AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2006

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24,Tallinn 10135, Estonia
Phone	+372 630 2731
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E-mail	baltika@baltika.ee
Web page	www.baltika.ee
Main activities	Retail and wholesale of clothes
Auditor	AS PricewaterhouseCoopers
Beginning and end of financial year	01.01.2006 - 31.12.2006

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BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group is an international clothing group, whose parent company is AS Baltika. The Group operates the retail chains of Monton, Mosaic, Baltman and Baltika factory outlet stores in six countries – Estonia, Latvia, Lithuania, Poland, Ukraine and Russia. The products of the Baltika Group are also marketed through wholesalers.

The shares of AS Baltika are listed on Tallinn Stock Exchange.

As of 30 September 2006, the Group employed 1,822 people (as of 30 September 2005 1,626).

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

The Group consists of the following companies:

	Location	Participation at 30.09.2006	Participation at 31.12.2005
Parent company			
AS BALTIKA	Estonia		
Subsidiaries			
OÜ Baltman	Estonia	100%	100%
Baltika Lietuva	Lithuania	100%	100%
Baltika Latvija	Latvia	75%	75%
Baltika Sweden AB	Sweden	100%	100%
Baltika Ukraina Ltd	Ukraine	99%	99%
Baltika Poland Sp.z.o.o.	Poland	100%	100%
OY Baltinia AB	Finland	100%	100%
AS Elina STC	Estonia	62.50%	50.10%
AS Virulane	Estonia	82.66%	79.23%
OOO Kompania “Baltman Rus”	Russia	100%	50.10%
OÜ Baltika TP	Estonia	100%	100%
Joint venture			
OÜ Baltika Tailor	Estonia	50%	50%

In January 2006, Baltika acquired an additional stake of 12.4% of the share capital of its subsidiary AS Elina STC and as a result, Baltika’s ownership in AS Elina STC increased to 62.5%.

According to the contract signed in April 2006, AS Baltika acquired an additional stake of 49.9% of the share capital of its subsidiary OOO Kompania “Baltman Rus” and became the sole owner of the subsidiary.

In September 2006, Baltika acquired additionally 3.43% of the share capital of its subsidiary AS Virulane and as a result, Baltika’s ownership in AS Virulane increased to 82.66%.

MANAGEMENT REPORT

Consolidated financial results, 9 months 2006

In the third quarter of 2006, Baltika Group earned a net profit of EEK 20.0 million (EUR 1.3mln) and achieved a net margin of 8.8% (10.1% in 3Q 2005). Third quarter net profit grew 10.3% in comparison with last year. 3Q profit before income tax amounted to EEK 21.0 million (EUR 1.3mln), up 13.4% yoy. Baltika's third quarter sales increased 26.7% yoy to EEK 228.1 million (EUR 14.6mln) while retail sales expanded by 34.4% and wholesale increased 7.8% compared with the corresponding period last year. The Group's 3Q gross margin reached 48.7% (49.3% in 3Q 2005). Operating margin was 9.5% (10.7% in 3Q 2005) and operating profit increased 12.3% yoy to EEK 21.6 million (EUR 1.4mln).

Cumulative nine month sales of Baltika Group totalled EEK 618.3 million (EUR 39.5mln), up 26.0% yoy. Retail sales grew 28.3% and wholesale 21.3% compared with the same period last year. The Group's gross and operating margins in the first nine months of the year stood at 53.3% and 9.9%, respectively (50.9% and 9.4% in 9m 2005). Nine-month operating profit amounted to EEK 60.9 million (EUR 3.9mln), up 32.8% yoy and profit before income tax was EEK 59.7 million (EUR 3.8mln), expanding by 35.0% yoy. Net profit for the first nine months amounted to EEK 56.3 million (EUR 3.6mln), up 21.5% yoy and net margin reached 9.1% (9.4% in 9m 2005).

SALES

Sales breakdown by segment

EEK mln	3Q 2006	3Q 2005	+/-	9m 2006	9m 2005	+/-
Retail sales	172.4	128.3	34.4%	488.3	380.6	28.3%
Wholesale	52.7	48.9	7.8%	120.8	99.6	21.3%
Subcontracting	0	0	0%	0	0.6	-100.0%
Other sales	3.0	2.9	3.4%	9.3	9.9	-5.9%
Total	**228.1**	**180.1**	**26.7%**	**618.3**	**490.6**	**26.0%**

1 EUR = 15.6466 EEK

RETAIL SALES

Baltika Group's nine-month retail sales totalled EEK 488.3 million (EUR 31.2mln), increasing by 28.3% yoy. The average retail space of the first nine months grew 23% in comparison with the previous year while sales efficiency (sales/m^2) was up 4% yoy. The growth of the Group's average sales efficiency is impacted by initial lower sales density of new stores. Sales efficiency is also affected by enlarging store formats. Nine-month like-for-like sales (sales on comparable areas) posted a strong growth of 12% on an annual basis.

In the retail business, the third quarter sales are impacted by the end of season clearance sale and the launch of the new season. This year, the warm summer weather lasted longer than is usual in all the Baltika's markets. On one hand this supported the clearance of summer collection but on the other hand it postponed the full start of the new season and extended the discounted sales period. As a result, August posted somewhat lower retail sales growth of 24% yoy. However, as a result of successful sales of the new autumn collection, September retail sales growth accelerated to 40% yoy. Altogether, 3Q retail sales increased by 34.4% vis-à-vis the same period last year.

The sales are also positively impacted by higher store traffic if compared with previous year. In addition, the stores opened in the second half of 2005 support retail sales growth on year-on-year basis. Hence, the last quarter of 2006 is expected to deliver stronger growth in the Group's retail sales.

The sales of Monton brand that accounts for the largest share in Baltika's sales comprised 52% of nine-month retail sales and amounted to EEK 255 million (EUR 16.3mln), up 24% versus last year. The retail sales of Mosaic grew 56% yoy to EEK 162 million (EUR 10.4mln) and the sales of Baltman increased 34% yoy totalling EEK 52 million (EUR 3.3mln) in the first nine months of 2006.

The largest retail market of the Group in the first nine months of 2006 was still Estonia with sales amounting to EEK 133 million/EUR 8.5mln (+25% yoy). Estonia was followed by Lithuania with EEK 121 million/EUR 7.7mln (+36%). Ukraine was the third largest market with sales totalling EEK 89 million/EUR 5.7mln (+31%).

Nine-month retail sales in Latvia reached EEK 67 million (EUR 4.3mln), up 32% yoy. Baltika's retail sales in Russia grew 42% yoy to EEK 54 million (EUR 3.4mln). Baltika's smallest market Poland that accounts for 5% of retail sales, experienced an 11% yoy decrease in sales to EEK 26 million (EUR 1.6mln). Although, nine-month like-for-like sales in Poland achieved positive growth, three stores out of Baltika's eight stores in Poland have been closed this year and thus overall sales of the market decrease.

SHOPS AND SALES AREA

As of the end of September, Baltika Group operated 100 stores in six countries, with total sales area of 16,118 square metres. A year ago, Baltika's retail system comprised 79 stores with total retail space of 11,693 square metres.

Number of shops by country

	30.09.2006	30.09.2005
Estonia	28	23
Latvia	13	10
Lithuania	22	19
Ukraine	18	12
Russia	14	7
Poland	5	8
Total shops	**100**	**79**
Total sales area, m^2	**16,118**	**11,693**

In the first nine months of 2006, Baltika opened 19 new stores, including ten in the third quarter. In addition, three shops were added as a result of the acquisition of Ivo Nikkolo trademark in September. A total of eight stores were closed in the nine-month period, including some in conjunction with relocation. In terms of brands, nine Monton, seven Mosaic and three Baltman stores were opened. By markets, the openings took place in Ukraine (7), Russia (6), Latvia (4) and Estonia (2).

In the fourth quarter of the year, 15 new shops are planned to be opened, resulting in 34 openings in full 2006. Adding the acquired Ivo Nikkolo stores, the Group's retail system should comprise 114 shops with total sales area of around 20,000 square metres by the end of the year. By markets, the largest expansion takes place in Russia and Ukraine and by brands, in Monton and Mosaic.

ACQUISITION OF IVO NIKKOLO TRADEMARK

According to the agreement signed on 18 September 2006, Baltika acquired Ivo Nikkolo fashion trademark and started operating three Ivo Nikkolo stores located in Estonia.

With the acquisition of the trademark, Baltika enters the premium ladies' fashion market. Baltika plans to expand the chain of Ivo Nikkolo stores into the markets where the Group is already present with its other brands. It is planned to increase the number of stores to nine and the sales space to 1,000 square metres by the end of 2007. The sales target in 2007 is EEK 45 million (EUR 2.9mln), i.e. double of 2005 sales.

WHOLESALE

In nine months of 2006, wholesale sales of Baltika's own products accounted for 20% of the Group's total sales revenue and totalled EEK 120.8 million (EUR 7.7mln). Compared with nine months of 2005, wholesale sales grew 21.3%. This year, wholesale growth comes mainly from Russian wholesale.

The third quarter of the year is traditionally a strong wholesale period and thus, wholesale accounted for 23% of total sales. In 3Q 2006, wholesale posted a growth of 7.8% yoy.

EARNINGS AND MARGINS

In the third quarter, Baltika started extensive new store opening – in August and September, i.e. in two months, ten stores were opened which represent half of the stores opened in the first nine months of 2006. The large number of store openings has an impact on the Group's profitability as the new shops have initially lower sales density while operating costs are reported in full. In addition, the third quarter results are impacted by lower margin end of season clearance sale, whereas the start of the new season was delayed this year due to long summer. Besides, 3Q is a strong wholesale period and the gross margin of wholesale trade is lower than that of retail operations.

The Group's cumulative nine-month gross profit margin amounted to 53.3%, up from last year's corresponding figure of 50.9%. Third quarter gross margin stood at 48.7% (49.3% in 3Q 2005). The Group's nine-month gross profit grew 31.8% yoy to EEK 329.3 million (EUR 21.0mln).

Operating margin in the first nine months reached 9.9% compared with 9.4% in 9m 2005. 3Q 2006 operating margin was 9.5% (10.7% in 3Q 2005). Nine-month operating profit totalled EEK 60.9 million (EUR 3.9mln), up 32.8% versus previous year.

The Group's operating profit includes one-time income from sale of a building lease in the amount of EEK 7.3 million (EUR 467 thousand) reported in the third quarter under other operating income. In September, Baltika's subsidiary OÜ Baltika TP sold a building lease on a plot located in Lasnamäe Industrial Park in Tallinn to AS Kawe Group. According to the concluded agreement, Kawe Group has to construct a production building on the site by November 2007 for relocation of the production premises of Baltika's joint venture OÜ Baltika Tailor from Veerenni 24, Tallinn. Baltika TP is obligated to rent the production premises for a 10-year period.

The Group's net financial expenses amounted to EEK -1.3 million (EUR -82 thousand) in the first nine months of 2006. Interest expenses in the same period totalled EEK 3.9 million (EUR 248 thousand), decreasing by 3.8% over the year.

Baltika Group's profit before income tax in the nine-month period amounted to EEK 59.7 million (EUR 3.8mln), growing by 35.0% yoy. Due to dividend income tax, the Group's corporate income tax expense has increased by 131% yoy to EEK 2.9 million (EUR 185 thousand) in 9m 2006. In the second quarter of this year, Baltika paid dividend income tax in the amount of EEK 1,679 thousand (EUR 107 thousand) as a result of dividend payment. In 2005, Baltika was exempt from dividend income tax.

Nine-month net profit of the Group after taxes and minority shareholding amounted to EEK 56.3 million (EUR 3.6mln) and grew by 21.5% yoy. Nine-month net margin reached 9.1% compared with 9.4% a year ago. Third quarter net margin was 8.8% (10.1% in 3Q 2005).

BALANCE SHEET

As of 30.09.2006, the total assets of Baltika Group amounted to EEK 548.1 million (EUR 35.0mln), posting an increase of 62.5% over the year and 45.3% over the first nine months of 2006.

As of the end of September, the Group's inventories amounted to EEK 183.3 million (EUR 11.7mln), increasing by EEK 50.8 million (EUR 3.2mln) or 38.4% yoy. The growth is attributed to the increasing number of shops, i.e. expansion of the retail system. At the same time, inventory management in the Group has improved over the year as a result of which the inventory turnover ratio (net sales/average inventories) has increased from 4.57 to 5.34 within the last twelve months.

As a result of strong growth in wholesale and the credit terms of the wholesale agreements, the Group's trade receivables increased by EEK 35.6 million (EUR 2.3mln) over the year to EEK 87.5 million (EUR 5.6mln) by the end of September 2006. In the same period, supplier payables expanded by EEK 59.7 million (EUR 3.8mln) to EEK 85.8 million (EUR 5.5mln) due to major expansion of Baltika's retail business.

At the end of the review period, the Group's borrowings amounted to EEK 160.6 million (EUR 10.3mln), including bank loans of EEK 112.2 million (EUR 7.2mln). The rest of debt includes lease liabilities (EEK 17.7mln/EUR 1.1mln) and bonds (EEK 30.7mln/EUR 2.0mln). Over the year, the Group's borrowings increased by EEK 58.0 million (EUR 3.7mln). Overall debt level has grown because of the need to finance the expansion of the retail space and the construction of the new logistics centre. During the first nine months of 2006, the Group has made loan repayments in the amount of EEK 7.7 million (EUR 0.5mln). As of the end of September, the Group's net debt to equity ratio stood at 57.0% compared with 48.4% a year ago.

ENLARGEMENT OF THE SHARE CAPITAL

As a result of converting D-bonds into shares, the share capital of Baltika increased by EEK 824,000 (EUR 52,663) in the third quarter of 2006. The company issued 82,400 new shares with a nominal value of EEK 10.00 (EUR 0.64) per share. The total issue price of the shares was EEK 28.95 (EUR 1.85) per share including a premium of EEK 18.95 (EUR 1.21) per share.

The new share capital of the company is EEK 60,973,500 (EUR 3,896,917) and the number of shares is 6,097,350. The share premium in the transaction was EEK 1,561,480 (EUR 99,797).

INVESTMENTS

The Group's investments during the first nine months of 2006 amounted to EEK 101.4 million (EUR 6.48mln). In addition, as a result of the purchase of an additional 49.9% of the share capital of the Russian subsidiary, goodwill was recognised in the amount of EEK 7.1 million (EUR 0.45mln). A total of EEK 58.4 million (EUR 3.73mln) was invested into retail, EEK 33.7 million (EUR 2.15mln) into the new logistics centre and EEK 6.0 million (EUR 0.38mln) into information technology. Investments into production and other fixed assets amounted to EEK 3.3 million (EUR 0.21mln).

In July, a strategically important investment was completed when Baltika's new logistics centre started operating. If compared with the old one, the new logistics centre has much higher capacity which is crucial in achieving the set expansion plans. The new centre enables to handle faster increasing quantities of merchandise, thus making inventory management more flexible and efficient. The cost of the logistics centre was EEK 32.9 million (EUR 2.1mln). In addition, EEK 4.6 million (EUR 0.3mln) was invested into fixtures and equipment. The new logistics centre is located in Tallinn, Estonia.

PERSONNEL

As of 30.09.2006, Baltika Group employed 1,822 people, including 875 in production and 767 in retail; 603 people worked outside Estonia. At the same time last year, the number of employees stood at 1,626, including 905 in production and 568 in retail. The average number of personnel in the first nine months of 2006 was 1,741 (1,655 in 9m 2005).

In the first nine months of 2006, the Baltika Group's wages and salaries amounted to EEK 75.5 million (EUR 4.8mln). The remuneration paid to the members of the Management Board and Council totalled EEK 3.9 million (EUR 249 thousand).

KEY FIGURES OF THE GROUP (9 months 2006)

	30.09.2006	**30.09.2005**	**+/-**
Net sales (EEK mln)	618.3	490.6	26.0%
Retail sales (EEK mln)	488.3	380.6	28.3%
Share of retail sales in net sales	79%	78%	
Number of directly managed stores	100	79	26.6%
Sales area (m^2)	16,118	11,693	37.8%
Number of employees (end of period)	1,822	1,626	12.1%
Gross margin, %	53.3%	50.9%	
Operating margin, %	9.9%	9.4%	
EBT margin, %	9.6%	9.0%	
Net margin, %	9.1%	9.4%	
Current ratio	1.6	2.6	-38.5%
Inventory turnover	5.34	4.57	16.8%
Debt to equity ratio	59.8%	55.8%	
Return on equity	37.2%	39.2%	
Return on assets	19.6%	18.1%	

Formulas for key ratios

Gross margin = (Net sales-COGS)/Net sales
Operating margin = Operating profit/Net sales
EBT margin = Profit before corporate income tax/Net sales
Net margin = Net profit (attributable to parent)/Net sales
Current ratio = Current assets/Current liabilities
Inventory turnover = Net sales/Average inventories*
Debt to equity ratio = Interest-bearing liabilities/Equity
ROE (Return on equity) = Net profit (attributable to parent)/Average equity*
ROA (Return on assets) = Net profit (attributable to parent)/Average total assets*
*Based on 12-month average

1 EUR = 15.6466 EEK

Ülle Järv
Member of the Management Board

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FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter and 9 months of 2006 as presented on pages 8-38.

The Management Board confirms that:

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

2. the financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Group;

3. all group companies are going concerns.

Meelis Milder
Chairman of the Management Board

Ülle Järv
Member of the Management Board

Boriss Loifenfeld
Member of the Management Board

Maire Milder
Member of the Management Board

28 November 2006

CONSOLIDATED BALANCE SHEET
(unaudited, in EEK thousand)

	Note	30.09.2006	31.12.2005
ASSETS			
Current assets			
Cash and bank	3	7,659	25,961
Current financial assets	4	0	1,808
Trade receivables	5	87,473	39,566
Other receivables and prepaid expenses	6,7	37,369	14,992
Inventories	8	183,293	144,459
Total current assets		**315,794**	**226,786**
Non-current assets			
Investments in joint ventures		0	234
Investment property	9	19,192	27,193
Deferred income tax receivable		3,598	3,598
Other non-current assets	10	6,815	4,708
Property, plant and equipment	11	154,933	88,089
Intangible assets	12	47,769	26,491
Total non-current assets		**232,307**	**150,313**
TOTAL ASSETS		**548,101**	**377,099**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	13,14	80,285	30,278
Supplier payables		85,789	44,782
Tax liabilities	7	17,085	17,563
Accrued expenses	15	16,075	13,505
Other short-term payables	15	157	466
Total current liabilities		**199,391**	**106,594**
Non-current liabilities			
Long-term borrowings	13	80,333	62,553
Total non-current liabilities		**80,333**	**62,553**
TOTAL LIABILITIES		**279,724**	**169,147**
EQUITY			
Share capital at par value		60,150	58,230
Unregistered share capital		824	0
Share premium		56,860	49,690
Reserves		9,721	9,532
Retained earnings		73,521	13,077
Net profit for the period		56,302	72,664
Currency translation differences		4,043	4,131
Total equity attributable to majority shareholder		**261,421**	**207,324**
Minority interest		6,956	628
TOTAL EQUITY	16	**268,377**	**207,952**
TOTAL LIABILITIES AND EQUITY		**548,101**	**377,099**

CONSOLIDATED BALANCE SHEET
(unaudited, in EUR thousand)

	Note	30.09.2006	31.12.2005
ASSETS			
Current assets			
Cash and bank	3	489	1,659
Current financial assets	4	0	116
Trade receivables	5	5,591	2,529
Other receivables and prepaid expenses	6,7	2,388	958
Inventories	8	11,715	9,233
Total current assets		**20,184**	**14,495**
Non-current assets			
Investments in joint ventures		0	15
Investment property	9	1,227	1,738
Deferred income tax receivable		230	230
Other non-current assets	10	436	301
Property, plant and equipment	11	9,902	5,630
Intangible assets	12	3,053	1,693
Total non-current assets		**14,847**	**9,607**
TOTAL ASSETS		**35,031**	**24,102**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	13,14	5,131	1,935
Supplier payables		5,483	2,862
Tax liabilities	7	1,092	1,122
Accrued expenses	15	1,027	863
Other short-term payables	15	10	30
Total current liabilities		**12,743**	**6,813**
Non-current liabilities			
Long-term borrowings	13	5,134	3,998
Total non-current liabilities		**5,134**	**3,998**
TOTAL LIABILITIES		**17,878**	**10,811**
EQUITY			
Share capital at par value		3,844	3,722
Unregistered share capital		53	0
Share premium		3,634	3,176
Reserves		621	609
Retained earnings		4,699	836
Net profit for the period		3,598	4,644
Currency translation differences		258	264
Total equity attributable to majority shareholder		**16,709**	**13,251**
Minority interest		445	40
TOTAL EQUITY	16	**17,153**	**13,291**
TOTAL LIABILITIES AND EQUITY		**35,031**	**24,102**

CONSOLIDATED INCOME STATEMENT
(unaudited, in EEK thousand)

	Note	**3Q 2006**	**3Q 2005**	**9m 2006**	**9m 2005**
Net sales	18	228,113	180,083	618,317	490,571
Cost of goods sold	19	-116,912	-91,369	-289,050	-240,759
Gross profit		**111,201**	**88,714**	**329,267**	**249,812**
Distribution costs	20	-73,664	-51,070	-203,901	-147,831
Administrative and general expenses	21	-22,955	-18,817	-67,829	-61,174
Other operating income	22	7,451	2,495	7,609	8,177
Other operating expenses	23	-432	-2,094	-4,206	-3,090
Operating profit		**21,601**	**19,228**	**60,940**	**45,894**
Financial income (expenses)		**-556**	**-665**	**-1,284**	**-1,699**
Share of gains (losses) from joint ventures		0	-522	-234	412
Gains (losses) from other investments		304	956	1,890	1,415
Interest expenses		-1,635	-1,249	-3,884	-4,039
Foreign exchange gains (losses)		196	126	483	131
Other financial income (expenses)		579	24	461	382
Profit before corporate income tax		**21,045**	**18,563**	**59,656**	**44,195**
Corporate income tax		-308	-539	-2,891	-1,251
Net profit		**20,737**	**18,024**	**56,765**	**42,944**
Net loss attributable to minority shareholders		704	-146	463	-3,386
Net profit attributable to parent company		**20,033**	**18,170**	**56,302**	**46,330**
Basic earnings per share, EEK	24	3.40	3.12	9.44	8.09
Diluted earnings per share, EEK	24	3.31	2.96	9.10	7.55

CONSOLIDATED INCOME STATEMENT
(unaudited, in EUR thousand)

	Note	3Q 2006	3Q 2005	9m 2006	9m 2005
Net sales	18	14,579	11,509	39,518	31,353
Cost of goods sold	19	-7,472	-5,840	-18,474	-15,387
Gross profit		**7,107**	**5,670**	**21,044**	**15,966**
Distribution costs	20	-4,708	-3,264	-13,032	-9,448
Administrative and general expenses	21	-1,467	-1,203	-4,335	-3,910
Other operating income	22	476	159	486	523
Other operating expenses	23	-28	-134	-269	-197
Operating profit		**1,381**	**1,229**	**3,895**	**2,933**
Financial income (expenses)		**-36**	**-43**	**-82**	**-109**
Share of gains (losses) from joint ventures		0	-33	-15	26
Gains (losses) from other investments		19	61	121	90
Interest expenses		-104	-80	-248	-258
Foreign exchange gains (losses)		13	8	31	8
Other financial income (expenses)		37	2	29	24
Profit before corporate income tax		**1,345**	**1,186**	**3,813**	**2,825**
Corporate income tax		-20	-34	-185	-80
Net profit		**1,325**	**1,152**	**3,628**	**2,745**
Net loss attributable to minority shareholders		45	-9	30	-216
Net profit attributable to parent company		**1,280**	**1,161**	**3,598**	**2,961**
Basic earnings per share, EUR	24	0.22	0.20	0.60	0.52
Diluted earnings per share, EUR	24	0.21	0.19	0.58	0.48

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EEK thousand)

	Note	9m 2006	9m 2005
Operating activities			
Operating profit		60,940	45,894
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	11,12	20,336	15,530
Profit (loss) from sale of property, plant and equipment		26	197
Profit (loss) from sale of investment property	9	-7,513	0
Changes in working capital:			
Change in balance of receivables		-62,410	-26,452
Change in balance of inventories	8	-38,834	12,944
Change in supplier payables		35,098	-4,635
Interest paid		-4,158	-4,706
Income tax paid		-4,568	-1,101
Total cash flow from operating activities		**-1,083**	**37,671**
Investing activities			
Purchase of property, plant and equipment, intangibles	11,12	-94,883	-23,049
Including under the operating lease terms		5,469	14,275
Proceeds from disposal of property, plant and equipment		918	375
Proceeds from disposal of investment property	9	11,055	0
Investments in subsidiaries		-786	0
Interest received		69	67
Proceeds from disposal of current financial assets	4	2,131	0
Loans granted		0	-1,505
Repayments of loans granted	23	226	160
Total cash flow from investing activities		**-75,801**	**-9,677**
Financing activities			
Repayments of borrowings	13	-8,317	-29,401
Loans received	13	57,224	0
Finance lease and instalment payments made		-941	-1,768
Receipts from contributions into share capital	15	9,399	6,254
Dividends paid	15	-12,020	-4,474
Dividends received		15	0
Redemption of bonds	14	-17,500	-6
Proceeds from emission of bonds	14	30,239	352
Total cash flow from financing activities		**58,099**	**-29,043**
Effect of exchange rate changes on cash balance		483	131
Total cash flows		**-18,302**	**-918**
Cash and cash equivalents at the beginning of the period	3	**25,961**	**12,515**
Cash and cash equivalents at the end of the period	3	**7,659**	**11,597**
Change in cash and cash equivalents		**-18,302**	**-918**

CONSOLIDATED CASH FLOW STATEMENT
(unaudited, in EUR thousand)

	Note	9m 2006	9m 2005
Operating activities			
Operating profit		3,895	2,933
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	11,12	1,300	993
Profit (loss) from sale of property, plant and equipment		2	13
Profit (loss) from sale of investment property	9	-480	0
Changes in working capital:			
Change in balance of receivables		-3,989	-1,691
Change in balance of inventories	8	-2,482	827
Change in supplier payables		2,243	-296
Interest paid		-266	-301
Income tax paid		-292	-70
Total cash flow from operating activities		**-69**	**2,408**
Investing activities			
Purchase of property, plant and equipment, intangibles	11,12	-6,063	-1,473
Including under the operating lease terms		350	912
Proceeds from disposal of property, plant and equipment		59	24
Proceeds from disposal of investment property	9	707	0
Investments in subsidiaries		-50	0
Interest received		4	4
Proceeds from disposal of current financial assets	4	136	0
Loans granted		0	-96
Repayments of loans granted	23	14	10
Total cash flow from investing activities		**-4,845**	**-617**
Financing activities			
Repayments of borrowings	13	-532	-1,879
Loans received	13	3,657	0
Finance lease and instalment payments made		-60	-113
Receipts from contributions into share capital	15	601	400
Dividends paid	15	-768	-286
Dividends received		1	0
Redemption of bonds	14	-1,118	0
Proceeds from emission of bonds	14	1,933	22
Total cash flow from financing activities		**3,713**	**-1,856**
Effect of exchange rate changes on cash balance		31	8
Total cash flows		**-1,169**	**-59**
Cash and cash equivalents at the beginning of the period	3	**1,659**	**800**
Cash and cash equivalents at the end of the period	3	**489**	**741**
Change in cash and cash equivalents		**-1,169**	**-59**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in EEK thousand)

	Share capital	Share pre-mium	Reser-ves	Retained earnings	Currency trans-lation diffe-rences	Total equity attribu-table to majority share-holders	Minority interest	Total
Balance as of 31.12.2004	**56,340**	**44,508**	**26,783**	**193**	**6,622**	**134,446**	**7,024**	**141,470**
Currency translation differences	0	0	0	0	-2,358	**-2,358**	-381	**-2,739**
Net profit for the period	0	0	0	46,330	0	**46,330**	-3,386	**42,944**
Total recognized income (expense)	**0**	**0**	**0**	**46,330**	**-2,358**	**43,972**	**-3,767**	**40,205**
Dividends paid	0	0	0	-4,367	0	**-4,367**	0	**-4,367**
Transfers to statutory reserve capital	0	0	834	-834	0	**0**	0	**0**
Increase of share capital	1,890	4,553	0	0	0	**6,443**	0	**6,443**
Allocations to retained earnings	0	0	-18,085	18,085	0	**0**	0	**0**
Balance as of 30.09.2005	**58,230**	**49,061**	**9,532**	**59,406**	**4,264**	**180,494**	**3,257**	**183,750**
Balance as of 31.12.2005	**58,230**	**49,690**	**9,532**	**85,741**	**4,131**	**207,324**	**628**	**207,952**
Currency translation differences	0	0	0	0	-88	**-88**	-7	**-95**
Net profit for the period	0	0	0	56,302	0	**56,302**	463	**56,765**
Total recognized income (expense)	**0**	**0**	**0**	**56,302**	**-88**	**56,214**	**456**	**56,670**
Equity-settled share-based transactions (Note 14,16)	0	315	0	0	0	**315**	0	**315**
Dividends paid (Note 16)	0	0	0	-12,031	0	**-12,031**	0	**-12,031**
Transfers to statutory reserve capital (Note 16)	0	0	189	-189	0	**0**	0	**0**
Increase of share capital (Note 14,16)	2,744	6,855	0	0	0	**9,599**	0	**9,599**
Changes in minority interest	0	0	0	0	0	**0**	5,872	**5,872**
Balance as of 30.09.2006	**60,974**	**56,860**	**9,721**	**129,823**	**4,043**	**261,421**	**6,956**	**268,377**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation differences	Total equity attributable to majority shareholders	Minority interest	Total
Balance as of 31.12.2004	**3,601**	**2,845**	**1,712**	**12**	**423**	**8,593**	**450**	**9,043**
Currency translation differences	0	0	0	0	-151	**-151**	-24	**-175**
Net profit for the period	0	0	0	2,961	0	**2,961**	-216	**2,745**
Total recognized income (expense)	**0**	**0**	**0**	**2,961**	**-151**	**2,810**	**-241**	**2,569**
Dividends paid	0	0	0	-279	0	**-279**	0	**-279**
Transfers to statutory reserve capital	0	0	53	-53	0	**0**	0	**0**
Increase of share capital	121	291	0	0	0	**412**	0	**412**
Allocations to retained earnings	0	0	-1,156	1,156	0	**0**	0	**0**
Balance as of 30.09.2005	**3,722**	**3,136**	**609**	**3,797**	**273**	**11,536**	**209**	**11,745**
Balance as of 31.12.2005	**3,722**	**3,176**	**609**	**5,480**	**264**	**13,251**	**40**	**13,291**
Currency translation differences	0	0	0	0	-6	**-6**	0	**-6**
Net profit for the period	0	0	0	3,598	0	**3,598**	30	**3,628**
Total recognized income (expense)	**0**	**0**	**0**	**3,598**	**-6**	**3,593**	**30**	**3,623**
Equity-settled share-based transactions (Note 14,16)	0	20	0	0	0	**20**	0	**20**
Dividends paid (Note 16)	0	0	0	-769	0	**-769**	0	**-769**
Transfers to statutory reserve capital (Note 16)	0	0	12	-12	0	**0**	0	**0**
Increase of share capital (Note 14,16)	175	438	0	0	0	**613**	0	**613**
Changes in minority interest	0	0	0	0	0	**0**	375	**375**
Balance as of 30.09.2006	**3,897**	**3,634**	**621**	**8,297**	**258**	**16,709**	**445**	**17,153**

NOTES TO CONSOLIDATED INTERIM REPORT

NOTE 1 Accounting policies and accounting methods used in the preparation of the interim report

The Group's consolidated interim report for the third quarter and 9 months of 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the consolidated financial statements of 2005. The financial statements have been prepared under the historical cost convention, as modified by the revaluations of investment property and financial instruments at fair value through profit or loss, which are presented at fair value as disclosed in the accounting policies presented in the 2005 Annual Report.

All information in the financial statements is presented in thousands of Estonian kroons and thousands of euros, unless otherwise stated. The Estonian kroon is pegged to the euro at the rate of 1 EUR = 15.6466 EEK.

This interim report has not been audited or otherwise reviewed by auditors.

Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been changed, then also the comparative information of previous periods has been restated.

NOTE 2 Financial risks

In its daily activities, the Group is exposed to different types of risks whose management is an important and integral part of the business activities of AS Baltika. The organisation'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, credit, operations and liquidity risks.

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 organisation'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, but the Supervisory Board of the Group's parent company also plays an important role.

The management of the Group's parent company considers market risk which also includes foreign exchange risk as the most serious risk at the Group.

Market risk

Baltika'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 hedge 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 will make 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 the marketing organisation in each target market enabling to obtain fast and direct feedback on market developments on the one hand and adequately consider local condition on the other hand.

As improvement of flexibility plays an important role in increasing the Company'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 of consumer expectations.

Foreign exchange risk

Exports constitute 73% of the sales of AS Baltika Group. The Group's major currencies for exports are LTL (Lithuanian lita), LVL (Latvian lat), UAH (Ukrainian hryvnia), PLN (Polish zloty), RUR (Russian rouble), EUR (Euro). The majority of raw materials used in production is imported. The major currencies for imports are EUR (euro) and USD (US dollar). Trading with the countries belonging to the European Monetary Union is handled only in euros.

As the Group primarily sells its goods in euros, then as a retail company, the prices of goods in the markets are fixed in a local currency and consequently, foreign currency risk directly affects the Company's revenue through the pricing of goods at the stores in those markets. A change in the economic environment and relative appreciation/depreciation of a local currency may greatly affect the purchasing power of customers in the market of the respective segment.

The weakening of the US dollar against the euro poses liquidity risk, which affects the Group's collectible amounts from the countries most affected by the changes in the dollar's exchange rate (Ukraine, Russia, Poland). On the other hand, the weakening of the dollar has a positive impact on importing from the countries with which accounts are settled in dollars.

In 9 months of 2006, the Group's results were impacted by the changes of average foreign currency exchange rates against the Estonian kroon in those countries where AS Baltika has subsidiaries: Polish zloty -3.15%, Ukrainian hryvnia -6.5% and Russian rouble +0.1%. In 9 months of 2005, changes of average foreign currency exchange rates against the Estonian kroon were as follows: Polish zloty +4.2%, Ukrainian hryvnia +19.3% and Russian rouble +10.2%.

No separate instruments were used for hedging foreign currency risks in 2006. The Company mostly uses the euro to settle the accounts with its subsidiaries located in foreign markets; with the Polish subsidiary, accounts are settled in zlotys and with the Russian subsidiary, accounts are settled in roubles.

If feasible, foreign currencies collected are used for the settling of liabilities measured in the same currency. For foreign currency profits and losses, please refer to Note 22 and 23.

Credit and liquidity risks

Credit risk is a potential loss that would occur by the balance sheet date if the contract parties did not meet their obligations. The Group is exposed to credit risk to the extent of solvency of its business partner in Russia. There are no collaterals for receivables in the balance sheet. Credit risks arising from the Group's seasonal production and sales cycle are not permanent. As of the balance sheet date, the maximum credit risk is 87.5 million kroons (5.6 million euros), including credit risk of the Russian wholesale partner of 48.6 million kroons (3.1 million euros). Russia's credit risk is related to one customer, with whom Baltika has concluded franchise and wholesale agreements and in partnership with whom Baltika founded a subsidiary Baltman Rus in 2004 for establishing retail operations in Russia (Baltika's ownership 50.1%). In April 2006, Baltika acquired full ownership in Baltman Rus.

A group account is in use for more flexible management of liquid assets, enabling the Group companies to use the Group resources up to the limit established by AS Baltika (Note 13).

Interest rate risk

Interest rate risk is primarily caused by the potential fluctuations of EURIBOR and the changing of the average interest rates of banks.

Operating risks

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

To ensure good collections, Baltika employs a strong team of designers who monitor and are always 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 the balance of inventories and using it in subsequent activities. In order to upgrade information systems, the plan for 2006 calls for the transition to the integrated system encompassing several areas of operations. 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 time is planned under the assumption that regular weather conditions prevail in the target market – in case weather conditions differ significantly from normal conditions, the actual sales results may significantly differ from the budget.

NOTE 3 Cash and bank

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Cash in hand	2,953	1,896	189	121
Cash at bank	4,706	11,267	301	720
Short-term deposits	0	12,798	0	818
Total	**7,659**	**25,961**	**489**	**1,659**

As of the end of 2005, cash had been deposited overnight by the parent company in the amount of 12.8 million thousand kroons (0.8 million euros) with the interest rate of 2.05% for EEK, 1.55% for EUR and 4.00% for USD. As of 30 September 2006, the Group had no cash in overnight deposit.

NOTE 4 Current financial assets

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Shares of Tallinna Kaubamaja	0	1,808	0	116

The shares of Tallinna Kaubamaja, disclosed as current financial assets, were sold on 22 August 2006. The net gain from the transaction amounted to 198 thousand kroons (13 thousand euros) and was disclosed under other financial income.

NOTE 5 Trade receivables

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Accounts receivable	88,781	39,579	5,674	2,530
Allowance for doubtful receivables	-1,308	-13	-84	-1
Total	**87,473**	**39,566**	**5,591**	**2,529**

Trade receivables include the parent's receivable from the joint venture in the amount of 2.0 million kroons (127 thousand euros); 31 December 2005: 1.7 million kroons (110 thousand euros) (Note 25).

The allowance for doubtful receivables has been adjusted by doubtful receivables from OOO Streit, the controlled company that is no longer consolidated into the Group's results from the beginning of year 2006. Uncollectable receivables amounting to 13 thousand kroons (831 euros) were expensed and written off the balance sheet. No reversal of the impairment losses previously provided for has occurred during the reporting period.

In 9 months of 2005, the Group recognised impairment losses in the amount of 429 thousand kroons (27.4 thousand euros), reversal of the impairment losses previously provided for occurred in the amount of 24 thousand kroons (1.5 thousand euros). Uncollectable receivables in the amount of 72 thousand kroons (4.6 thousand euros) were written off the balance sheet.

A certain risk concentration exists regarding a wholesale partner in Russia (see Note 2 – Credit risk). The other receivables are not affected by credit risk concentration.

NOTE 6 Other receivables and prepaid expenses

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Other current receivables	3,366	3,578	215	228
Tax prepayments and tax reclaims	12,517	5,189	800	332
Prepaid expenses	21,484	6,207	1,374	397
Interest receivables	2	18	0	1
Total	**37,369**	**14,992**	**2,388**	**958**

Prepaid expenses include prepaid rental payments, insurance payments, prepayment for information technology services, subscription costs of periodicals, etc. Material increase in prepaid expenses during 9 months of 2006 is related to prepayments for rent of the shops to be opened in Russia.

NOTE 7 Tax receivables and tax liabilities

Tax receivables (prepayments)

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Value added tax	10,568	4,818	675	308
Prepaid income tax	1,068	323	68	21
Other taxes	881	48	55	3
Total	**12,517**	**5,189**	**799**	**332**

Tax liabilities

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Personal income tax	2,763	2,601	177	166
Social security tax	5,279	5,686	337	363
Value added tax	8,684	7,958	555	509
Corporate income tax liability	0	932	-1	60
Other taxes	359	386	23	24
Total	**17,085**	**17,563**	**1,091**	**1,122**

NOTE 8 Inventories

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Raw materials and materials	52,729	65,630	3,370	4,195
Impairment of raw materials	-1,304	-2,534	-83	-162
Work-in-progress	2,259	1,600	144	102
Finished goods and goods purchased for resale	129,642	77,816	8,286	4,973
Impairment of finished goods and goods purchased for resale	-1,856	-1,556	-119	-99
Prepayments to suppliers	1,823	3,503	117	224
Total	**183,293**	**144,459**	**11,715**	**9,233**

As of the end of the reporting period, the inventories of the Group with the carrying amount of 5.1 million kroons/0.33 million euros (31 December 2005: 7.5 million kroons/0.5 million euros) were in the custody of third parties.

The acquisition cost of fabric carried at net realizable value amounted to 2.8 million kroons/0.18 million euros as of 30 September 2006 (31 December 2005: 6.59 million kroons/0.42 million euros). The net realizable value of finished goods and goods for resale did not change in the reporting period.

The impairment losses of raw materials in the Group amounted to 209 thousand kroons/13.4 thousand euros in 9 months of 2006 (9 months 2005: 1.1 million kroons/71 thousand euros). No additional losses have been incurred from sales of previously impaired raw materials.

Due to improved planning for selling old inventories, the impairment allowance of finished goods and goods for resale has decreased by 1.4 million kroons/92 thousand euros (9 months 2005: 902 thousand kroons/58 thousand euros).

NOTE 9 Investment property

	EEK '000		**EUR '000**	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Investment property	19,192	27,193	1,227	1,738

As of 31 December 2005, investment property consisted of:
- a production facility located at Veerenni 24, Tallinn that is leased to the joint venture OÜ Baltika Tailor and is carried at fair value of 19.2 million kroons (1.2 million euros);
- a plot located in Lasnamäe Tööstuspark, Tallinn including construction rights acquired by the subsidiary OÜ Baltika TP and carried at fair value of 8.0 million kroons (0.5 million euros).

In September 2006, OÜ Baltika TP concluded the agreement to sell the plot including the construction rights of the property located in Lasnamäe Tööstuspark. According to the agreement, the buyer has the obligation to construct a production building by the end of 2007 for relocation of the production premises of OÜ Baltika Tailor from their current location at Veerenni 24, Tallinn. At the same time, OÜ Baltika TP has signed a lease agreement with the buyer providing a 10 year lease period of the production premises to be constructed.

The acquisition cost of the investment property included the discounted net present value of the buy-out option of construction rights that was accounted for as finance lease. As a result of sales of the investment property, the recognition of long-term finance lease liability in the amount of 4.5 million kroons (0.3 million euros) has been discontinued.

The cash received from sales amounted to 11.1 million kroons (0.7 million euros). Gain recognised from disposal of the investment property amounted to 7.5 million kroons (0.5 million euros).

NOTE 10 Other non-current financial assets

	EEK '000		**EUR '000**	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Loan receivable from joint venture	1,313	1,302	84	83
Long-term prepayments for rent	5,193	3,361	332	215
Other long-term financial assets	309	45	19	3
Total	**6,815**	**4,708**	**436**	**301**

Long-term prepayments for rent arise from lease agreements of the Group's retail subsidiaries operating in Latvian, Lithuanian, Polish and Russian markets.

NOTE 11 Property, plant and equipment

The Group's investments in property, plant and equipment during the reporting period amounted to 83.6 million kroons (5.3 million euros) and to 15.2 million kroons (0.97 million euros) in the corresponding period of 2005. Investments into the construction of the new logistics centre amounted to 33.7 million kroons (2.2 million euros). Investments into retail operations in all markets totalled 45.0 million kroons/2.9 million euros (9 months 2005: 3.7 million kroons/0.2 million euros). Investments in the amount of 3.0 million kroons/0.19 million euros (9 months 2005: 1.1 million kroons/0.1 million euros) were made into production related assets, investments in the amount of 1.6 million kroons/0.1 million euros (9 months 2005: 0.5 million kroons/0.03 million euros) into information technology and 0.3 million kroons/0.02 million euros (9 months 2005: 0.6 million kroons/0.04 million euros) was invested into other equipment.

In 9 months of 2006, non-current assets with an acquisition cost of 0.6 million kroons/0.04 million euros (9 months 2005: 1.6 million kroons/0.1 million euros) were sold. Write-offs of non-current assets amounted to 8.3 million kroons (0.53 million euros) at acquisition cost (9 months 2005: 1.0 million kroons/0.07 million euros).

Movement of property, plant and equipment of the Group

EEK '000	Land	Buildings, structures	Machinery, equipment	Other fixtures	Constr. in progress	Pre-payments	Total
Acquisition cost 31.12.2004	**3,004**	**69,628**	**70,706**	**47,902**	**68**	**0**	**191,308**
Accumulated depreciation 31.12.2004	0	-22,454	-62,353	-29,176	0	0	-113,983
Net book amount 31.12.2004	**3,004**	**47,174**	**8,353**	**18,726**	**68**	**0**	**77,325**
Additions	7,969	1,961	2,103	1,873	1,135	190	15,231
Disposals	0	0	-118	-56	0	0	-174
Written off	0	-180	0	-82	0	0	-262
Taken into use	0	0	0	0	-68	0	-68
Reclassification	0	0	132	-132	0	0	0
Depreciation	0	-4,296	-3,728	-5,351	0	0	-13,375
Currency translation differences	0	397	27	523	3	0	950
Acquisition cost 30.09.2005	**10,973**	**71,799**	**72,238**	**49,018**	**1,138**	**190**	**205,356**
Accumulated depreciation 30.09.2005	0	-26,743	-65,469	-33,517	0	0	-125,729
Net book amount 30.09.2005	**10,973**	**45,056**	**6,769**	**15,501**	**1,138**	**190**	**79,627**
Acquisition cost 31.12.2005	**10,973**	**74,005**	**71,321**	**51,440**	**2,009**	**3,305**	**213,053**
Accumulated depreciation 31.12.2005	0	-27,516	-64,299	-33,149	0	0	-124,964
Net book amount 31.12.2005	**10,973**	**46,489**	**7,022**	**18,291**	**2,009**	**3,305**	**88,089**
Additions	0	38,174	4,551	24,790	12,188	3,920	83,623
Disposals	0	-207	-63	-74	0	0	-344
Written off	0	-1,645	-236	-649	0	0	-2,530
Written off against reserve	0	1,243	0	0	0	0	1,243
Reclassification	0	3,795	0	0	-675	-3,120	0
Depreciation	0	-5,454	-2,777	-6,481	0	0	-14,712
Currency translation differences	0	-208	50	-261	11	-28	-436
Acquisition cost 30.09.2006	**10,973**	**112,446**	**77,071**	**69,138**	**13,533**	**4,077**	**287,238**
Accumulated depreciation 30.09.2006	0	-30,259	-68,524	-33,522	0	0	-132,305
Net book amount 30.09.2006	**10,973**	**82,187**	**8,547**	**35,616**	**13,533**	**4,077**	**154,933**

EUR '000	Land	Buildings, structures	Machinery, equipment	Other fixtures	Constr. in progress	Pre-payments	Total
Acquisition cost 31.12.2004	**192**	**4,450**	**4,519**	**3,062**	**4**	**0**	**12,227**
Accumulated depreciation 31.12.2004	0	-1,435	-3,985	-1,865	0	0	-7,285
Net book amount 31.12.2004	**192**	**3,015**	**534**	**1,197**	**4**	**0**	**4,942**
Additions	509	125	134	120	73	12	973
Disposals	0	0	-8	-3	0	0	-11
Written off	0	-12	0	-5	0	0	-17
Taken into use	0	0	0	0	-4	0	-4
Reclassification	0	0	8	-8	0	0	0
Depreciation	0	-275	-237	-343	0	0	-855
Currency translation differences	0	24	2	33	0	0	61
Acquisition cost 30.09.2005	**701**	**4,589**	**4,616**	**3,134**	**73**	**12**	**13,125**

Accumulated depreciation 30.09.2005	0	-1,709	-4,184	-2,142	0	0	-8,036
Net book amount 30.09.2005	**701**	**2,880**	**432**	**991**	**73**	**12**	**5,089**
Acquisition cost 31.12.2005	**701**	**4,730**	**4,559**	**3,288**	**128**	**211**	**13,617**
Accumulated depreciation 31.12.2005	0	-1,759	-4,109	-2,119	0	0	-7,987
Net book amount 31.12.2005	**701**	**2,971**	**450**	**1,169**	**128**	**211**	**5,630**
Additions	0	2,440	290	1,584	779	251	5,344
Disposals	0	-13	-4	-5	0	0	-22
Written off	0	-104	-15	-41	0	0	-162
Written off against reserve	0	79	0	0	0	0	79
Reclassification	0	243	0	0	-43	-199	0
Depreciation	0	-349	-177	-414	0	0	-940
Currency translation differences	0	-13	3	-17	1	-2	-28
Acquisition cost 30.09.2006	**701**	**7,186**	**4,926**	**4,419**	**865**	**261**	**18,358**
Accumulated depreciation 30.09.2006	0	-1,935	-4,379	-2,142	0	0	-8,456
Net book amount 30.09.2006	**701**	**5,253**	**546**	**2,276**	**865**	**261**	**9,902**

NOTE 12 Intangible assets

Cost of acquired licenses, software and trade marks in the amount of 17.8 million kroons/1.14 million euros (9 months 2005: 948 thousand kroons/61 thousand euros) were recognised as intangible assets. As a result of the purchase of an additional 49.9% of the share capital of the Russian subsidiary, goodwill was recognised in the amount of 7.1 million kroons (0.45 million euros).

Movement of intangible assets of the Group

EEK '000	Licenses, software, trademarks	Pre-payments	Positive goodwill	Total
Acquisition cost 31.12.2004	**20,070**	**0**	**13,924**	**33,994**
Accumulated amortisation 31.12.2004	-6,011	0	0	-6,011
Net book amount 31.12.2004	**14,059**	**0**	**13,924**	**27,983**
Additions	948	0	0	948
Taken into use	77	0	0	77
Amortisation	-2,155	0	0	-2,155
Currency translation differences	10	0	-55	-45
Acquisition cost 30.09.2005	**21,105**	**0**	**13,869**	**34,974**
Accumulated amortisation 30.09.2005	-8,166	0	0	-8,166
Net book amount 30.09.2005	**12,939**	**0**	**13,869**	**26,808**
Acquisition cost 31.12.2005	**21,125**	**0**	**14,129**	**35,254**
Accumulated amortisation 31.12.2005	-8,763	0	0	-8,763
Net book amount 31.12.2005	**12,362**	**0**	**14,129**	**26,491**
Additions	14,577	3,204	7,086	24,867
Written off	-26	0	0	-26
Amortisation	-3,967	0	0	-3,967
Currency translation differences	-6	0	410	404
Acquisition cost 30.09.2006	**35,643**	**3,204**	**21,625**	**60,472**
Accumulated amortisation 30.09.2006	-12,703	0	0	-12,703
Net book amount 30.09.2006	**22,940**	**3,204**	**21,625**	**47,769**

EUR '000	**Licenses, software, trademarks**	**Pre-payments**	**Positive goodwill**	**Total**
Acquisition cost 31.12.2004	**1,283**	**0**	**890**	**2,173**
Accumulated amortisation 31.12.2004	-384	0	0	-384
Net book amount 31.12.2004	**899**	**0**	**890**	**1,789**
Additions	61	0	0	61
Taken into use	5	0	0	5
Amortisation	-138	0	0	-138
Currency translation differences	1	0	-4	-3
Acquisition cost 30.09.2005	**1,350**	**0**	**886**	**2,236**
Accumulated amortisation 30.09.2005	-522	0	0	-522
Net book amount 30.09.2005	**828**	**0**	**886**	**1,714**
Acquisition cost 31.12.2005	**1,350**	**0**	**903**	**2,253**
Accumulated amortisation 31.12.2005	-560	0	0	-560
Net book amount 31.12.2005	**790**	**0**	**903**	**1,693**
Additions	932	205	453	1,589
Written off	-2	0	0	-2
Amortisation	-254	0	0	-254
Currency translation differences	0	0	26	26
Acquisition cost 30.09.2006	**2,277**	**205**	**1,383**	**3,865**
Accumulated amortisation 30.09.2006	-812	0	0	-812
Net book amount 30.09.2006	**1,465**	**205**	**1,383**	**3,053**

NOTE 13 Borrowings

	EEK '000		**EUR '000**	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Short-term borrowings				
Future repayments of long-term bank loans	4,379	11,443	280	731
Short-term bank loans	44,707	0	2,857	0
Short-term finance lease liabilities	442	194	28	12
Convertible bonds	12	212	1	14
Bonds	30,745	18,429	1,965	1,178
Total	**80,285**	**30,278**	**5,131**	**1,935**
Long-term borrowings				
Long-term bank loans	63,106	51,840	4,033	3,313
Long-term finance lease liabilities	10,674	10,713	682	685
Other long-term liabilities	6,553	0	419	0
Total	**80,333**	**62,553**	**5,134**	**3,998**

Bank loans of the Group as of 30.09.2006

EEK '000	Loan payable on 30.09.2006	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	4,912	234	4,678	6m Euribor+2.5%
Nordea Pank	2,292	208	2,084	3m Euribor+2.5%
Hansapank	42,676	1,883	40,793	6m Euribor+1.5%
Hansapank	5,714	1,428	4,286	6m Euribor+2.35%
Hansapank	10,000	10,000	0	4.00%
Nordea Pank	11,891	626	11,265	3m Euribor+1.0%
Hansapank (overdraft facility)	32,000	32,000	0	4.20%
Nordea Pank (overdraft facility)	2,707	2,707	0	4.61%
Total	**112,192**	**49,086**	**63,106**	

EUR '000	Loan payable on 30.09.2006	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	314	15	299	6m Euribor+2.5%
Nordea Pank	146	13	133	3m Euribor+2.5%
Hansapank	2,727	120	2,607	6m Euribor+1.5%
Hansapank	365	91	274	6m Euribor+2.35%
Hansapank	639	639	0	4.00%
Nordea Pank	760	40	720	3m Euribor+1.0%
Hansapank (overdraft facility)	2,044	2,044	0	4.20%
Nordea Pank (overdraft facility)	173	173	0	4.61%
Total	**7,170**	**3,137**	**4,034**	

All long-term bank loans as of 30 September 2006 are subject to a floating interest rate, which is dependent on the Euribor changed and fixed every three or six months. As the loans are subject to the floating interest rate and the interest margin is based on the Group's business risk, the management of the parent company estimates that all the loans have been taken under the market conditions with the market rate of interest, thus the fair value of the loans is close to the carrying value.

Long-term bank loans of the Group are denominated in euros, thus no currency risk is assumed.

In May 2006, AS Baltika received a short-term loan from Hansapank in the amount of 10 million kroons (0.64 million euros) to finance the investments budgeted in the second half-year of 2006. The loan carries fixed interest of 4% and is due in November 2006.

To finance the construction of the new logistics centre situated in Lasnamäe Tööstuspark, Baltika TP received a loan from Nordea Pank in June 2006 in the amount of 12.5 million kroons (0.8 million euros). The loan is due in June 2011.

In September, AS Baltika signed the agreement for an additional overdraft facility with Nordea Pank. The maximum exposure of the overdraft is 6.3 million kroons (0.4 million euros) and the overdraft carries a fixed interest rate of 4.61%. The agreement is without term.

Bank loans of the Group as of 31.12.2005

EEK '000	Loan payable on 31.12.2005	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	5,614	936	4,678	6m Euribor+2.5%
Nordea Pank	2,917	833	2,084	3m Euribor+2.5%
Hansapank	48,324	7,531	40,793	6m Euribor+1.5%
Hansapank	6,428	2,143	4,285	6m Euribor+2.35%
Total	**63,283**	**11,443**	**51,840**	

EUR '000	Loan payable on 31.12.2005	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	359	60	299	6m Euribor+2.5%
Nordea Pank	186	53	133	3m Euribor+2.5%
Hansapank	3,088	481	2,607	6m Euribor+1.5%
Hansapank	411	137	274	6m Euribor+2.35%
Total	**4,044**	**731**	**3,313**	

NOTE 14 Bonds

Convertible bonds

As of 31.12.2005, there were C and D type of convertible bonds and as of 30.09.2006 D-bonds outstanding that were issued during the convertible bond program for the executives of Baltika:

	Issue date	Bond conversion period	Number of convertible bonds 31.12.2005	Number of convertible bonds 30.09.2006
C-Bond	01.05.2003	01.05.2004-01.05.2006	192,000	0
D-Bond	21.12.2004	01.07.2006-30.12.2006	200,000	117,600
Total			**392,000**	**117,600**

In the first quarter of 2006, C-bonds were converted into shares as a result of which 192,000 registered shares with a nominal value of 10.00 kroons (0.64 euros) per share were issued. C-bonds were issued with the nominal value of 1.00 kroons (0.06 euros) per bond and were convertible into ordinary shares for an additional payment of 36.57 kroons (2.34 euros) per share. Thus, the issue price per share was 37.57 kroons (2.40 euros) including a premium of 27.57 kroons (1.76 euros) per share. The issued shares are entitled to receive dividends starting from 2006.

After the conversion of C-bonds into shares, the share capital of the Company is 60,149,500 kroons (3,844,254 euros) consisting of 6,014,950 shares. The share premium of the share issue was 5,293,440 kroons (338,312 euros).

The nominal value of D-bonds is 0.10 kroons (0.006 euros) per bond and these are convertible into ordinary shares at the price of 28.95 kroons (1.85 euros), equalling the weighted average share price of AS Baltika on Tallinn Stock Exchange on the trading date preceding the adoption of the resolution (07.12.2004). The vesting condition for the conversion of bonds into shares is that the market price of AS Baltika’s shares equals at least 45.00 kroons (2.88 euros) per share. The employee who has left the Company during the year has the obligation to sell back the bonds to the Company.

During the first half-year of 2006, 314 thousand kroons (20 thousand euros) were expensed as payroll costs and a respective increase of share premium in owner’s equity as part of the D-bond cost for the vesting period from 1 January 2006 until 30 June 2006.

In September 2006, D-bonds were converted into 82,400 registered shares with nominal value of 10.00 kroons (0.64 euros). The issue price per share was 28.95 kroons (1.85 euros) including the share premium of 18.95 kroons (1.21 euros) per share. The issued shares are entitled to dividends starting from the dividend payments made in 2007.

After the partial conversion of D-bonds into shares, the share capital of the Company is 60,973,500 kroons (3,896,917 euros) consisting of 6,097,350 shares. The total share premium of the issue was 1,561,480 kroons (99,797 euros).

Increase in the share capital resulting from conversion of D-bonds into shares in the amount of 824 thousand kroons (52.7 thousand euros) is recognised under Unregistered share capital as the registry entry had not been concluded as of 30.09.2006.

EEK '000	Issue date	Total nominal value of issue	Bond conversion period	Bonds converted into shares	Convertible bonds as of 30.09.2006
D-Bond	21.12.2004	20	01.07.2006-30.12.2006	8	12

EUR '000	Issue date	Total nominal value of issue	Bond conversion period	Bonds converted into shares	Convertible bonds as of 30.09.2006
D-Bond	21.12.2004	1.3	01.07.2006-30.12.2006	1	0.8

Closed issue of bonds

In March 2006, AS Baltika issued unsecured bonds via a closed issue in the amount of 20.0 million kroons (1.28 million euros). The redemption date of the bonds is 16 March 2007. A total of 2,000 bonds were issued with a nominal value of 10,000 kroons (639 euros) and price of 9,603.81 kroons (613.80 euros) per bond. The bonds do not carry coupon interest, instead the difference between the nominal value and issue price yields an interest of 4.08% per annum.

The proceeds from the issue were used for the redemption of the previous bond issue on 17 March 2006 in the amount of 17.5 million kroons (1.1 million euros). The rest of proceeds were used for financing investments into the Company’s core activities.

In July 2006, AS Baltika issued additional unsecured bonds via a closed issue in the amount of 11.1 million kroons (0.7 million euros). The redemption date of the bonds is 18 April 2007. A total of 1,150 bonds were issued with a nominal value of 10,000 kroons (639 euros) and price of 9,661.73 kroons (617.50 euros) per bond. The bonds do not carry coupon interest, instead the difference between the nominal value and issue price yields an interest of 4.6% per annum. The proceeds are used for financing investments of the second half-year of 2006.

	Quantity	Nominal (EEK)	Issue price (EEK)	Balance as of 30.09.2006 (EEK '000)	Interest rate	Maturity
Bonds	2,000	10,000	9,597	19,544	4.08%	16.03.2007
Bonds	1,150	10,000	11,111	11,201	4.60%	18.04.2007
Total	**3,150**		**20,708**	**30,745**		

	Quantity	Nominal (EUR)	Issue price (EUR)	Balance as of 30.09.2006 (EUR '000)	Interest rate	Maturity
Bonds	2,000	639	613	1,249	4.08%	16.03.2007
Bonds	1,150	639	710	716	4.60%	18.04.2007
Total	**3,150**		**1,324**	**1,965**		

NOTE 15 Accrued expenses and other short-term liabilities

	EEK '000		EUR '000	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Payables to employees	15,675	12,767	1,002	816
Dividends payable	7	2	0	0
Interest payable	0	27	0	2
Customer prepayments	157	409	10	26
Other short-term payables	393	766	25	49
Total	**16,232**	**13,971**	**1,037**	**893**

All financial liabilities listed above have been designated by the parent company's managements as payable within 12 months after the balance sheet date and are therefore recorded as current liabilities.

NOTE 16 Equity

Share capital

EEK '000	**30.09.2006**	**31.12.2005**
Share capital	60,974	58,230
Number of shares	6,097,350	5,822,950
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	5,823	5,634
Revaluation reserve	3,898	3,898

EUR '000	**30.09.2006**	**31.12.2005**
Share capital	3,897	3,722
Number of shares	6,097,350	5,822,950
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	372	360
Revaluation reserve	249	249

Change in the number of shares

	Issue	**Number of shares**
Number of shares on 31.12.2002		**5,444,450**
Issued 20.01.2003	Conversion of A-bonds	15,500
Issued 16.05.2003	Conversion of A-bonds	39,500
Number of shares on 31.12.2003		**5,499,450**
Issued 30.04.2004	Conversion of A-bonds	88,000
Issued 12.11.2004	Conversion of A-bonds	46,500
Number of shares on 31.12.2004		**5,633,950**
Issued 30.04.2005	Conversion of B-bonds	189,000
Number of shares on 31.12.2005		**5,822,950**
Issued 14.03.2006	Conversion of C-bonds	192,000
Issued 18.09.2006	Conversion of D-bonds	82,400
Number of shares on 30.09.2006		**6,097,350**

Under the articles of association, the Company's minimum number of shares is 4,000,000 and the maximum number of shares is 16,000,000. All shares have been paid for.

In the reporting period, the number of shares of AS Baltika was increased by 192,000 in connection with the conversion of C-bonds into shares (Note 14). The issue price per share was 37.57 kroons (2.40 euros) including a premium of 27.57 kroons (1.76 euros) per share. After the conversion of C-bonds into shares, the share capital of the Company is 60,149,500 kroons (3,844,254 euros) consisting of 6,014,950 shares. The share premium of the share issue was 5,293,440 kroons (338,312 euros). The issued shares are entitled to receive dividends starting from 2006.

During the first half-year of 2006, 314 thousand kroons (20 thousand euros) were expensed as payroll costs and a respective increase of share premium in owner's equity as part of the D-bond cost for the vesting period from 1 January 2006 until 30 June 2006.

In May 2006, Baltika paid dividends to its shareholders at the rate of 2.00 kroons (0.13 euros) per share in total amount of 12.03 million kroons (769 thousand euros). Corporate income tax on dividends amounted to 1.7 million kroons (0.11 million euros).

In September 2006, D-bonds were converted into 82,400 registered shares with nominal value of 10.00 kroons (0.64 euros). The issue price per share was 28.95 kroons (1.85 euros) including the share premium of 18.95

kroons (1.21 euros) per share. The issued shares are entitled to dividends starting from the dividend payments made in 2007. After the partial conversion of D-bonds into shares, the share capital of the Company is 60,973,500 kroons (3,896,917 euros) consisting of 6,097,350 shares. The total share premium of the issue was 1,561,480 kroons (99,797 euros).

Increase in the share capital resulting from conversion of D-bonds into shares in the amount of 824 thousand kroons (52.7 thousand euros) is recognised under Unregistered share capital as the registry entry had not been concluded as of 30.09.2006.

Shareholders as of 30.09.2006

	Number of shares	Participation %
1. BMIG OÜ	1,295,072	21.53%
2. Skandinaviska Enskilda Banken Ab Clients	506,479	8.42%
3. Morgan Stanley Client Account	395,000	6.57%
4. Members of Management Board and persons related to them		
Meelis Milder	203,183	3.38%
Maire Milder	98,661	1.64%
Boriss Loifenfeld	33,422	0.56%
Ülle Järv	18,158	0.30%
5. Other minority shareholders	3,464,975	57.61%
Total	**6,014,950**	**100.00%**

Shareholders as of 31.12.2005

	Number of shares	Participation %
1. BMIG OÜ	1,284,980	22.07
2. Skandinaviska Enskilda Banken Ab Clients	451,295	7.75
3. AS LHV Arbitrage	336,000	5.77
4. Members of Management Board and persons related to them		
Meelis Milder	151,617	2.60
Maire Milder	62,161	1.07
Boriss Loifenfeld	12,482	0.21
Ülle Järv	8,158	0.14
5. Other minority shareholders	3,516,257	60.39
Total	**5,822,950**	**100.00**

The investment company OÜ BMIG is under the control of the Management Board members of AS Baltika. The shares of the parent company are listed on Tallinn Stock Exchange. The parent company does not have a controlling shareholder or any shareholders jointly controlling the entity.

The structure of the shareholders as of 30.09.2006 does not reflect the conversion of D-bonds into new shares in September 2006 and the resulting increase in shares owned by management group members as the registry entry had not been concluded by 30.09.2006.

NOTE 17 Segments

Geographical segment by client's location – primary segment

As of 30 September 2006, the Company is active in the following markets:

- Estonia, Latvia, Lithuania, Russia, Ukraine, Poland – defined as separate geographical segments, as each market generates significantly different risks and returns and each market separately is significant enough to form a separate segment;
- other markets (Finland, etc.) – the Company's presence in other markets is small or less strategic and these markets separately do not form a segment for the segment reporting.

9 months 2006

EEK '000	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	Internal trans-actions	TOTAL
Non-group sales	166,837	74,850	121,620	124,155	89,126	25,602	16,127	0	618,317
Inter-segment sales	0	49,034	88,222	21,690	60,096	12,855	0	-231,897	0
Total sales	166,837	123,884	209,842	145,845	149,222	38,457	16,127	-231,897	618,317
Operating profit of the segment	41,869	20,001	23,609	28,696	7,729	-5,697	6,634	0	122,841
Unallocated operating exp. and inc.									-61,901
Total operating profit									60,940
Other financial income (expenses)									-1,284
Corporate income tax									-2,891
Net profit before minority interest									56,765
Minority interest									463
Net profit for the financial year									56,302
Assets	164,342	36,025	63,867	211,569	79,978	13,138	41	-146,099	422,861
Group`s unallocated assets									125,240
Incl. assets used in production									72,185
assets used for administrative use									6,446
other unallocated assets									46,609
Total assets									548,101
Liabilities	31,521	24,264	48,036	70,427	50,739	8,637	0	-175,704	57,920
Group`s unallocated liabilities									221,804
Incl. liab. related to production activity									58,476
other unallocated liabilities									163,328
Total liabilities									279,724
Property, plant and equipment acquired	26,825	3,928	2,366	31,182	10,951	63	0	0	75,315
Property, plant and equipment acquired, unallocated									33,175
Depreciation	7,262	1,032	3,206	1,334	1,752	1,501	0	0	16,087
Incl. depreciation of PPE	3,742	914	2,993	1,334	1,740	1,448	0	0	12,171
amort. of intangible assets	3,520	118	213	0	12	53	0	0	3,916
Depreciation, unallocated									2,592

EUR '000	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	Internal trans-actions	TOTAL
Non-group sales	10,663	4,784	7,771	7,935	5,696	1,637	1,031	0	39,518
Inter-segment sales	0	3,134	5,639	1,386	3,841	822	0	-14,821	0
Total sales	10,663	7,918	13,411	9,321	9,537	2,459	1,031	-14,821	39,518
Operating profit of the segment	2,676	1,278	1,509	1,834	494	-364	423	0	7,851
Unallocated operating exp. and inc.									-3,956
Total operating profit									3,895
Other financial income (expenses)									-82
Corporate income tax									-185
Net profit before minority interest									3,628

Minority interest									30
Net profit for the financial year									3,598
Assets	10,503	2,302	4,082	13,522	5,112	840	3	-9,337	27,027
Group`s unallocated assets									8,004
Incl. assets used in production									4,613
assets used for administrative use									412
other unallocated assets									2,979
Total assets									35,031
Liabilities	2,015	1,551	3,070	4,501	3,243	552	0	-11,230	3,703
Group`s unallocated liabilities									14,176
Incl. liab. related to production activity									3,737
other unallocated liabilities									10,439
Total liabilities									17,878
Property, plant and equipment acquired	1,715	251	151	1,993	700	4	0	0	4,814
Property, plant and equipment acquired, unallocated									2,120
Depreciation	464	66	205	85	112	96	0	0	1,028
Incl. depreciation of PPE	238	58	191	85	111	93	0	0	778
amort. of intangible assets	225	9	14	0	1	3	0	0	251
Depreciation, unallocated									166

9 months 2005

EEK '000	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	Internal trans-actions	TOTAL
Non-group sales	139,163	57,249	90,186	88,976	68,218	28,759	18,020	0	490,571
Inter-segment sales	0	34,548	59,545	14,684	26,943	16,755	3,027	-155,502	0
Total sales	139,163	91,797	149,731	103,660	95,161	45,514	21,047	-155,502	490,571
Operating profit of the segment	28,784	12,799	16,357	23,801	16,100	-5,783	6,657	0	98,715
Unallocated operating exp. and inc.									-52,821
Total operating profit									45,894
Other financial income (expenses)									-1,699
Corporate income tax									-1,251
Net profit before minority interest									42,944
Minority interest									-3,386
Net profit for the financial year									46,330
Assets	110,862	23,376	50,078	87,071	31,701	31,082	641	-86,346	248,465
Group`s unallocated assets									88,915
Incl. assets used in production									60,839
assets used for administrative use									6,882
other unallocated assets									21,194
Total assets									337,380
Liabilities	15,486	20,769	35,832	22,480	21,126	18,733	0	-107,419	27,007
Group`s unallocated liabilities									126,624
Incl. liab. related to production activity									23,975
other unallocated liabilities									102,649
Total liabilities									153,631

Property, plant and equipment acquired	2,703	328	3,277	157	175	138	0	0	6,778
Property, plant and equipment acquired, unallocated									9,401
Depreciation	6,493	953	2,099	434	1,220	2,185	0	0	13,384
Depreciation, unallocated									2,145

EUR '000	**Estonia**	**Latvia**	**Lithuania**	**Russia**	**Ukraine**	**Poland**	**Other**	**Internal trans-actions**	**TOTAL**
Non-group sales	8,894	3,659	5,764	5,687	4,360	1,838	1,153	0	31,353
Inter-segment sales	0	2,207	3,806	938	1,722	1,071	194	-9,938	0
Total sales	8,894	5,866	9,570	6,624	6,082	2,909	1,347	-9,938	31,353
Operating profit of the segment	1,840	818	1,045	1,521	1,029	-370	424	0	6,309
Unallocated operating exp. and inc.									-3,376
Total operating profit									2,933
Other financial income (expenses)									-109
Corporate income tax									-80
Net profit before minority interest									2,745
Minority interest									-216
Net profit for the financial year									2,961
Assets	7,085	1,494	3,201	5,565	2,026	1,987	41	-5,520	15,880
Group`s unallocated assets									5,683
Incl. assets used in production									3,888
assets used for administrative use									440
other unallocated assets									1,355
Total assets									21,563
Liabilities	990	1,327	2,290	1,437	1,350	1,197	0	-6,865	1,726
Group`s unallocated liabilities									8,093
Incl. liab. related to production activity									1,532
other unallocated liabilities									6,560
Total liabilities									9,819
Property, plant and equipment acquired	173	21	209	10	11	9	0	0	433
Property, plant and equipment acquired, unallocated									601
Depreciation	414	61	134	28	78	140	0	0	855
Depreciation, unallocated									136

Allocated income and expenses are directly related to the segment – revenue from sales to customers, cost of sales, payroll and rental costs and other costs related to the market. Unallocated operating income and expenses are the general administrative expenses of the Group, such as the central management expenses, marketing expenses, information technology costs, etc.

The assets of the segment mainly consist of inventories and fixtures located at retail outlets, also other necessary working capital (e.g. cash). Additionally, the segment assets include the deferred income tax assets consolidated in the Group balance sheet arising from operating in certain markets. The liabilities of the segments are related to the payables of the retail outlets, mainly connected to rental agreements, payroll and taxes. Payables for the inventories are mostly to the parent company and have been eliminated in consolidation, thus they are not presented in the segment report.

The unallocated assets of the Group are the administrative building, office equipment used for general administration, other equipment and current assets related to general activities. Additionally, the Group's assets used in production have been presented as unallocated assets, as these assets service all geographical segments and there is no reasonable basis for dividing these assets among the markets. All assets related to production activity are located in Estonia.

The unallocated liabilities of the Group are mainly the borrowings related to the financing of the Group – loans and bonds. In addition to that also production-related liabilities have been classified as unallocated, such as accounts payable for raw materials and payroll liabilities of production personnel.

According to the parent company management's estimate, the inter-segment transactions have been carried out at arm's length and the conditions applied do not differ materially as compared to the transactions with third parties.

Business segment by area of operations – secondary segment

As of 30 September 2006, the Company operated in the following areas, generating significantly different risks and returns compared to each other and each activity is material enough to form a separate segment:
- retail and managing retail outlet chains in markets;
- wholesale and other services;
- production.

Other areas of operations (sewing as a subcontractor, renting of assets, etc.) are less strategic and less material as compared to the main activities and these activities do not form a separate segment.

EEK '000	Net sales		Assets		Additions to property, plant and equipment	
	9m 2006	9m 2005	30.09.2006	30.09.2005	9m 2006	9m 2005
Retail	488,276	380,615	220,648	121,047	52,112	5,593
Wholesale and other	120,756	99,547	41	174	0	0
Production	0	556	72,185	66,908	2,911	1,390
Unallocated	9,285	9,853	255,227	149,251	53,467	9,196
Total	**618,317**	**490,571**	**548,101**	**337,380**	**108,490**	**16,179**

EUR '000	Net sales		Assets		Additions to property, plant and equipment	
	9m 2006	9m 2005	30.09.2006	30.09.2005	9m 2006	9m 2005
Retail	31,207	24,326	14,102	7,736	3,331	356
Wholesale and other	7,718	6,362	3	11	0	0
Production	0	36	4,613	4,276	186	89
Unallocated	593	629	16,313	9,540	3,417	589
Total	**39,518**	**31,353**	**35,031**	**21,563**	**6,934**	**1,034**

NOTE 18 Sales revenue

	EEK '000		EUR '000	
	9m 2006	9m 2005	9m 2006	9m 2005
Sale of goods	609,031	480,163	38,924	30,688
Sale of sewing services	0	556	0	36
Rental income	4,458	4,285	285	274
Other	4,828	5,567	310	356
Total	**618,317**	**490,571**	**39,518**	**31,353**

NOTE 19 Cost of goods sold

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Materials and supplies	252,046	207,108	16,109	13,237
Change in allowance for inventories	-929	213	-59	14
Other production costs	4,153	3,479	265	222
Payroll costs in production	29,400	23,343	1,879	1,492
Depreciation of assets used in production	2,017	2,129	129	136
Change in inventories	2,363	4,487	151	288
Total	**289,050**	**240,759**	**18,474**	**15,387**

NOTE 20 Distribution costs

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Rental expenses	78,554	58,619	5,021	3,746
Payroll expenses	63,613	46,643	4,066	2,981
Depreciation	11,520	8,696	736	556
Advertising expenses	16,000	9,097	1,023	581
Transportation expenses	8,286	4,173	530	267
Credit card expenses	3,303	2,593	211	166
Communication expenses	1,536	1,348	98	86
Information technology expenses	1,496	946	96	60
Accounting and auditing expenses	566	674	36	43
Renovation of retail outlets	887	403	57	26
Other selling expenses	18,140	14,639	1,160	935
Total	**203,901**	**147,831**	**13,032**	**9,448**

NOTE 21 Administrative expenses

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Payroll expenses	41,350	38,440	2,643	2,457
Depreciation	5,604	4,703	358	301
Business trips	2,617	1,811	167	116
Rental expenses	2,583	3,333	165	213
Information technology expenses	2,162	1,613	138	103
Sponsorship	944	648	60	41
Communication expenses	1,178	907	75	58
Bank fees	737	757	47	48
Other administrative expenses	10,654	8,962	681	573
Total	**67,829**	**61,174**	**4,335**	**3,910**

NOTE 22 Other operating income

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Foreign exchange gains	0	5,612	0	359
Profit from the sale of non-current assets	7,438	201	475	13
Other operating income	171	2,364	11	151
Total	**7,609**	**8,177**	**486**	**523**

NOTE 23 Other operating expenses

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Foreign exchange losses	1,952	0	125	0
Fines, penalties on late payment and interest expenses on tax	564	26	36	2
Representation costs	678	586	43	37
Other operating expenses	1,012	2,478	64	158
Total	**4,206**	**3,090**	**269**	**197**

NOTE 24 Earnings per share

Basic earnings per share

		9m 2006	9m 2005
Weighted average number of shares	pc	5,966,194	5,728,450
Net profit	EEK '000	56,302	46,330
	EUR '000	3,598	2,961
Basic earnings per share	**EEK**	**9.44**	**8.09**
	EUR	**0.60**	**0.52**

Diluted earnings per share

		9m 2006	9m 2005
Weighted average number of shares	pc	6,189,629	6,133,512
Net profit	EEK '000	56,302	46,330
	EUR '000	3,598	2,961
Diluted earnings per share	**EEK**	**9.10**	**7.55**
	EUR	**0.58**	**0.48**

The weighted average additional dilutive ordinary shares are calculated separately for each type of convertible bond issued to senior managers outstanding during the period, assuming the conversion of all potential ordinary shares.

NOTE 25 Related parties

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

In compiling the interim report of AS Baltika, the following entities have been considered related parties:
- owners, that have either significant influence or control, generally implying an ownership interest of 20% or more;
- members of the management, the management board and the supervisory board;
- close relatives of the persons mentioned above;
- entities under the control of the members of the management board and the supervisory board;
- subsidiaries;
- joint ventures.

AS Baltika has purchased (sewing services, goods for resale, non-current assets) and sold its goods and rendered services (management services, other services) to related parties.

Transactions with related parties

EEK '000	9m 2006		9m 2005	
	Purchases	**Sales**	**Purchases**	**Sales**
Purchases and sales of goods				
Subsidiaries	32,870	323,273	27,436	225,631
Joint venture	26	2,642	16	3,589
Total purchases and sales of goods	**32,896**	**325,915**	**27,452**	**229,220**
Purchases and sales of services				
Subsidiaries	20,014	1,293	20,842	1,099
Joint venture	23,354	5,162	21,044	5,310
Total purchases and sales of services	**43,368**	**6,455**	**41,886**	**6,409**

EUR '000	9m 2006		9m 2005	
	Purchases	**Sales**	**Purchases**	**Sales**
Purchases and sales of goods				
Subsidiaries	2,101	20,662	1,754	14,421
Joint venture	3	169	1	229
Total purchases and sales of goods	**2,102**	**20,831**	**1,755**	**14,650**
Purchases and sales of services				
Subsidiaries	1,279	83	1,332	70
Joint venture	1,494	331	1,346	340
Total purchases and sales of services	**2,773**	**413**	**2,678**	**410**

Balances with related parties

	EEK '000		EUR '000	
	30.09.2006	**31.12.2005**	**30.09.2006**	**31.12.2005**
Subsidiaries	153,571	75,636	9,815	4,834
Joint venture	1,990	1,724	127	110
Total current receivables	**155,561**	**77,360**	**9,942**	**4,944**
Subsidiaries	17,032	12,703	1,089	812
Joint venture	0	0	0	0
Total current liabilities	**17,032**	**12,703**	**1,089**	**812**
Subsidiaries	35,273	9,415	2,255	602
Joint venture	1,313	1,302	84	83
Total non-current receivables	**36,586**	**10,717**	**2,339**	**685**

A loan has been granted to the joint venture OÜ Baltika Tailor with a purpose of investing in production. The loan amount is 1,500 thousand kroons (96 thousand euros) and the loan's annual interest rate is 1%. In the balance sheet, the loan has been discounted at 4% and is carried at 1,313 thousand kroons (84 thousand euros). Interest calculated on the loan and not paid by the end of the reporting period amounts to 11.5 thousand kroons (0.7 thousand euros).

The Company's management estimates that the prices used in related party transactions do not materially differ from the market prices.

Convertible bonds

As of 30 September 2006, the members of the Management Board had been issued and subscribed for 117,600 D-bonds in the amount of 12 thousand kroons (0.8 thousand euros); as of 31 December 2005, respectively 227,953 C- and D-bonds, in the amount of 138 thousand kroons (9 thousand euros) (Note 14).

Loans to management members

	EEK '000		EUR '000	
	9m 2006	**9m 2005**	**9m 2006**	**9m 2005**
Balance at the beginning of period	354	574	22	37
Loans granted	0	0	0	0
Repayments of loans received	-226	-160	-14	-10
Foreign exchange rate differences	0	67	0	4
Balance at the end of period	**128**	**481**	**7**	**31**

In 2004, a loan was granted to the manager of Baltika's subsidiary Baltika Ukraina. The maturity date of the loan is 31.12.2006 and no interest is computed during the term of the employment contract.