ARTICLES OF ASSOCIATION
OF THE PUBLIC LIMITED COMPANY BALTIKA

1. BUSINESS NAME AND LOCATION

1.1. Business name

Business name of the public limited company (hereinafter referred to as the "Company") is AS Baltika.

1.2. Location

The location of the Company is Tallinn, Republic of Estonia.

2. FIELD OF ACTIVITY

The field of activity of the company is to design, develop, produce and arrange the sales of the fashion brands of clothing.

3. SHARE CAPITAL

3.1. Share capital

The minimum amount of the share capital of the Company shall be EUR five million (5 000 000) and the maximum amount of the share capital shall be EUR twenty million (20 000 000). In the frame of the minimum capital and the maximum capital the share capital of the Company (hereinafter referred to as the "Share Capital") may be increased and decreased without making amendments in these articles of association (hereinafter referred to as the "Articles of Association").

3.2. Increase of Share Capital

3.2.1. The Share Capital may be increased by the issue of new shares or by the increase of the nominal value of shares.

3.2.2. Payment for new shares shall be made either by supplementary contributions or by fund issue.

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3.2.3. If due to the increase of the Share Capital the Articles of Association are to be amended, the amendments of the Articles of Association shall be decided before the increase of the Share Capital.

3.2.4. The Share Capital shall be considered increased as of entry in the Commercial Register.

3.2.5. The Supervisory Council of the Company shall have the right within three years after the date the amendments to the Articles of Association made by the general meeting of shareholders on 18 June 2009 became effective, to increase the Share Capital to an amount prescribed in the Articles of Association, but not more than one half of the Share Capital, which existed at the time the Supervisory Council received the right to increase the Share Capital by making contributions, deciding on payment for shares by monetary or non-monetary contributions.

3.2.6. The Company, by the resolution of the general meeting, shall have the right to issue convertible bonds that shall grant to the owner of a convertible bond the right to exchange a convertible bond for a share on the conditions prescribed in the convertible bond.

3.3. Decrease of Share Capital

3.3.1. The Share Capital of the Company may be decreased by the decrease of the nominal value of shares or by cancellation of shares.

3.3.2. If due to the decrease of the Share Capital the Articles of Association are to be amended, the amendments of the Articles of Association shall be decided before the decrease of the Share Capital.

3.3.3. The Management Board shall, within fifteen (15) days after the adoption of the resolution on decrease of the Share Capital, send a written notice concerning the new amount of the Share Capital to the known creditors of the Company who have claims against the Company which predate the adoption of the resolution on decrease of the Share Capital. The Management Board shall publish a notice in an official publication *Ametlikud Teadaanded*. The notice shall indicate that creditors are invited to submit their claims within two (2) months after the publication of the notice.

3.3.4. The Share Capital shall be considered decreased as of entry in the Commercial Register.

4. SHARES

4.1. Shares

4.1.1. The Share Capital of the Company shall be divided into shares (hereinafter referred to as a "Share" or "Shares"). The nominal value of each share is 0.20 euros.



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4.1.2. The Company has one type of ordinary shares. Each share shall grant to the owner one vote at the general meeting of shareholders of the Company and the right to participate in the general meeting of shareholders of the Company and profit distribution and in the distribution of assets in case of dissolution of the Company as well as other rights as provided by law or in the Articles of Association.

4.2. Share subscription

4.2.1. A share shall be subscribed for by an entry in the subscription list.

4.2.2. By share subscription a subscriber shall receive the right to acquire a share and shall undertake to pay for the subscribed share.

4.3. Payment for shares

4.3.1. Payment for a share shall be made by a monetary or a non-monetary contribution.

4.3.2. If a share subscriber does not make contribution for a subscribed share on time, he shall be obliged to pay a fine for each day of the delay at the rate of 0.1% of the outstanding amount.

4.3.3. If a share is not paid for in full by the deadline specified upon subscription, the person who did not make payment shall, within one (1) month after the expiry of the deadline for payment, lose the right to the subscribed share by sending to him or her by the Management Board a respective notice. A sum paid by him or her in the amount of one-fifth of the sum of the nominal value of the shares subscribed by him shall be transferred to the reserve capital of the Company pursuant to the procedure provided by law. The rest of the paid sum shall be returned to the share subscriber.

4.4. Non-monetary contribution

4.4.1. A non-monetary contribution may be any thing which is monetarily appraisable and transferable to the Company or a proprietary right with regard to which a claim for payment is possible.

4.4.2. Upon share issue the general meeting and/or the Supervisory Council of the Company shall decide payment of a non-monetary contribution.

4.4.3. The Management Board of the Company shall determine the value of a non-monetary contribution and an auditor shall audit the valuation of the non-monetary contribution.

4.5. Share ledger

The holder of the Estonian Central registry of securities shall keep the share ledger.

4.6. Transfer of shares

Shares are freely transferable.



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4.7. Share pledge or encumbrance with a usufruct

A share may be pledged or encumbered with a usufruct. The share shall be considered pledged or encumbered with a usufruct as of entry of the pledge or encumbrance in the share ledger.

5. MANAGEMENT OF THE COMPANY

5.1. Managing bodies

Managing bodies of the Company are:

(1) The general meeting of shareholders of the Company ("General Meeting");

(2) The supervisory council of the Company ("Council");

(3) The management board of the Company ("Board").

5.2. General Meeting

5.2.1. The General Meeting of shareholders is the highest managing body of the Company. The General Meetings shall be ordinary and extraordinary.

5.2.2. The ordinary General Meeting shall be held once a year within six (6) months after the end of the financial year at the time and place determined by the Board.

5.2.3. The Board shall call an extraordinary General Meeting if:

(1) the net assets of the Company are less than the amount permitted by law; or

(2) this is demanded by shareholders whose shares represent at least one-tenth of the Share Capital; or

(3) this is demanded by the Council or the auditor.

5.2.4. If the Board does not call the General Meeting within one (1) month after receipt of a demand of the shareholders or the Council or the auditor, the shareholders or the Council or the auditor shall have the right to call the General Meeting themselves pursuant to the Articles of Association and law.

5.2.5. The Board shall, at least three (3) weeks prior to the day of the ordinary General Meeting and at least one (1) week prior to the day of the extraordinary General Meeting, publish a notice of the General Meeting in a newspaper with national circulation. The notice calling the General Meeting shall set out the business name and location of the Company; the time, place and agenda of the General Meeting; a notation with regard to whether the meeting is ordinary or extraordinary, as well as other important circumstances related to



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the General Meeting. The notice calling the ordinary General Meeting shall indicate the place the annual report is available for examination.

5.2.6. The agenda of the General Meeting shall be determined by the Council. An issue which is initially not on the agenda of the General Meeting may be included on the agenda with the consent of at least nine-tenths of the shareholders who participate in the General Meeting if their shares represent at least two-thirds of the Share Capital.

5.2.7. The General Meeting is competent to adopt resolutions if at least one-half of the votes represented by shares are present. The persons authorised to participate on the General Meeting shall be determined at 08.00 a.m. on the day of the General Meeting.

5.2.8. A list of shareholders who participate in the General Meeting, which shall be drawn up at the General Meeting, shall set out the names of the shareholders who participate in the meeting, the number of votes attached to their shares and, if a representative of a shareholder participates, the name of the representatives of the shareholder. The chairman and the secretary of the meeting shall sign the list.

5.2.9. The sole competence of the General Meeting is to:

(1) amend the Articles of Association;

(2) increase and decrease the Share Capital;

(3) issue convertible bonds;
(4) elect members of the Council and determine the amount of their fee and payment terms;

(5) recall members of the Council before expiry of his or her term of authority;

(6) elect an auditor (auditors);

(7) designate a special audit and approve the procedure for payment of remuneration to persons executing special audit;

(8) approve the annual report and distribute profit;

(9) decide on dissolution, merger, division and/or transformation of the Company;

(10) decide on conclusion of a transaction with the member of the Council, determine the terms and conditions of this transaction and decide on having legal disputes with the Council members and appoint a representative of the Company in such transaction or legal dispute;

(11) decide on other matters placed in the competence of the General Meeting by law.

5.2.10. The General Meeting may adopt resolutions on other matters related to the activities of the Company, that are not specified in Clause 5.2.9., only on demand of the Board or the Council.



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5.2.11. A resolution of the General Meeting shall be adopted if at least one-half of the votes represented at the General Meeting are in favour, excluding deciding matters specified in Clauses 6.2.9.(1), 6.2.9.(2), 6.2.9.(3), 6.2.9.(5), 6.2.9.(7), 6.2.9.(9), when at least two-thirds of the votes represented at the General Meeting shall be required, and in other cases provided by law.

5.2.12. In the election of a person at the General Meeting, the candidate who receives more votes than the others shall be considered elected.

5.3. Council

5.3.1. The Council shall plan the activities of the Company, organize the management of the Company and supervise the activities of the Board. The Council shall inform the General Meeting of the results of the control.

5.3.2. The Council shall have three (3) to seven (7) members. Members of the Council shall be elected by the General Meeting for three (3) years.

5.3.3. The members of the Council shall elect a chairman from among themselves, who shall organise the activities of the Council.

5.3.4. Meetings of the Council shall be held when necessary but not less frequently than once every three (3) months.

5.3.5. The Council has the competence as prescribed by these Articles of Association 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;

(3) review, once every four months, the survey of economic activity and economic situation of the Company presented by the Board;

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

(5) elect and remove members of the Board;

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

(7) appoint and remove a procurator;

(8) approve the annual budget of the Company;

(9) decide on conclusion of a transaction between the Company and a member of the Board of the Company, determine the terms and conditions of this transaction and decide on



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having legal disputes with Board members and appoint a representative of the Company in such transaction or legal dispute.

5.3.6. A meeting of the Council shall have a quorum if more than one-half of the members of the Council participate.

5.3.7. 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.

5.3.8. The Council shall have the right to adopt resolutions without calling a meeting if all of the members of the Council consent to it.

5.4. Board

5.4.1. The Board is a directing 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 in the competence of the General Meeting or the Council by these Articles of Association.

5.4.2. The Board shall consist of three (3) up to seven (7) members who shall be elected by the Council for three (3) years.

5.4.3. The members of the Board shall elect a chairman of the Board from among themselves. The chairman of the 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.

5.4.4. The Board may approve a more particular procedure of work. The Board shall be obliged to act in the most economically effectual way for the Company.

5.4.5. The members of the Board shall be jointly liable for any damage caused by failure to fulfil their obligations in accordance with law.

5.5. Requirements to managing bodies

5.5.1. The member of the Board shall be prohibited to participate in voting if approval of the conclusion of a transaction between the member of the Board and the Company is being decided, also if the conclusion of a transaction between the Company and a legal entity, in which a member of the Board or a person connected with him or her has a material participation, is being decided.

5.5.2. Persons connected with the members of the Board shall be determined pursuant to the NASDAQ OMX Tallinn rules. A controlled company or a material participation shall be determined pursuant to the NASDAQ OMX Tallinn rules.

6. REPRESENTATION

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Each member of the Board may represent the Company in all legal acts. A member of the Board shall have the right of delegation of authority.

7. AUDITOR

An auditor (auditors) shall be elected by the General Meeting for a one-time audit or for a definite term. The Board shall submit the list of an auditor (auditors) of the Company to the Commercial Register.

8. REPORTING AND DISTRIBUTION OF PROFITS

8.1. Financial year

The financial year of the Company shall be a calendar year.

8.2. Preparation, submission and approval of the report

After the end of the financial year the Management Board shall prepare the annual accounts and activity report (annual report) and profit distribution proposal and present them to the auditor (auditors) for him (them) to prepare an auditor's report and to the Council. The annual report shall be approved by the General Meeting.

8.3. Reserve capital

Reserve capital shall be formed from annual net profit transfers and other transfers entered in the reserve capital pursuant to law and the Articles of Association. The amount of reserve capital shall be at least one-tenth of the Share Capital if the law does not provide otherwise. The amount to be entered in the reserve capital during each financial year shall be decided by the General Meeting pursuant to law and these Articles of Association. A loss to the Company shall be covered from reserve capital unless the shareholders decide otherwise. Payments shall not be made to shareholders from reserve capital.

8.4. Distribution of profit

The profit distribution resolution shall be adopted by the General Meeting and shall set out the amount of net profit, transfers to reserve capital and to other reserves, the amount of the share of profit to be paid to shareholders and the use of profit for other purposes.

8.5. Dividends

The payment of dividends shall be decided by the General Meeting. The dividends payment resolution shall set out the amount of the profit to be distributed as dividends, the amount of dividends and the time, place and procedure of their payment. The Board



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has the right to make advance payments to the shareholders with the consent of the Council after the end of a financial year and before approval of the annual report on account of the presumed profit in the amount of up to one half of the amount subject to distribution among the shareholders.

9. MERGER, DIVISION, TRANSFORMATION AND TERMINATION

Merger, division, transformation and termination of the Company shall occur pursuant to the procedure provided by law.

These Articles of Association have been approved at the General Meeting of Shareholders of the Company on 25 March 1997 and amended at the General Meeting of Shareholders of 18 April 1998, at the Extraordinary General Meeting of Shareholders of 7 December 2004, at the General Meeting of Shareholders of 3 May 2006, at the General Meeting of Shareholders of 21 May 2007, at the General Meeting of Shareholders of 18 June 2009, at the General Meeting of Shareholders of 11 May 2011 and at the General Meeting of Shareholders of 20 April 2012.



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