



AS BALTIKA

Consolidated interim report for the second quarter of 2007

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
Fax	+372 630 2814
E-mail	baltika@baltika.ee
Web page	www.baltikagroup.com
Main activities	Retail and wholesale of clothes
Auditor	AS PricewaterhouseCoopers
Beginning and end of financial year	01.01.2007 - 31.12.2007

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BRIEF DESCRIPTION OF BALTIKA GROUP

The Baltika Group, with the parent company AS Baltika, is an international fashion retailer operating in the Baltic States and Eastern Europe. The Group operates four retail concepts: Monton, Mosaic, Baltman and Ivo Nikkolo and is currently represented in six countries: Estonia, Latvia, Lithuania, Poland, Ukraine and Russia. Baltika employs a vertically integrated business model which means that the Group controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales. Baltika also sells its collections wholesale.

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

As of 30 June 2007, the Group employed 2,011 people (as of 31 December 2006 1,915).

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

The Group consists of the following companies:

	Location	Activity	Participation 30.06.2007	Participation 31.12.2006
Parent company				
AS Baltika	Estonia			
Subsidiaries				
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija	Latvia	Retail	75%	75%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania "Baltman Rus"	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	0%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	50%
AS Elina STC	Estonia	Production	100%	62.50%
AS Virulane	Estonia	Production	82.66%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

In March 2007, AS Baltika acquired an additional stake of 37.5% of the share capital of its subsidiary AS Elina STC and as a result, AS Baltika's ownership in AS Elina STC increased to 100%. The registry entry in the Central Register of Securities was concluded on 17 April 2007.

According to the agreement signed on 27 February 2007, AS Baltika purchased an additional 50% of the shares of the joint venture OÜ Baltika Tailor and thereby became the sole owner of the company. The ownership was transferred with the first instalment in April.

AS Baltika registered its subsidiary, Baltika Retail Czech Republic s.r.o., in Czech Republic on 7 May 2007. AS Baltika is the sole owner of the subsidiary.

MANAGEMENT REPORT**Consolidated financial results, 6 months 2007**

Baltika Group ended the first six months of 2007 with net sales of 536.0 million kroons (34.3 million euros), a 37.4% improvement on a year ago. Retail and wholesale revenues increased by 41.5% and 12.9% yoy respectively. The period's gross margin was 55.2% and operating margin 7.5% (6m 2006: 55.9% and 10.1%). Profit before income tax decreased by 6.8% and net profit by 16.3% compared to the same period in 2006. Net profit for the first half of 2007 amounted to 30.4 million kroons (1.9 million euros) and the period's net margin was 5.7% (6m 2006: 9.3%). In the first half of 2007 Baltika opened 16 stores in five markets, increasing its sales area by 59% yoy.

In the second quarter, the Group's net sales amounted to 269.7 million kroons (17.2 million euros), up 31.6% yoy with retail and wholesale revenues expanding by 32.0% and 7.8% yoy respectively. 2Q gross margin was 57.9% (2Q 2006: 57.7%) and operating margin 6.0% (2Q 2006: 12.1%). 2Q net profit was 8.7 million kroons (0.6 million euros) and net margin 3.2% (2Q 2006: 10.8%).

SALES**Sales by segment**

EEK million	2Q 2007	2Q 2006	+/-	6m 2007	6m 2006	+/-
Retail	233.2	176.6	32.0%	446.8	315.9	41.5%
Wholesale	27.2	25.3	7.8%	76.9	68.1	12.9%
Subcontracting	8.5	0	n/a	8.5	0	n/a
Other	0.8	3.1	-74.4%	3.9	6.3	-37.3%
Total	269.7	205.0	31.6%	536.0	390.2	37.4%

EUR 1 = EEK 15.6466

RETAIL SALES

Compared with the prior year, retail sales for the first half-year grew by 41.5% amounting to 446.8 million kroons (28.6 million euros). Primarily on account of cold weather in April, 2Q sales fell short of expectations despite a 32.0% yoy increase.

Over the past 12 months Baltika Group has opened 39 new stores, increasing its sales area by almost 60%. Generally new stores are larger and in the start-up period their sales efficiency (sales per square metre) is lower. Outside Baltika's home market, the Baltic countries, the start-up periods of stores are longer. More than half of the new sales space opened in the past 12 months is located in Russia and Ukraine. The proportion of such stores in the overall store portfolio affects the Group's average sales efficiency - in the first half-year the figure decreased by 10%. At the same time, comparable store sales grew by 7%.

In the first half of 2007 the Group launched a new product group - Mosaic childrenswear. The collection includes "Lotte by Mosaic" - a range of children's clothes and accessories named after a highly popular Estonian cartoon character. In the second half of the year the Monton collection will be supplemented with footwear and a new jeans collection.

Fast fashion brand Monton accounted for 54%, i.e., 243 million kroons (15.5 million euros) of the Group's retail sales for the first six months of 2007, 52% up on the same period in 2006. Retail sales of Mosaic increased by 31% yoy to 141 million kroons (9.0 million euros) contributing 31% to the Group's retail revenue for the six-month period. Retail sales of Baltman grew by 31% yoy to 45 million kroons (2.9 million euros) and sales of the Ivo Nikkolo brand, which was acquired in September 2006, totalled 10 million kroons (0.7 million euros).

In the first half of 2007, the Group's largest retail market was Estonia and the second largest Lithuania. The Latvian market is smaller, being an inherently one-city market because most business and trading activities are concentrated in the capital city Riga. The third-largest retail market was Russia, the region where the Group's sales area expanded the most during the past 12 months and retail sales experienced the fastest growth. Despite a 31% increase, Ukrainian sales remained below target. For the past couple of seasons the Ukrainian market has seen low activity and persisting insecurity of consumers which has affected not only the clothing business but the overall retail business. The situation may be attributed to long-term political instability. On the other hand,

developments in the Polish market are positive. After the closure of inefficient stores total sales have decreased but comparable store sales have improved by 8% yoy.

Retail sales by market

EEK million	6m 2007	6m 2006	+/-	Percentage, 6m 2007
Estonia	113.7	88.6	28%	25%
Latvia	64.7	44.0	47%	15%
Lithuania	103.3	76.8	35%	23%
Ukraine	72.0	55.0	31%	16%
Russia	79.4	33.4	138%	18%
Poland	13.7	18.2	-25%	3%
Total	446.8	316.0	41%	100%

STORES AND SALES AREA

At the end of June 2007 the Group had 124 stores with a total sales area of 23,011 square metres. Compared with June 2006, the net growth of the retail system was 30 stores and ca 8,500 square metres as a result of which the sales area operated by the Group increased by 59% yoy.

Number of stores by country

	30.06.2007	30.06.2006
Estonia	29	24
Latvia	14	11
Lithuania	30	23
Ukraine	21	17
Russia	25	12
Poland	5	7
Total stores	124	94
Total sales area, m²	23,011	14,517

In the first half of 2007, the Group opened 16 stores including two which were relocated to larger premises. The largest number of stores – eight - was opened in Lithuania. Three stores were opened in Russia and Latvia each and one was opened in both Estonia and Ukraine. Two stores were closed.

During the first half, Baltika began expanding the Ivo Nikkolo brand to other Baltic countries. In addition to Estonia, two stores have been opened in Lithuania to date. According to plan, the Latvian market will be penetrated in 2008.

In the second half of the year the Group plans to open 5-8 stores taking the total number of stores to 129-132 by the end of the year. In addition, the Czech Republic will become a new market for Baltika in 2H 2007. A contract has been signed for opening a store in Palladium Centre in Prague.

WHOLESALE

Wholesale revenue for the first six months of 2007 amounted to 76.9 million kroons (4.9 million euros) accounting for 14% of the Group's consolidated net sales and posting a growth of 12.9% yoy. The bulk of wholesale revenue was earned in the first quarter. The second quarter is traditionally weaker in the wholesale business.

EARNINGS AND MARGINS

The Group's half-year results were influenced by the past 12 months' rapid expansion. On the one hand, a 59% enlargement of the sales area increases direct operating expenses. On the other hand, it requires additional staff at the head office. Sustainable growth assumes funding of new projects and larger purchases need better stock management.

Profitability was impacted by developments in the Russian market - major growth in the sales space and longer than expected start-up periods of new stores when sales efficiency has not achieved the targeted level. At the same time store operating expenses in Russia surpass those incurred in the Baltics. At 30 June 2007 Baltika had 25 stores in Russia including 15 opened in the past 12 months. The start-up periods of the stores are proving

longer than expected – up to 18-24 months according to current estimates. However, comparable store sales in Russia followed a positive trend, yielding a 5% growth rate for the first half-year. A store is comparable if it has been open and has had an unchanged sales area both in the reporting and comparative periods.

Consequently, the Group is not going to undertake any major expansion in Russia in the second half of the year. Three to four stores were to be opened in Russia in 2007 and three of them have already been opened. The opening of a fourth store depends on the completion of a shopping centre.

The Group's results were also affected by sluggish consumer activity in the Ukrainian market. Baltic countries, on the other hand, sustained strong growth. The results in Lithuania were exceptional and established stores in Poland also performed well.

The Group's gross margin for the first half of 2007 was 55.2% (6m 2006: 55.9%). 2Q gross margin rose to 57.9% (2Q 2006: 57.7%). Gross profit for the first half-year amounted to 296.0 million kroons (18.9 million euros), a 35.8% improvement on a year ago. Gross margin was affected by larger than planned discounts provided for the disposal of inventories accumulated, above all, due to slower than expected start-up of new stores in Russia and delayed store openings. Delays occur when related shopping centres are not opened on time.

Distribution costs increased (6m growth 62.2%) in proportion to sales area while administrative expenses rose by 5.2% yoy. Operating profit for the first half of 2007 amounted to 40.3 million kroons (2.6 million euros), 2.4% up on a year ago. Operating margin for the first half-year was 7.5% (6m 2006: 10.1%). 2Q operating margin was 6.0% (2Q 2006: 12.1%). The period's operating profit includes one-off income of 16.2 million kroons (1.0 million euros) earned in the first quarter in connection with the divestment of building rights and a logistics centre.

Financial expenses for the first half of 2007 totalled 4.3 million kroons (275 thousand euros). The largest share of financial expenses is made up of interest expenses which amounted to 4.2 million kroons (266 thousand euros), 85.2% up on the same period in 2006. Interest expenses have increased on account of growth in the borrowings and a rise in Euribor.

Consolidated profit before income tax amounted to 36.0 million kroons (2.3 million euros), a 6.8% decrease from a year ago. 2Q net profit was influenced by income tax paid on dividends. In 2007 dividend tax amounted to 3,359 thousand kroons (215 thousand euros). In 2006 the figure was half smaller, amounting to 1,679 thousand kroons (107 thousand euros).

Net profit for the first six months of 2007 (after tax and minority interest) amounted to 30.4 million kroons (1.9 million euros). Compared with a year ago, net profit was 16.3% smaller. Net margin for the first half of 2007 was 5.7% (6m 2006: 9.3%).

BALANCE SHEET

At 30 June 2007, the Group's consolidated balance sheet total was 636 million kroons (40.7 million euros), a 32% increase yoy. Both assets and liabilities have increased in connection with expansion.

At the end of June inventories stood at 230 million kroons (14.7 million euros), up 34% yoy. Inventory turnover ratio (net sales/average inventories) remained stable at 5.34 compared with a year ago.

Trade receivables totalled 84 million kroons (5.4 million euros), posting a 40% growth on a year ago. Supplier payables grew also by 40%, amounting to 86 million kroons (5.5 million euros) at 30 June 2007. Compared with the end of 2006, both trade receivables and supplier payables have decreased.

At 30 June 2007, the Group's borrowings totalled 175 million kroons (11.2 million euros), including bank loans of 138 million kroons (8.8 million euros). The remainder of borrowings was made up of bonds of 29 million kroons (1.9 million euros) and finance lease liabilities of 8 million kroons (0.5 million euros). The borrowings have increased by 34 million kroons (2.2 million euros) over the year. The Group's borrowings have increased in connection with investments made for the expansion of the retail system.

At the end of June 2007, the Group's net debt (interest-bearing liabilities less cash and bank balances) to equity ratio was 48.0% against 49.1% a year ago.

BONUS ISSUE

In June 2007, the share capital of AS Baltika was increased through a bonus issue. Two bonus shares were issued for each existing share and the number of shares outstanding increased from 6,214,950 to 18,644,850.

The bonus issue was performed using retained earnings and share premium of 124,299,000 kroons (7,944,154 euros) in aggregate. The company issued 12,429,900 new ordinary shares with a nominal value of 10 kroons (0.64 euros) each. After the bonus issue, share capital amounts to 186,448,500 kroons (11,916,231 euros). The new shares entitle the holder to dividends distributed for the financial year started on 1 January 2007.

INVESTMENTS

The Group's investments for the first half of 2007 totalled 53.9 million kroons (3.5 million euros). Investments in the retail business and information technology amounted to 36.0 million kroons (2.3 million euros) and 5.1 million kroons (0.3 million euros) respectively. Investments in production activities totalled 7.2 million kroons (0.5 million euros). In addition, the repurchase of a 50% stake in joint venture OÜ Baltika Tailor cost 5.6 million kroons (0.4 million euros).

PERSONNEL

At the end of June 2007, Baltika Group employed 2,011 (30 June 2006: 1,758) people including 989 (711) in the retail business, 817 (882) in production operations and 205 (165) in the head office. The number of people employed outside Estonia was 788 (551), i.e., 39% of all employees. The six months' average number of employees was 1,978 (6m 2006: 1,717).

The Group's employee remuneration expenses for the first six months of 2007 totalled 91.4 million kroons (5.8 million euros). Payments made to members of the supervisory council and management board totalled 3.5 million kroons (224 thousand euros).

ESTABLISHMENT OF A SUBSIDIARY IN THE CZECH REPUBLIC

Continuing its expansion in Central and Eastern Europe, Baltika is going to enter the Czech market in 2007. For this, a wholly-owned subsidiary, Baltika Retail Czech Republic s.r.o., was registered in the Czech Republic on 7 May 2007. In addition, a contract has been signed for opening a store in Prague, the capital of the Czech Republic. A Monton store will be opened in the new, centrally-located Palladium shopping centre which should be launched in the fourth quarter of 2007.

MERGER OF SUBSIDIARIES

According to an agreement concluded on 28 May 2007, AS Baltika's wholly-owned subsidiaries OÜ Baltika Tailor and AS Elina STC will merge. The acquirer will be OÜ Baltika Tailor. Both entities are engaged in apparel manufacturing. The purpose of the transaction is to transfer the Group's production operations in Tallinn to a single company. The merger is an intra-group transaction which will not have a significant impact on the Group's operations or financial results.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of AS Baltika which convened on 21 May 2007 approved the company's annual report for 2006, the distribution of profits and an increase in share capital through a bonus issue. Further information on the bonus issue is provided in the section "Bonus issue".

It was resolved that shareholders should be distributed a dividend of 2.40 kroons (0.15 euros) per share, i.e., 14.9 million kroons (953 thousand euros) in aggregate, from retained earnings. The bonus issue which increased the number of shares reduced the dividend to 0.80 kroons (0.05 euros) per share. The list of shareholders entitled to a dividend was determined on 3 June 2007 at 23:59. Dividends were paid out on 12 June 2007.

The general meeting appointed AS PricewaterhouseCoopers as the company's auditor for the 2007 financial year, made amendments to the company's Articles of Association and adopted a new wording of the Articles of Association.

In addition, the general meeting approved a convertible bonds issue. The issue is part of Baltika's incentives program, which is aimed at motivating the team implementing the strategic goals for 2007-2008 to increase the value of the company, and a measure for raising additional funds for financing the development of the company.

KEY FIGURES OF THE GROUP (6 months 2007)

	30.06.2007	30.06.2006	+/-
Net sales (EEK million)	536.0	390.2	37.4%
Retail sales (EEK million)	446.8	315.9	41.5%
Share of retail sales in net sales	83%	81%	
Number of directly managed stores	124	94	31.9%
Sales area (m ²)	23,011	14,517	58.5%
Number of employees (end of period)	2,011	1,758	14.4%
Gross margin	55.2%	55.9%	
Operating margin	7.5%	10.1%	
EBT margin	6.7%	9.9%	
Net margin	5.7%	9.3%	
Current ratio	1.8	1.8	0%
Inventory turnover	5.34	5.34	0%
Debt to equity ratio	54.6%	56.9%	
Return on equity	28.5%	39.7%	
Return on assets	14.1%	21.4%	

EUR 1 = EEK 15.6466

Definitions of 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

Return on equity (ROE) = Net profit (attributable to parent)/Average equity*

Return on assets (ROA) = Net profit (attributable to parent)/Average total assets*

*Based on 12-month average

Ülle Järv

CFO, Member of the Management Board

+372 630 2741

Further information:

Triin Palge

Head of Investor Relations

+372 630 2886

triin.palge@baltikagroup.com

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 second quarter of 2007 as presented on pages 9-36.

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.



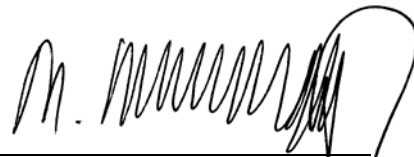
Meelis Milder
Chairman of the Management Board
28 August 2007



Ülle Järv
Member of the Management Board
28 August 2007



Boriss Lohfeld
Member of the Management Board
28 August 2007



Maire Milder
Member of the Management Board
28 August 2007

CONSOLIDATED BALANCE SHEET

(unaudited, in EEK thousand)

	Note	30.06.2007	31.12.2006
ASSETS			
Current assets			
Cash and bank	3	21,336	12,584
Trade receivables	4	84,072	86,402
Other receivables and prepaid expenses	5,6	46,165	42,069
Inventories	7	230,166	200,702
Total current assets		381,739	341,757
Non-current assets			
Investment property		23,572	23,572
Deferred income tax asset		4,462	4,462
Other non-current financial assets	8	11,341	11,077
Property, plant and equipment	9	160,388	166,448
Intangible assets	10	54,757	49,074
Total non-current assets		254,520	254,633
TOTAL ASSETS		636,259	596,390
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	11,12	75,209	88,179
Supplier payables		86,368	96,535
Tax liabilities	6	27,407	23,006
Accrued expenses	13	23,056	18,174
Other short-term liabilities	13	5,339	7,022
Total current liabilities		217,379	232,916
Non-current liabilities			
Long-term borrowings	11	99,380	59,234
Total non-current liabilities		99,380	59,234
TOTAL LIABILITIES		316,759	292,150
EQUITY			
Share capital at par value		186,449	62,150
Share premium		0	59,088
Reserves		22,543	9,721
Retained earnings		67,949	73,521
Net profit for the period		30,367	87,376
Currency translation reserve		4,639	4,319
Total equity attributable to equity holders of the parent		311,947	296,175
Minority interest		7,553	8,065
TOTAL EQUITY	14	319,500	304,240
TOTAL LIABILITIES AND EQUITY		636,259	596,390

CONSOLIDATED BALANCE SHEET

(unaudited, in EUR thousand)

	Note	30.06.2007	31.12.2006
ASSETS			
Current assets			
Cash and bank	3	1,364	804
Trade receivables	4	5,373	5,522
Other receivables and prepaid expenses	5,6	2,950	2,689
Inventories	7	14,710	12,827
Total current assets		24,398	21,843
Non-current assets			
Investment property		1,507	1,507
Deferred income tax asset		285	285
Other non-current financial assets	8	725	708
Property, plant and equipment	9	10,251	10,638
Intangible assets	10	3,500	3,136
Total non-current assets		16,267	16,274
TOTAL ASSETS		40,664	38,117
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	11,12	4,807	5,636
Supplier payables		5,520	6,170
Tax liabilities	6	1,752	1,470
Accrued expenses	13	1,474	1,162
Other short-term liabilities	13	341	449
Total current liabilities		13,893	14,886
Non-current liabilities			
Long-term borrowings	11	6,352	3,786
Total non-current liabilities		6,352	3,786
TOTAL LIABILITIES		20,245	18,672
EQUITY			
Share capital at par value		11,916	3,972
Share premium		0	3,776
Reserves		1,441	621
Retained earnings		4,343	4,699
Net profit for the period		1,941	5,584
Currency translation reserve		296	276
Total equity attributable to equity holders of the parent		19,937	18,930
Minority interest		483	515
TOTAL EQUITY	14	20,420	19,445
TOTAL LIABILITIES AND EQUITY		40,664	38,117

CONSOLIDATED INCOME STATEMENT

(unaudited, in EEK thousand)

	Note	2Q 2007	2Q 2006	6m 2007	6m 2006
Net sales	16	269,714	205,006	536,043	390,204
Cost of goods sold	17	-113,570	-86,736	-239,999	-172,138
Gross profit		156,144	118,270	296,044	218,066
Distribution costs	18	-127,223	-78,054	-245,011	-151,020
Administrative and general expenses	19	-12,465	-12,781	-25,352	-24,091
Other operating income	20	303	811	16,580	851
Other operating expenses	21	-550	-3,354	-1,980	-4,467
Operating profit		16,209	24,892	40,281	39,339
Financial income (expenses)		-2,465	621	-4,301	-728
Share of joint venture results		0	0	0	-234
Gains from other investments, net		0	1,586	0	1,586
Interest expenses, net		-2,321	-1,255	-4,166	-2,249
Foreign exchange gains, net		-76	57	-63	287
Other financial expenses, net		-68	233	-72	-118
Profit before income tax		13,744	25,513	35,980	38,611
Income tax		-4,471	-2,122	-4,893	-2,583
Net profit		9,273	23,391	31,087	36,028
Net profit attributable to equity holders of the parent company		8,704	22,061	30,367	36,269
Net profit (loss) attributable to minority shareholders		569	1,330	720	-241
Basic earnings per share, EEK	22	0.47	1.22	1.63	2.04
Diluted earnings per share, EEK	22	0.47	1.21	1.63	2.03

CONSOLIDATED INCOME STATEMENT
(unaudited, in EUR thousand)

	Note	2Q 2007	2Q 2006	6m 2007	6m 2006
Net sales	16	17,238	13,102	34,259	24,939
Cost of goods sold	17	-7,258	-5,543	-15,339	-11,002
Gross profit		9,979	7,559	18,921	13,937
Distribution costs	18	-8,131	-4,989	-15,659	-9,652
Administrative and general expenses	19	-797	-817	-1,620	-1,540
Other operating income	20	19	52	1,060	54
Other operating expenses	21	-35	-214	-127	-285
Operating profit		1,036	1,591	2,574	2,514
Financial income (expenses)		-158	40	-275	-47
Share of joint venture results		0	0	0	-15
Gains from other investments, net		0	101	0	101
Interest expenses, net		-148	-80	-266	-144
Foreign exchange gains, net		-5	4	-4	18
Other financial expenses, net		-4	15	-5	-8
Profit before income tax		878	1,631	2,300	2,468
Income tax		-286	-136	-313	-165
Net profit		593	1,495	1,987	2,303
Net profit attributable to equity holders of the parent company		556	1,411	1,941	2,319
Net profit (loss) attributable to minority shareholders		36	84	46	-16
Basic earnings per share, EUR	22	0.03	0.08	0.10	0.13
Diluted earnings per share, EUR	22	0.03	0.08	0.10	0.13

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EEK thousand)

	Note	6m 2007	6m 2006
Operating activities			
Operating profit		40,281	39,339
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	9,10	18,633	12,802
Profit (loss) from disposal of property, plant and equipment		-16,241	18
Changes in working capital:			
Change in balance of receivables		-10,676	-28,132
Change in balance of inventories	7	-29,464	-26,747
Change in supplier payables		-2,770	10,328
Interest paid		-4,180	-2,910
Income tax paid		-501	-3,348
Total cash flow from operating activities		-4,918	1,350
Investing activities			
Purchase of property, plant and equipment, intangibles	9,10	-48,379	-53,713
Thereof under the finance lease terms		3,548	0
Proceeds from disposal of property, plant and equipment		50,348	689
Investments in subsidiaries	24	-3,243	-353
Interest received		125	78
Repayments of loans granted		0	160
Total cash flow from investing activities		2,399	-53,139
Financing activities			
Received borrowings	11	55,215	51,130
Repayments of borrowings	11	-22,218	-4,650
Finance lease and instalment payments made		-5,270	-113
Receipts from contributions into share capital		0	7,021
Dividends paid		-13,478	-12,020
Dividends received		0	15
Redemption of bonds	12	-31,500	-17,500
Proceeds from issue of bonds	12	28,585	19,148
Total cash flow from financing activities		11,334	43,031
Effect of exchange rate changes on cash balance		-63	287
Total cash flows		8,752	-8,471
Cash and cash equivalents at the beginning of the period	3	12,584	25,961
Cash and cash equivalents at the end of the period	3	21,336	17,490
Change in cash and cash equivalents		8,752	-8,471

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EUR thousand)

	Note	6m 2007	6m 2006
Operating activities			
Operating profit		2,574	2,514
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	9,10	1,191	818
Profit (loss) from disposal of property, plant and equipment		-1,038	1
Changes in working capital:			
Change in balance of receivables		-682	-1,798
Change in balance of inventories	7	-1,883	-1,709
Change in supplier payables		-177	660
Interest paid		-267	-186
Income tax paid		-32	-214
Total cash flow from operating activities		-314	86
Investing activities			
Purchase of property, plant and equipment, intangibles	9,10	-3,091	-3,433
Thereof under the finance lease terms		227	0
Proceeds from disposal of property, plant and equipment		3,218	44
Investments in subsidiaries	24	-207	-23
Interest received		8	5
Repayments of loans granted		0	10
Total cash flow from investing activities		153	-3,395
Financing activities			
Received borrowings	11	3,529	3,268
Repayments of borrowings	11	-1,420	-297
Finance lease and instalment payments made		-337	-7
Receipts from contributions into share capital		0	449
Dividends paid		-861	-768
Dividends received		0	1
Redemption of bonds	12	-2,013	-1,118
Proceeds from issue of bonds	12	1,827	1,224
Total cash flow from financing activities		724	2,750
Effect of exchange rate changes on cash balance		-4	18
Total cash flows		560	-541
Cash and cash equivalents at the beginning of the period	3	804	1,659
Cash and cash equivalents at the end of the period	3	1,364	1,118
Change in cash and cash equivalents		560	-541

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to equity holders	Minority interest	Total
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	-109	-109	-8	-117
Net income (expense) recognised directly in equity	0	0	0	0	-109	-109	-8	-117
Net profit for the period	0	0	0	36,269	0	36,269	-241	36,028
Total recognised income (expense)	0	0	0	36,269	-109	36,160	-249	35,911
Equity-settled share-based transactions	0	315	0	0	0	315	0	315
Dividends paid	0	0	0	-12,031	0	-12,031	0	-12,031
Transfers to statutory reserve capital	0	0	189	-189	0	0	0	0
Increase of share capital	1,920	5,293	0	0	0	7,213	0	7,213
Acquisition of minority interest	0	0	0	0	0	0	6,891	6,891
Balance as of 30.06.2006	60,150	55,298	9,721	109,790	4,022	238,981	7,270	246,251
Balance as of 31.12.2006	62,150	59,088	9,721	160,897	4,319	296,175	8,065	304,240
Currency translation differences	0	0	0	0	320	320	5	325
Net income (expense) recognised directly in equity	0	0	0	0	320	320	5	325
Net profit for the period	0	0	0	30,367	0	30,367	720	31,087
Total recognised income (expense)	0	0	0	30,367	320	30,687	725	31,412
Dividends paid	0	0	0	-14,916	0	-14,916	0	-14,916
Transfers to statutory reserve capital	0	0	12,822	-12,822	0	0	0	0
Increase of share capital	124,299	-59,088	0	-65,211	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	-1,237	-1,237
Balance as of 30.06.2007	186,449	0	22,543	98,316	4,639	311,947	7,553	319,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to equity holders	Minority interest	Total
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	-7	-7	-1	-8
Net income (expense) recognised directly in equity	0	0	0	0	-7	-7	-1	-8
Net profit for the period	0	0	0	2,318	0	2,318	-15	2,303
Total recognised income (expense)	0	0	0	2,318	-7	2,311	-16	2,294
Equity-settled share-based transactions	0	20	0	0	0	20	0	20
Dividends paid	0	0	0	-769	0	-769	0	-769
Transfers to statutory reserve capital	0	0	12	-12	0	0	0	0
Increase of share capital	123	338	0	0	0	461	0	461
Acquisition of minority interest	0	0	0	0	0	0	440	440
Balance as of 30.06.2006	3,844	3,534	621	7,017	257	15,275	465	15,739
Balance as of 31.12.2006	3,972	3,776	621	10,283	276	18,930	515	19,445
Currency translation differences	0	0	0	0	20	20	0	21
Net income (expense) recognised directly in equity	0	0	0	0	20	20	0	21
Net profit for the period	0	0	0	1,941	0	1,941	46	1,987
Total recognised income (expense)	0	0	0	1,941	20	1,960	47	2,008
Dividends paid	0	0	0	-953	0	-953	0	-953
Transfers to statutory reserve capital	0	0	819	-819	0	0	0	0
Increase of share capital	7,944	-3,776	0	-4,168	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	-79	-79
Balance as of 30.06.2007	11,916	0	1,441	6,284	296	19,937	483	20,420

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 second quarter of 2007 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 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2006 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 EUR 1 = EEK 15.6466.

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 risk management, which 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 (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit, operational 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. Although the management of the parent company is responsible for managing risks and approving risk procedures, 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 in 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 a marketing organisation in each target market enabling the Group to obtain fast and direct feedback on market developments on the one hand and adequately consider local condition on the other.

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

Foreign exchange risk

Exports constitute 74% of the sales of Baltika Group. The major currencies for exports at the Group's retail markets are LTL (Lithuanian lit), LVL (Latvian lat), UAH (Ukrainian hryvnia), PLN (Polish zloty), RUR (Russian rouble); the Group's other currencies are EUR (euro), GBP (British pound). 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 Group'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 USD 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, and Poland). On the other hand, the weakening of the dollar has a positive impact on importing from the countries (China, Japan, Korea) with which accounts are settled in dollars.

The Group's results are open to fluctuations in foreign currency rates against Estonian kroon in those countries where AS Baltika has subsidiaries. The impact of changes in average foreign currency rates against Estonian kroon in the reporting period were the following: Polish zloty +1.1% (2006: +5.0%), Ukrainian hryvnia -7.2% (2006: +7.4%), Russian rouble -1.9% (2006: +5.7%) and Latvian lat -0.6% (2006: +0.0%). The Lithuanian lit is fixed to EUR and has therefore no impact on the Group's results.

No separate instruments were used for hedging foreign currency risks in 2007. The Group mostly uses the euro to settle the accounts with its subsidiaries located in foreign markets; for the Polish subsidiary, accounts are settled in zlotys and since October 2005, accounts are settled in roubles with the Russian subsidiary.

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 20 and 21.

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 84,072 thousand kroons/5,373 thousand euros (31 December 2006: 86,402 thousand kroons/5,522 thousand euros), including credit risk of the Russian wholesale partner of 52,562 thousand kroons/3,359 thousand euros (31 December 2006: 49,044 thousand kroons/3,134 thousand euros). Russia's credit risk is related to one customer, who was also a minority shareholder of Baltman Rus until April 2006.

A Group current account/overdraft facility 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 11).

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value 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. During 2007 and 2006, the Group's long-term borrowings at variable rate were denominated in EUR, therefore no currency risk is assumed.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. No separate financial instruments have been used to manage the interest rate risk during neither the current reporting period nor the comparable period.

Operational risk

The most important operating risk arises from the Group's inability to produce collections which would meet customer expectations and the goods that cannot be sold when expected and as budgeted. Another important risk is that the Group's information technology system is unable to ensure sufficiently fast and accurate transmission of information for decision-making purposes. In 2006, one more risk has been identified resulting from later than planned openings of shopping centres that might lead to excessive inventories.

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 balance of inventories and using the information in subsequent activities. In order to upgrade information systems, the transition to the integrated system encompassing several areas of operations has been initiated in 2006. 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	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Cash in hand	2,960	3,879	188	248
Cash at bank	18,242	8,705	1,167	556
Short-term deposits	134	0	9	0
Total	21,336	12,584	1,364	804

NOTE 4 Trade receivables

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Accounts receivable	85,380	87,710	5,457	5,606
Allowance for impairment of trade receivables	-1,308	-1,308	-84	-84
Total	84,072	86,402	5,373	5,522

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 5 Other receivables and prepaid expenses

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Other current receivables	8,676	9,065	554	579
Tax prepayments and tax reclaims	16,723	14,356	1,069	918
Prepaid expenses	20,766	18,648	1,327	1,192
Total	46,165	42,069	2,950	2,689

NOTE 6 Tax receivables and tax liabilities**Tax receivables (prepayments)**

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Value added tax	16,309	13,260	1,042	847
Prepaid income tax	273	978	17	63
Other taxes	141	118	9	8
Total	16,723	14,356	1,069	918

Tax liabilities

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Personal income tax	4,585	3,895	293	249
Social security tax	8,493	7,444	543	476
Value added tax	8,135	10,565	520	675
Income tax	5,525	406	353	26
Other taxes	669	696	43	44
Total	27,407	23,006	1,752	1,470

NOTE 7 Inventories

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Raw materials and materials	56,262	71,239	3,596	4,552
Impairment of raw materials	0	-524	0	-33
Work-in-progress	2,014	2,293	129	147
Finished goods and goods purchased for resale	167,747	129,335	10,721	8,265
Impairment of finished goods and goods purchased for resale	-600	-2,807	-38	-179
Prepayments to suppliers	4,743	1,166	302	75
Total	230,166	200,702	14,710	12,827

As of 30 June 2007, the inventories of the Group with the carrying amount of 4,133 thousand kroons/264 thousand euros (31 December 2006: 3,191 thousand kroons/204 thousand euros) were in the custody of third parties.

NOTE 8 Other non-current financial assets

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Loan receivable from joint venture	0	1,359	0	87
Long-term prepayments for rent	11,341	9,718	725	621
Total	11,341	11,077	725	708

NOTE 9 Property, plant and equipment

The Group's investments in property, plant and equipment during the reporting period amounted to 49,397 thousand kroons/3,157 thousand euros (2006: 53,250 thousand kroons/3,403 thousand euros). Investments within business combinations amounted to 4,506 thousand kroons/288 thousand euros. Investments in retail operations totalled 35,621 thousand kroons/2,277 thousand euros (2006: 19,355 thousand kroons/1,237 thousand euros). Investments in the amount of 7,197 thousand kroons/460 thousand euros (2006: 2,435 thousand kroons/156 thousand euros) were made in production related assets and in the amount of 1,638 thousand

kroons/105 thousand euros (2006: 3,817 thousand kroons/244 thousand euros) in information technology. Investments in other equipments amounted to 435 thousand kroons/27 thousand euros (2006: 238 thousand kroons/15 thousand euros). During the first six months of 2006, the Group invested additionally 27,405 thousand kroons/1,751 thousand euros in the construction of the new logistics centre.

In March 2007, the Group sold the construction rights and the logistics centre located in Lasnamäe Tööstuspark. At the same time, the Group signed a lease agreement with the purchaser to rent the logistics centre over the ten year lease period. The transaction price was 50,186 thousand kroons/3,207 thousand euros and gain from sales amounted to 16,210 thousand kroons/1,036 thousand 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
31.12.2005							
Acquisition cost	10,973	74,005	71,321	51,440	2,009	3,305	213,053
Accumulated depreciation	0	-27,516	-64,299	-33,149	0	0	-124,964
Net book amount	10,973	46,489	7,022	18,291	2,009	3,305	88,089
Additions	0	5,182	2,699	10,109	30,894	4,366	53,250
Disposals	0	-1,573	-5	-620	0	0	-2,198
Written off against reserve	0	1,243	0	0	0	0	1,243
Reclassification	0	183	0	0	2,567	-2,750	0
Depreciation	0	-3,244	-1,926	-4,102	0	0	-9,272
Currency translation differences	0	-221	-54	-248	-19	-56	-598
30.06.2006							
Acquisition cost	10,973	76,146	71,613	59,041	35,451	4,865	258,089
Accumulated depreciation	0	-28,087	-63,877	-35,611	0	0	-127,575
Net book amount	10,973	48,059	7,736	23,430	35,451	4,865	130,514
31.12.2006							
Acquisition cost	10,973	116,708	78,982	94,154	1,605	1,552	303,974
Accumulated depreciation	0	-31,667	-68,899	-36,960	0	0	-137,526
Net book amount	10,973	85,041	10,083	57,194	1,605	1,552	166,448
Additions	0	10,571	6,801	20,559	6,403	557	44,891
Acquired within business combinations	0	0	4,180	0	326	0	4,506
Disposals	-7,969	-32,180	-6	-6	0	0	-40,161
Reclassification	0	11,991	95	-6,851	-5,171	-64	0
Depreciation	0	-5,201	-2,321	-7,641	0	0	-15,163
Currency translation differences	0	-51	-1	-74	-1	-6	-133
30.06.2007							
Acquisition cost	3,004	104,253	89,480	105,748	3,162	2,039	307,686
Accumulated depreciation	0	-34,082	-70,649	-42,567	0	0	-147,298
Net book amount	3,004	70,171	18,831	63,181	3,162	2,039	160,388

EUR '000	Land	Buildings, structures	Machinery, equipment	Other fixtures	Constr. in progress	Pre- payments	Total
31.12.2005							
Acquisition cost	701	4,730	4,559	3,288	128	211	13,617
Accumulated depreciation	0	-1,759	-4,109	-2,119	0	0	-7,987
Net book amount	701	2,971	450	1,169	128	211	5,630
Additions	0	331	172	646	1,975	279	3,403
Disposals	0	-100	0	-40	0	0	-140
Written off against reserve	0	79	0	0	0	0	79
Reclassification	0	12	0	0	164	-176	0
Depreciation	0	-207	-123	-262	0	0	-593
Currency translation differences	0	-14	-3	-16	-1	-4	-38
30.06.2006							
Acquisition cost	701	4,867	4,577	3,773	2,266	311	16,495
Accumulated depreciation	0	-1,796	-4,082	-2,276	0	0	-8,154
Net book amount	701	3,072	494	1,497	2,266	311	8,341
31.12.2006							
Acquisition cost	701	7,459	5,048	6,018	103	99	19,427
Accumulated depreciation	0	-2,024	-4,403	-2,362	0	0	-8,790
Net book amount	701	5,435	644	3,655	103	99	10,638
Additions	0	676	435	1,314	409	36	2,869
Acquired within business combinations	0	0	267	0	21	0	288
Disposals	-509	-2,057	0	0	0	0	-2,567
Reclassification	0	766	6	-438	-330	-4	0
Depreciation	0	-332	-148	-488	0	0	-969
Currency translation differences	0	-3	1	-5	0	0	-9
30.06.2007							
Acquisition cost	192	6,663	5,719	6,759	202	130	19,665
Accumulated depreciation	0	-2,178	-4,515	-2,721	0	0	-9,414
Net book amount	192	4,485	1,204	4,038	202	130	10,251

NOTE 10 Intangible assets

The investments in development of information systems in the first six months of 2007 amounted to 3,488 thousand kroons/223 thousand euros (2006: 1,028 thousand kroons/66 thousand euros). The cost of investments is amortised over the estimated useful life of 10 years.

Intangible assets in the amount of 5,696 thousand kroons/364 thousand euros were acquired within business combinations including the goodwill of 5,555 thousand kroons/355 thousand euros (Note 24).

Movement of intangible assets of the Group

EEK '000	Licences, software and other	Trade- marks	Pre- payments	Goodwill	Total
31.12.2005					
Acquisition cost	21,125	0	0	14,129	35,254
Accumulated amortisation	-8,763	0	0	0	-8,763
Net book amount	12,362	0	0	14,129	26,491

Additions	1,028	0	0	7,086	8,114
Disposals	-13	0	0	0	-13
Amortisation	-2,562	0	0	0	-2,562
Currency translation differences	-8	0	0	243	235

30.06.2006

Acquisition cost	22,108	0	0	21,458	43,566
Accumulated amortisation	-11,301	0	0	0	-11,301
Net book amount	10,807	0	0	21,458	32,265

31.12.2006

Acquisition cost	31,114	10,060	1,450	20,423	63,047
Accumulated amortisation	-13,928	-45	0	0	-13,973
Net book amount	17,186	10,015	1,450	20,423	49,074

Additions	1,557	0	1,931	0	3,488
Acquired within business combinations	141	0	0	5,555	5,696
Amortisation	-3,097	-374	0	0	-3,471
Currency translation differences	-1	0	-2	-27	-30

30.06.2007

Acquisition cost	32,834	10,060	3,379	25,951	72,224
Accumulated amortisation	-17,048	-419	0	0	-17,467
Net book amount	15,786	9,641	3,379	25,951	54,757

EUR '000	Licences, software and other	Trade- marks	Pre- payments	Goodwill	Total
31.12.2005					
Acquisition cost	1,350	0	0	903	2,253
Accumulated amortisation	-560	0	0	0	-560
Net book amount	790	0	0	903	1,693
Additions	66	0	0	453	519
Disposals	-1	0	0	0	-1
Amortisation	-164	0	0	0	-164
Currency translation differences	-1	0	0	16	15
30.06.2006					
Acquisition cost	1,412	0	0	1,372	2,784
Accumulated amortisation	-722	0	0	0	-722
Net book amount	690	0	0	1,372	2,062
31.12.2006					
Acquisition cost	1,988	643	93	1,305	4,029
Accumulated amortisation	-890	-3	0	0	-893
Net book amount	1,098	640	93	1,305	3,136
Additions	100	0	123	0	223
Acquired within business combinations	9	0	0	355	364
Amortisation	-197	-24	0	0	-221
Currency translation differences	0	0	0	-2	-2

30.06.2007

Acquisition cost	2,098	643	216	1,659	4,615
Accumulated amortisation	-1,089	-27	0	0	-1,116
Net book amount	1,009	616	216	1,659	3,500

NOTE 11 Borrowings

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Short-term borrowings				
Current portion of long-term bank loans	8,104	13,946	518	891
Short-term bank loans	37,210	41,911	2,378	2,679
Short-term finance lease liabilities	859	1,149	55	73
Bonds	29,036	31,173	1,856	1,993
Total	75,209	88,179	4,807	5,636
Long-term borrowings				
Long-term bank loans	92,700	49,160	5,925	3,142
Long-term finance lease liabilities	6,680	10,074	427	644
Total	99,380	59,234	6,352	3,786

In March 2007, the Group signed a loan contract with Hansapank with maximum credit exposure of 50,000 thousand kroons/3,196 thousand euros. The loan is fully recognised under long-term borrowings until September 2007 by which time the Group shall take available funds into use. The loan shall be fully repaid by March 2015.

Also, one of the loans from Hansapank has been refinanced in March 2007. Due to refinancing, the loan balance increased by 628 thousand kroons/40 thousand euros. Other terms remained unchanged.

During the reporting period, the Group made loan repayments in the amount of 22,218 thousand kroons/1,420 thousand euros (2006: 4,650 thousand kroons/297 thousand euros). Interest expense of the reporting period amounted to 3,095 thousand kroons/198 thousand euros (2006: 1,599 thousand kroons/102 thousand euros). Interest expenses have been recognised net with the corresponding income under interest expenses.

Bank loans of the Group as of 30 June 2007

EEK '000	Balance	Expiring	Expiring	Interest rate
	as of	within	within	
	30.06.2007	1 year	1-5 years	
Nordea Pank	4,210	468	3,742	6 month Euribor+2.50%
Nordea Pank	1,667	416	1,251	3 month Euribor+2.50%
Hansapank	43,012	0	43,012	6 month Euribor+0.90%
Hansapank	4,286	2,143	2,143	6 month Euribor+2.35%
Hansapank	37,615	3,825	33,790	6 month Euribor+1.50%
Nordea Pank	10,014	1,252	8,762	3 month Euribor+1.00%
Hansapank (overdraft facility)	32,000	32,000	0	4.25%
Nordea Pank (overdraft facility)	5,210	5,210	0	5.30%
Total	138,014	45,314	92,700	

EUR '000	Balance	Expiring	Expiring	Interest rate
	as of	within	within	
	30.06.2007	1 year	1-5 years	
Nordea Pank	269	30	239	6 month Euribor+2.50%
Nordea Pank	107	27	80	3 month Euribor+2.50%
Hansapank	2,749	0	2,749	6 month Euribor+0.90%

Hansapank	274	137	137	6 month Euribor+2.35%
Hansapank	2,404	244	2,160	6 month Euribor+1.50%
Nordea Pank	640	80	560	3 month Euribor+1.00%
Hansapank (overdraft facility)	2,045	2,044	0	4.25%
Nordea Pank (overdraft facility)	333	333	0	5.30%
Total	8,821	2,896	5,925	

Bank loans of the Group as of 31 December 2006

EEK '000	Balance as of 31.12.2006	Expiring within 1 year	Expiring within 1-5 years	Interest rate
Nordea Pank	4,678	936	3,742	6 month Euribor+2.50%
Nordea Pank	2,084	833	1,251	3 month Euribor+2.50%
Hansapank	40,793	7,531	33,262	6 month Euribor+1.50%
Hansapank	4,286	2,143	2,143	6 month Euribor+2.35%
Hansapank	10,000	10,000	0	4.25%
Nordea Pank	11,265	2,503	8,762	3 month Euribor+1.00%
Hansapank (overdraft facility)	27,805	27,805	0	4.25%
Nordea Pank (overdraft facility)	4,106	4,106	0	5.30%
Total	105,017	55,857	49,160	

EUR '000	Balance as of 31.12.2006	Expiring within 1 year	Expiring within 1-5 years	Interest rate
Nordea Pank	299	60	239	6 month Euribor+2.50%
Nordea Pank	133	53	80	3 month Euribor+2.50%
Hansapank	2,607	481	2,126	6 month Euribor+1.50%
Hansapank	274	137	137	6 month Euribor+2.35%
Hansapank	639	639	0	4.25%
Nordea Pank	720	160	560	3 month Euribor+1.00%
Hansapank (overdraft facility)	1,777	1,776	0	4.25%
Nordea Pank (overdraft facility)	263	262	0	5.30%
Total	6,712	3,570	3,142	

NOTE 12 Bonds**Convertible bonds**

According to the resolution of the General Meeting of Shareholders held on 21 May 2007, it was decided to issue 62,000 convertible E-bonds to the management of Baltika Group with the nominal value of 1.00 kroon/0.06 euros. Each convertible bond entitles its holder to subscribe for three Company shares. The bonds are convertible into shares at the price of 125.07 kroons/7.99 euros, equalling the weighted average price of AS Baltika share at the Tallinn Stock Exchange on the first day of the subscription period.

Convertible bonds as of 30 June 2007

	Issue date	Bond conversion period	Number of convertible bonds 30.06.2007	Number of convertible bonds 31.12.2006
E-Bond	15.06.2007	01.07.2008-31.12.2008	62,000	0

Closed issue of bonds

On 15 March 2007, AS Baltika issued 3,000 bonds with the nominal value of 10,000.00 kroons/639.12 euros and price of 9,517.51 kroons/608.28 euros per bond. The total amount of the closed bond issue was 30,000 thousand kroons/1,917 thousand euros. The redemption date of the bonds is 14 March 2008. The difference between the nominal value and issue price yields an interest of 5.0% per annum. The bonds are unsecured.

The proceeds were used to finance the redemption of the bond issues due on 16 March and 18 April 2007. The redemption value of the bond issues was 20,000 thousand kroons/1,278 thousand euros and 11,500 thousand kroons/735 thousand euros respectively.

Bonds as of 30 June 2007

	Quantity	Nominal (EEK)	Issue price (EEK)	Balance as of 30.06.2007 (EEK '000)	Interest rate	Maturity
Bonds	3,000	10,000	28,553	28,974	5.00%	14.03.2008

	Quantity	Nominal (EUR)	Issue price (EUR)	Balance as of 30.06.2007 (EUR '000)	Interest rate	Maturity
Bonds	3,000	639	1,825	1,852	5.00%	14.03.2008

Bonds as of 31 December 2006

	Quantity	Nominal (EEK)	Issue price (EEK)	Balance as of 31.12.2006 (EEK '000)	Interest rate	Maturity
Bonds	2,000	10,000	19,208	19,835	4.08%	16.03.2007
Bonds	1,150	10,000	11,111	11,338	4.60%	18.04.2007
Total	3,150		30,319	31,173		

	Quantity	Nominal (EUR)	Issue price (EUR)	Balance as of 31.12.2006 (EUR '000)	Interest rate	Maturity
Bonds	2,000	639	1,228	1,268	4.08%	16.03.2007
Bonds	1,150	639	710	725	4.60%	18.04.2007
Total	3,150		1,938	1,993		

NOTE 13 Accrued expenses and other short-term liabilities

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Payables to employees	22,373	17,250	1,430	1,102
Dividends payable	12	7	1	0
Interest payable	0	43	0	3
Other accrued expenses	671	874	43	56
Customer prepayments	204	392	13	25
Other short-term liabilities	5,135	6,630	328	425
Total	28,395	25,196	1,815	1,611

Other short-term liabilities consist of discounted instalment for acquisition of Ivo Nikkolo's trademark that is payable in year 2008 and the amounts due for acquiring an additional stake in joint venture OÜ Baltika Tailor.

NOTE 14 Equity**Share capital**

EEK '000	30.06.2007	31.12.2006
Share capital	186,449	62,150
Number of shares	18,644,850	6,214,950
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	18,645	5,823
Revaluation reserve	3,898	3,898
EUR '000	30.06.2007	31.12.2006
Share capital	11,916	3,972
Number of shares	18,644,850	6,214,950
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	372
Revaluation reserve	249	249

In June 2007, the share capital of AS Baltika was increased through a bonus issue. Two bonus shares were issued for each existing share and the number of shares outstanding increased from 6,214,950 to 18,644,850.

Under the articles of association, the Company's minimum number of shares is 10,000,000 and the maximum number of shares is 40,000,000. All shares have been paid for.

Change in the number of shares

	Issue	Number of shares
Number of shares on 31.12.2002		5,444,450
Issued 20.02.2003	Conversion of A-bonds	15,500
Issued 30.07.2003	Conversion of A-bonds	39,500
Number of shares on 31.12.2003		5,499,450
Issued 15.07.2004	Conversion of A-bonds	88,000
Issued 16.12.2004	Conversion of A-bonds	46,500
Number of shares on 31.12.2004		5,633,950
Issued 17.05.2005	Conversion of B-bonds	189,000
Number of shares on 31.12.2005		5,822,950
Issued 30.03.2006	Conversion of C-bonds	192,000
Issued 05.10.2006	Conversion of D-bonds	82,400
Issued 08.12.2006	Conversion of D-bonds	117,600
Number of shares on 31.12.2006		6,214,950
Issued 11.06.2007	Bonus issue	12,429,900
Number of shares on 30.06.2007		18,644,850

Shareholders as of 30 June 2007

	Number of shares	Participation
1. BMIG OÜ	3,829,320	20.54%
2. Skandinaviska Enskilda Banken Ab Clients	1,215,183	6.52%
3. Morgan Stanley + CO Incorporated Equity Client Account	1,097,582	5.89%
4. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	741,549	3.98%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	123,816	0.66%
Andres Erm	108,000	0.58%
Ülle Järv	59,370	0.32%
5. Other minority shareholders	11,153,947	59.82%
Total	18,644,850	100.00%

Shareholders as of 31 December 2006

	Number of shares	Participation
1. BMIG OÜ	1,295,072	20.84%
2. Skandinaviska Enskilda Banken Ab Clients	417,020	6.71%
3. Raiffeisen Zentralbank Österreich AG Clients	305,940	4.92%
4. Members of Management and Supervisory Boards and persons related to them		
Meelis Milder	247,183	3.98%
Maire Milder	115,361	1.86%
Boriss Loifenfeld	50,122	0.81%
Andres Erm	36,000	0.58%
Ülle Järv	23,158	0.37%
5. Other minority shareholders	3,725,094	59.94%
Total	6,214,950	100.00%

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

NOTE 15 Segments**Geographical segment by client's location – primary segment**

As of 30 June 2007, the Group 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 Group's presence in other markets is small or less strategic and these markets separately do not form a segment for the segment reporting.

Financial information by geographical segment, 6 months 2007

EEK '000	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	Internal trans- actions	Total
Non-group sales	137,339	69,629	104,460	121,989	71,940	13,724	16,962	0	536,043
Inter-segment sales	0	38,703	71,099	29,500	33,463	6,531	0	-179,296	0
Total sales	137,339	108,332	175,559	151,489	105,403	20,255	16,962	-179,296	536,043
Operating profit of the segment	20,341	12,795	12,724	-1,045	2,351	-2,126	2,462	0	47,502
Unallocated operating exp. and inc.									-7,221
Total operating profit									40,281
Other financial income (expenses)									-4,301
Corporate income tax									-4,893
Net profit before minority interest									31,087
Minority interest									720
Net profit for the financial year									30,367
Assets	194,176	53,067	97,814	281,168	89,163	10,732	1,821	-202,398	525,543
Group's unallocated assets									110,716
Incl. assets used in production									96,719
assets used for administrative use									6,137
other unallocated assets									7,860
Total assets									636,259
Liabilities	26,187	24,516	53,451	136,942	57,625	5,945	0	-245,885	58,781

Group's unallocated liabilities									257,978
Incl. liab. related to production activity									77,822
other unallocated liabilities									180,156
Total liabilities									316,759

Property, plant and equipment acquired	4,943	10,983	13,250	10,105	1,503	210	0	0	40,994
Property, plant and equipment acquired, unallocated									12,940
Depreciation	5,960	1,438	2,400	4,422	1,815	671	0	0	16,706
Incl. depreciation of PPE	2,818	1,350	2,251	4,422	1,808	654	0	0	13,303
amort. of intangible assets	3,142	88	149	0	7	17	0	0	3,403
Depreciation, unallocated									1,928

EUR '000									Internal trans- actions	Total
	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other			
Non-group sales	8,778	4,450	6,676	7,797	4,598	877	1,084	0	34,259	
Inter-segment sales	0	2,474	4,544	1,885	2,139	416	0	-11,459	0	
Total sales	8,778	6,924	11,220	9,682	6,736	1,295	1,084	-11,459	34,259	
Operating profit of the segment	1,299	818	813	-67	150	-136	156	0	3,036	
Unallocated operating exp. and inc.									-462	
Total operating profit									2,574	
Other financial income (expenses)									-275	
Corporate income tax									-313	
Net profit before minority interest									1,987	
Minority interest									46	
Net profit for the financial year									1,941	
Assets	12,410	3,392	6,251	17,970	5,699	686	116	-12,937	33,588	
Group's unallocated assets									7,076	
Incl. assets used in production									6,181	
assets used for administrative use									392	
other unallocated assets									502	
Total assets									40,664	
Liabilities	1,674	1,567	3,416	8,752	3,683	380	0	-15,716	3,757	
Group's unallocated liabilities									16,488	
Incl. liab. related to production activity									4,974	
other unallocated liabilities									11,514	
Total liabilities									20,245	
Property, plant and equipment acquired	316	702	847	646	96	13	0	0	2,619	
Property, plant and equipment acquired, unallocated									827	
Depreciation	381	92	153	283	116	43	0	0	1,067	
Incl. depreciation of PPE	180	86	144	283	116	42	0	0	850	
amort. of intangible assets	201	5	9	0	1	0	0	0	216	
Depreciation, unallocated									123	

Financial information by geographical segment, 6 months 2006

EEK '000								Internal	Total
	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	trans- actions	
Non-group sales	109,562	48,750	77,537	73,036	55,023	18,143	8,153	0	390,204
Inter-segment sales	0	29,354	54,823	9,098	39,435	9,297	0	-142,007	0
Total sales	109,562	78,104	132,360	82,134	94,458	27,440	8,153	-142,007	390,204
Operating profit of the segment	33,849	12,848	14,780	16,803	5,364	-2,901	3,470	0	84,213
Unallocated operating exp. and inc.									-44,874
Total operating profit									39,339
Other financial income (expenses)									-728
Corporate income tax									-2,583
Net profit before minority interest									36,028
Minority interest									-241
Net profit for the financial year									36,269
Assets	127,104	24,099	61,061	141,416	76,898	16,439	41	-111,782	335,276
Group's unallocated assets									145,653
Incl. assets used in production									131,642
assets used for administrative use									6,555
other unallocated assets									7,456
Total assets									480,929
Liabilities	23,952	17,396	42,557	39,002	42,105	8,388	0	-127,160	46,240
Group's unallocated liabilities									188,438
Incl. liab. related to production activity									47,927
other unallocated liabilities									140,511
Total liabilities									234,678
Property, plant and equipment acquired	6,405	1,508	2,366	13,546	7,526	49	0	0	31,400
Property, plant and equipment acquired, unallocated									29,964
Depreciation	4,696	641	2,139	792	1,095	1,083	0	0	10,446
Incl. depreciation of PPE	2,420	565	1,997	792	1,087	1,047	0	0	7,908
amort. of intangible assets	2,276	76	142	0	8	36	0	0	2,538
Depreciation, unallocated									1,388
EUR '000								Internal	Total
	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	trans- actions	
Non-group sales	7,002	3,116	4,956	4,668	3,517	1,160	521	0	24,939
Inter-segment sales	0	1,876	3,504	581	2,520	594	0	-9,076	0
Total sales	7,002	4,992	8,459	5,249	6,037	1,754	521	-9,076	24,939
Operating profit of the segment	2,163	821	945	1,074	343	-185	222	0	5,382
Unallocated operating exp. and inc.									-2,868
Total operating profit									2,514
Other financial income (expenses)									-47

Corporate income tax									-165
Net profit before minority interest									2,303
Minority interest									-16
Net profit for the financial year									2,319
Assets	8,123	1,540	3,903	9,038	4,915	1,051	3	-7,144	21,428
Group's unallocated assets									9,309
Incl. assets used in production									8,413
assets used for administrative use									419
other unallocated assets									477
Total assets									30,738
Liabilities	1,531	1,112	2,720	2,493	2,691	536	0	-8,127	2,955
Group's unallocated liabilities									12,043
Incl. liab. related to production activity									3,063
other unallocated liabilities									8,980
Total liabilities									14,999
Property, plant and equipment acquired	409	96	151	866	481	3	0	0	2,007
Property, plant and equipment acquired, unallocated									1,915
Depreciation	300	41	137	51	70	69	0	0	668
Incl. depreciation of PPE	155	36	128	51	69	67	0	0	505
amort. of intangible assets	145	5	9	0	1	2	0	0	162
Depreciation, unallocated									89

Business segment by area of operations – secondary segment

As of 30 June 2007, the Group 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 of retail chains in the 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.

Financial information by business segment

EEK '000	Net sales		Assets		Additions to PPE and intangibles	
	6m 2007	6m 2006	30.06.2007	31.12.2006	6m 2007	6m 2006
Retail	446,818	315,875	295,718	250,075	37,717	25,428
Wholesale and other	76,849	68,068	3,166	67,204	0	0
Production	8,448	0	96,719	72,092	12,861	2,453
Unallocated	3,928	6,261	240,656	207,019	3,356	33,483
Total	536,043	390,204	636,259	596,390	53,934	61,364

EUR '000	Net sales		Assets		Additions to PPE and intangibles	
	6m 2007	6m 2006	30.06.2007	31.12.2006	6m 2007	6m 2006
Retail	28,557	20,187	18,900	15,983	2,411	1,625
Wholesale and other	4,913	4,350	202	4,295	0	0
Production	540	0	6,181	4,608	822	157
Unallocated	251	400	15,380	13,231	213	2,140
Total	34,259	24,939	40,664	38,117	3,446	3,922

NOTE 16 Sales revenue

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Sale of goods	523,667	383,943	33,468	24,538
Sale of sewing services	8,448	0	540	0
Rental income	1,610	2,979	103	190
Other	2,318	3,282	148	211
Total	536,043	390,204	34,259	24,939

NOTE 17 Cost of goods sold

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Materials and supplies	209,060	156,198	13,361	9,983
Impairment of inventories	-2,730	-444	-174	-28
Other production costs	4,934	2,942	315	188
Production payroll	34,047	18,634	2,176	1,191
Depreciation of assets used in production	1,626	1,326	104	85
Change in inventories	-6,938	-6,518	-443	-417
Total	239,999	172,138	15,339	11,002

NOTE 18 Distribution costs

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Rental expenses	97,987	51,358	6,263	3,282
Payroll expenses	79,330	57,388	5,070	3,668
Depreciation and amortisation	14,077	8,615	900	551
Advertising expenses	13,869	10,767	886	688
Freight cost	6,589	5,159	421	330
Fees for card payments	3,176	2,091	203	134
Communication expenses	1,721	1,004	110	64
Renovation of retail outlets	1,486	331	95	21
Bank fees	1,434	644	92	41
Information technology expenses	1,142	888	73	57
Expenses for uniforms	888	279	57	18
Packaging expenses	794	538	51	34
Accounting and auditing expenses	313	413	20	26
Other sales expenses	22,205	11,545	1,418	738
Total	245,011	151,020	15,659	9,652

NOTE 19 Administrative expenses

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Payroll costs	10,669	10,577	682	676
Depreciation and amortisation	2,930	2,099	187	134
Rental expenses	2,710	1,364	173	87
Information technology expenses	2,046	1,373	131	88
Sponsorship	566	737	36	47
Fuel, heating and electricity	548	494	35	32
Bank fees	470	484	30	31
Communication costs	373	733	24	47
Business trips	205	278	13	18
Management and consulting fees	135	1,620	9	104
Other administrative expenses	4,700	4,332	300	278
Total	25,352	24,091	1,620	1,540

NOTE 20 Other operating income

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Gains from sale of non-current assets	16,252	21	1,039	1
Foreign exchange gains	161	671	10	43
Other operating income	167	159	11	10
Total	16,580	851	1,060	54

NOTE 21 Other operating expenses

	EEK '000		EUR '000	
	6m 2007	6m 2006	6m 2007	6m 2006
Foreign exchange losses	1,405	2,926	90	187
Fines, penalties and tax interest	116	514	7	33
Representation costs	196	478	13	31
Other operating expenses	263	549	17	34
Total	1,980	4,467	127	285

NOTE 22 Earnings per share**Basic earnings per share**

		6m 2007	6m 2006
Weighted average number of shares	pcs	18,644,850	17,804,850
Net profit attributable to the equity holders of the parent	EEK '000	30,367	36,269
	EUR '000	1,941	2,319
Basic earnings per share	EEK	1.63	2.04
	EUR	0.10	0.13

Diluted earnings per share

		6m 2007	6m 2006
Weighted average number of shares	pcs	18,645,164	17,834,736
Profit used to determine diluted earnings per share	EEK '000	30,367	36,269
	EUR '000	1,941	2,319
Diluted earnings per share	EEK	1.63	2.03
	EUR	0.10	0.13

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the first 6 months of 2007 was 125.34 kroons/8.01 euros (2006: 71.89 kroons/4.59 euros).

The comparable information for year 2006, including the basic and diluted earning per share, the number of shares and the arithmetic average of daily closing prices of the share, has been adjusted by applying the conditions of the bonus issue (two bonus shares issued for each existing share) carried out in June 2007 (Note 14).

NOTE 23 Related parties

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

For interim consolidated reports of Baltika Group, the following entities have been considered related parties:

- owners, that have either significant influence or control, generally implying an ownership interest of 20% or more;
- 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;
- joint ventures.

Transactions with joint venture

EEK '000	6m 2007		6m 2006	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods	9	952	7	1,968
Purchases and sales of services	9,079	1,735	13,976	3,446

EUR '000	6m 2007		6m 2006	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods	1	61	0	126
Purchases and sales of services	580	111	893	220

Balances with joint venture

	EEK '000		EUR '000	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Trade receivables	0	4,659	0	298
Other current receivables	0	1,736	0	111
Non-current receivables	0	1,359	0	87
Trade payables	0	3,125	0	200

The management of the parent company estimates that the prices used in related party transactions do not materially differ from the market prices.

NOTE 24 Subsidiaries

Subsidiary	Location	Activity	Participation 30.06.2007	Participation 31.12.2006
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvia	Latvia	Retail	75%	75%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania "Baltman RUS"	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	0%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	50%
AS Elina STC	Estonia	Production	100%	62.50%
AS Virulane	Estonia	Production	82.66%	82.66%
		Real estate		
OÜ Baltika TP	Estonia	management	100%	100%

Acquisition of minority interest in AS Elina STC

In March 2007, AS Baltika acquired 37.5% of the shares of the subsidiary AS Elina STC becoming the sole shareholder of the subsidiary. The purchase consideration amounted to 1,300 thousand kroons/83 thousand euros, which was paid in cash. The registry entry in the Central Register of Securities was concluded on 17 April 2007. The goodwill arising from the transaction was immaterial.

Foundation of a subsidiary in the Czech Republic

In 2007, the Group initiated the foundation of the subsidiary in the Czech Republic. In March 2007, the share capital of the subsidiary was paid in. The subsidiary Baltika Retail Czech Republic s.r.o. was registered on 7 May 2007. AS Baltika is the sole owner of the subsidiary.

Acquisition of an additional stake in joint venture OÜ Baltika Tailor

According to the agreement signed on 27 February 2007 AS Baltika acquired additional 50% of the shares of the joint venture OÜ Baltika Tailor and thereby increased its ownership to 100%. The title to the shares was transferred with the first instalment paid in April. The transaction price was 4,412 thousand kroons/282 thousand euros paid in cash according to the agreement. The difference between the acquisition cost and acquired share in carrying value of the company's net assets was recognised as goodwill (Note 10).