market manipulation are subject to fines or imprisonment up to three years.

The NASDAQ OMX Tallinn Rules also restrict transactions involving an issuer’s securities by certain officials of the issuer and by persons connected with such officials, to avoid profiting from short-term price fluctuations of the issuer’s securities and during restricted periods (in particular, week from the end of a financial period but when the financial results of the issuer have not yet been made public). The Listing and Supervisory Committee of the NASDAQ OMX Tallinn has the right to make exemptions from the requirement to abstain from trading during a restricted period if the Committee is of the opinion that the transaction will not be executed on the basis of confidential information.

Disclosure requirements

An issuer is required to disclose its annual financial report within four months after the end of the financial year and arrange the annual financial report to be available to the public for a period of not less than five years.

The annual financial report shall consist of the audited annual accounts, management report and declaration by the management.

The Issuer's annual reports and interim reports subject to disclosure shall be prepared using the accounting policies and methods that comply with international accounting standards applicable in the European Community.

The persons responsible for the operation of the issuer, whose names and duties shall be clearly indicated, shall declare and confirm in the declaration of the management that according to their best knowledge, the annual accounts, prepared according to the accounting standards in force, present a correct and fair view of the assets, liabilities, financial situation and loss or profit of the issuer and the undertakings involved in the consolidation as a whole, and the management report gives a correct and fair view of the development and results of the business activities and financial status of the issuer and the undertakings involved in the consolidation as a whole and contains a description of the main risks and doubts. An issuer of shares is required to disclose the half-yearly report concerning the first six months of the financial year without delay but not later than within two months after the end of such period and arrange the half-yearly report to be available to the public for a period of not less than five years.

The half-yearly report shall consist of the abridged accounts, an interim management report and declaration by the management.

The interim management report shall set out, as a minimum, the significant events which took place during the first six months of the financial year and their effect to the abridged accounts, and contain a description of the main risks and ambiguities of the remaining six months of the financial year. The interim management report of an issuer of shares (hereinafter issuer of shares) shall also set forth the significant transactions with the related parties.

The issuers of shares shall submit, in the interim management reports, information at least concerning the following significant transactions and transaction amendments with related parties:

1) transactions with related parties carried out during the first six months of the current financial year which have significantly influenced the financial situation of the enterprise, or the results of activities during such period;

2) any amendments to the transactions with related parties described in the last annual statement which could have significantly influenced the financial situation of the enterprise, or the results of activities during the first six months of the financial year.

If the half-yearly report has been audited, the sworn auditor's report or the review prepared by the auditors shall be submitted in full length. If the half-yearly report has not been audited or reviewed by auditors, the issuer shall make a declaration to such effect in the report.

The persons responsible for the operation of the issuer, whose names and duties shall be clearly indicated, shall declare and confirm in the declaration of the management that according to their best knowledge, the abridged accounts, prepared according to the accounting standards in force, give a correct and fair view of the assets, liabilities, owners' equity, economic performance and cash flows of the issuer and the undertakings involved in the consolidation and the interim management report gives a correct and fair view of the information required.

Inside information is undisclosed precise information pertaining directly or indirectly to a financial instrument or the issuer of such financial instrument and which, if disclosed, would probably have a significant effect on the price of the financial instrument or a derivative linked to the financial instrument.

The issuer of a financial instrument is required to immediately disclose the inside information directly pertaining to the issuer. The inside information shall be disclosed in a manner which enables fast access and complete, correct and timely assessment of the information by the public. Upon disclosure, the issuer shall not combine, in a manner likely to be misleading, the provision of inside information to the public with the marketing of its activities.

The disclosure of inside information shall not be delayed upon the coming into existence of a set of circumstances or the occurrence of an event, albeit not yet formalised.

In addition the issuer of a financial instrument is required to disclose inside information on its website at the earliest opportunity.

Any significant changes concerning already publicly disclosed inside information shall be publicly disclosed promptly after these changes occur, through the same channel as the one used for public disclosure of the original information, and the requirements for the disclosure of inside information established in this Division shall be complied with.

The issuers of financial instruments are required to ensure that the disclosure of inside information pertaining directly to the issuers is synchronised as closely as possible between all categories of investors in Estonia and other Member States in which those issuers have requested or approved the admission of their financial instruments to trading on the market.

Mandatory takeover bid

A person who has gained dominant influence over the target issuer, either directly or together with other persons acting in concert, is required within twenty days as of gaining that dominant influence to make a takeover bid for all the remaining shares of the target issuer with a minimum duration of twenty-eight days. This does not apply if a takeover bid has been done before gaining the dominant influence.

For the purposes of the mandatory takeover bid, a “dominant influence” is a situation where a person: (i) holds the majority of votes represented by the issuer’s shares or holds the majority of the votes as a general partner or limited partner; or (ii) person who is the general or limited partner of the company and has the right to appoint or remove the majority of the members of the supervisory council or management board of the company; or (iii) person being a shareholder or general or limited partner of the company controls alone the majority of the votes pursuant to an agreement with other partners or shareholders. Pursuant to the Securities Market Act the offeror must obtain approval for the takeover bid from the EFSA, and that the purchase price in a takeover bid must be fair and in proportion to the rights and obligations deriving from the shares being acquired. A fair price is deemed to be the highest price paid for this share within the last six months before the takeover bid by the offeror or persons acting in concert.

After the EFSA has approved the takeover bid, a target person or other person connected with the takeover bid, may not demand cancellation of the takeover bid or modification of the conditions thereof.

If the offeror has acquired at least nine-tenths of the share capital of the target issuer through a takeover bid, then upon the application of the offeror, the general meeting of shareholders of the target issuer may decide to take over the rest of the shares belonging to the target persons for a fair price. The general meeting of shareholders of the target issuer may decide this within three months since the due date of the takeover period. The quorum for this decision is 95/100 of the votes represented by shares.

Those target offerees who did not make a bid to the offeror for the transfer of their shares in the course of the takeover bid have the sell-out right if the offeror owns at least 90 per cent of the target issuer's voting stock and the general meeting of the target issuer has not adopted a resolution for the squeeze-out described above.

14 INFORMATION INCORPORATED BY REFERENCE

The information and documents are incorporated into this Prospectus by reference. Such information is publicly available at the website of Baltika (www.baltikagroup.com):

- the Company's Articles of Association
- the Company's Interim Financial Statements for the period ended 31 March 2013
- the Company's Interim Financial Statements for the period ended 31 March 2012
- the Company's Consolidated Annual Report for the year ended 31 December 2012
- the Company's Consolidated Annual Report for the year ended 31 December 2011
- the Company's Consolidated Annual Report for the year ended 31 December 2010

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