



AS BALTIKA

Consolidated interim report for the third quarter of 2007

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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. 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 September 2007, the Group employed 1,964 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 30.09.2007	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 Virulane	Estonia	Production	82.66%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT**Consolidated financial results, 9 months 2007**

Baltika Group ended the first nine months of 2007 with net sales of 844.1 million kroons (53.9 million euros), a 36.5% improvement on a year ago. Retail and wholesale revenues increased by 43.9% and 1.6% yoy respectively. The period's gross margin was 54.3% and operating margin 6.4% (9m 2006: 53.3% and 9.9%). Operating profit decreased by 10.8% and net profit by 30.5% compared to the same period in 2006. Net profit for the first nine months of 2007 amounted to 39.1 million kroons (2.5 million euros) and the period's net margin was 4.6% (9m 2006: 9.1%). In the first nine months of 2007 Baltika opened 20 stores in five markets, increasing its sales area by 45% yoy.

In the third quarter, the Group's net sales amounted to 308.1 million kroons (19.7 million euros), up 35.0% yoy with retail revenues expanding by 48.4% and wholesale revenues decreasing by 12.9% yoy. Q3 gross margin was 52.6% (Q3 2006: 48.7%) and operating margin 4.6% (Q3 2006: 9.5%). Q3 net profit was 8.8 million kroons (0.6 million euros) and net margin 2.8% (Q3 2006: 8.8%).

SALES**Sales by segment**

EEK million	Q3 2007	Q3 2006	+/-	9m 2007	9m 2006	+/-
Retail	255.9	172.4	48.4%	702.7	488.3	43.9%
Wholesale	45.9	52.7	-12.9%	122.7	120.8	1.6%
Subcontracting	5.7	0	n/a	14.2	0	n/a
Other	0.6	3.0	-79.2%	4.6	9.3	-51.0%
Total	308.1	228.1	35.0%	844.1	618.3	36.5%

EUR 1 = EEK 15.6466

RETAIL

Compared with the prior year, retail sales for the first nine months grew by 43.9% amounting to 702.7 million kroons (44.9 million euros). Q3 retail sales grew by 48.4%. September was a particularly good month posting a 54% yoy increase.

Comparable store sales grew by 8% in the first nine months and by 11% in the third quarter. The Group's average sales efficiency (sales per square metre) has decreased this year due to rapid expansion at the end of last year outside the Baltic countries. Compared with the prior year, the Group's average sales area increased by 55% in the first nine months of 2007. Sales efficiency is also affected by larger store formats. In the third quarter, sales efficiency decrease slowed down - in the first six months the Group's average sales efficiency fell by 10% and in the nine-month period the figure decreased by 7%.

In the third quarter, Monton launched a new product group - footwear. In the first season, a limited range of footwear will be offered for testing and in the following season the full range will be available in Monton stores. The collection has been received very well by customers. In the first two months, the sales of footwear have considerably exceeded the expectations.

Fast fashion brand Monton accounted for 55%, i.e., 387 million kroons (24.7 million euros) of the Group's retail sales for the first nine months of 2007, 52% up on the same period in 2006. Retail sales of Mosaic increased by 36% yoy to 220 million kroons (14.1 million euros) contributing 31% to the Group's retail revenue for the nine-month period. Retail sales of Baltman grew by 29% yoy to 67 million kroons (4.3 million euros) and sales of the Ivo Nikkolo brand, which was acquired in September 2006, totalled 18 million kroons (1.2 million euros).

On a cumulative basis, the Group's largest retail market was Estonia in the first nine months of 2007, however, on a monthly basis Lithuania has surpassed Estonia this year on a few occasions. The fastest growth in retail sales took place in Russia, where the Group's sales area expanded the most during the past 12 months. Sales in Poland decreased due to the closure of inefficient stores but comparable store sales improved by 12% yoy. Starting from Q4, Polish sales will be comparable as the last closing in the market took place in September 2006.

Retail sales by market

EEK million	9m 2007	9m 2006	+/-	Percentage, 9m 2007
Estonia	176.3	133.1	32%	25%
Latvia	101.3	67.3	51%	14%
Lithuania	164.7	119.6	38%	24%
Ukraine	112.7	89.1	26%	16%
Russia	126.6	53.6	136%	18%
Poland	21.1	25.6	-18%	3%
Total	702.7	488.3	44%	100%

STORES AND SALES AREA

At the end of September 2007 the Group had 125 stores with a total sales area of 23,339 square metres. Compared with September 2006, the net growth of the retail system was 25 stores and ca 7,200 square metres as a result of which the sales area operated by the Group increased by 45% yoy.

Number of stores by country

	30.09.2007	30.09.2006
Estonia	30	28
Latvia	14	13
Lithuania	30	22
Ukraine	21	18
Russia	25	14
Poland	5	5
Total stores	125	100
Total sales area, m²	23,339	16,128

In the first nine months of 2007, the Group opened 20 stores including four which were relocated to larger premises. The largest number of stores – eight - was opened in Lithuania. Five stores were opened in Latvia and three in Russia. Two stores were opened in both Estonia and Ukraine. Three stores were closed.

During this year, 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 fourth quarter of the year, the Group plans to open 2-4 stores taking the total number of stores to 127-129 by the end of the year. In addition, the Czech Republic will become a new market for Baltika in Q4 2007. A Monton store will be opened at the end of October in Palladium Centre in Prague.

WHOLESALE

Wholesale revenue for the first nine months of 2007 amounted to 122.7 million kroons (7.8 million euros) accounting for 15% of the Group's consolidated net sales and posting a growth of 1.6% yoy. In the third quarter, wholesale revenue decreased by 12.9% yoy. The decrease is expected being due to more conservative sales policy with the Russian wholesale partner. Baltika's largest wholesale client in Russia is a company that operates around 30 stores in the Siberia and Ural region that sell Baltika's brands.

Baltika Group announced about downgrading the wholesale prognosis for 2007 together with the decisions of the Annual General Meeting in May. According to the estimate, wholesale revenue may possibly decrease up to 10% in 2007.

EARNINGS AND MARGINS

The Group's results this year are influenced by rapid expansion and longer than expected start-up periods of new stores when sales efficiency has not achieved the targeted level. Above all this has occurred in Russia, where the Group's sales area expanded the most – more than two times - during the past 12 months. The start-up periods of the new Russian stores are estimated to last up to 18-24 months. However, comparable store sales in Russia followed a positive trend, yielding a 5% growth rate for the first nine months of the year. A store is comparable if it has been open and has had an unchanged sales area both in the reporting and comparative periods.

Baltic countries sustained strong growth throughout the first nine months. However, half-year sales in Russia and Ukraine were lower than expected due to lower sales efficiency and as a result the end of season inventory level in these markets was larger than planned. Thus, profitability was affected by deeper discounts provided for the disposal of inventories accumulated. The main discount period of the spring-summer collection is in July and August and hence the impact from the disposal of the first-half stock appears particularly in those months and overall in the third quarter results.

Appropriate changes have been made in stock planning in order to achieve more accurate purchasing. The new season started well in September and strong results were achieved both in sales and profits.

The Group's gross margin for the first nine months of 2007 was 54.3%, an improvement from 53.3% in 9m 2006. Q3 gross margin rose to 52.6% from 48.7% in Q3 2006. Nine-month gross profit amounted to 458.1 million kroons (29.3 million euros), a 39.1% improvement on a year ago.

Distribution costs that include all store related expenses increase (9m growth 61.5%) in proportion to sales area. In addition, store operating expenses in Russia are higher compared to those incurred in the Baltics. The Group's expansion also requires additional staff at the head office and consequently administrative expenses rose by 7.1% yoy. Operating profit for the first nine months of 2007 amounted to 54.4 million kroons (3.5 million euros), a 10.8% decrease from a year ago. Operating margin for the respective period was 6.4% (9m 2006: 9.9%). Q3 operating margin was 4.6% (Q3 2006: 9.5%).

In the third quarter, the Group earned 6.8 million kroons (0.4 million euros) from revaluation of property. To adjust the Group's structure, the Veerenni Street 24 (Tallinn) property was transferred from the parent company's balance sheet into fully owned subsidiary Baltika TP, the core business of which is real estate management. As a result of the transaction, the property was stated at fair value and the revaluation gain recognised under other operating income. In the first quarter, the Group earned one-off income of 16.2 million kroons (1.0 million euros) in connection with the divestment of building rights and a logistics centre. Altogether, operating profit for the first nine months includes one-off income in the amount of 23.0 million kroons (1.4 million euros).

Financial expenses for the first nine months of 2007 totalled 7.9 million kroons (0.5 million euros). The largest share of financial expenses is made up of interest expenses which amounted to 6.5 million kroons (0.4 million euros), 66.6% 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 for the first nine months of 2007 amounted to 46.4 million kroons (3.0 million euros), a 22.2% decrease from a year ago. Net profit (after tax and minority interest) amounted to 39.1 million kroons (2.5 million euros). Compared with a year ago, net profit decreased by 30.5%. Net margin for the period was 4.6% (9m 2006: 9.1%).

BALANCE SHEET

At 30 September 2007, the Group's consolidated balance sheet total was 655 million kroons (41.9 million euros), a 20% increase yoy. Both assets and liabilities have increased in connection with expansion.

At the end of September inventories stood at 222 million kroons (14.2 million euros), up 21% yoy. Inventory turnover ratio (net sales/average inventories) remained stable at 5.32 compared with a year ago.

Trade receivables totalled 100 million kroons (6.4 million euros), posting a 14% growth on a year ago. Supplier payables grew by 1%, amounting to 87 million kroons (5.6 million euros) at the end of September.

At 30 September 2007, the Group's borrowings totalled 188 million kroons (12.0 million euros), including bank loans of 151 million kroons (9.6 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 28 million kroons (1.8 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 September 2007, the Group's net debt (interest-bearing liabilities less cash and bank balances) to equity ratio was 53.0% against 57.0% a year ago.

INVESTMENTS

The Group's investments for the first nine months of 2007 totalled 82.1 million kroons (5.3 million euros). Investments in the retail business and information technology amounted to 57.9 million kroons (3.7 million euros) and 9.0 million kroons (0.6 million euros) respectively. Investments in production activities totalled 9.6 million kroons (0.6 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 September 2007, Baltika Group employed 1,964 (30 September 2006: 1,822) people including 978 (767) in the retail business, 776 (875) in production operations and 210 (180) in the head office. The number of people employed outside Estonia was 789 (603), i.e., 40% of all employees. The nine months' average number of employees was 1,980 (9m 2006: 1,741).

The Group's employee remuneration expenses for the first nine months of 2007 totalled 143.5 million kroons (9.2 million euros). Payments made to members of the supervisory council and management board totalled 4.7 million kroons (0.3 million euros).

KEY FIGURES OF THE GROUP (9 months 2007)

	30.09.2007	30.09.2006	+/-
Net sales (EEK million)	844.1	618.3	36.5%
Retail sales (EEK million)	702.7	488.3	43.9%
Share of retail sales in net sales	83%	79%	
Number of directly managed stores	125	100	25.0%
Sales area (m ²)	23,339	16,128	44.7%
Number of employees (end of period)	1,964	1,822	7.8%
Gross margin	54.3%	53.3%	
Operating margin	6.4%	9.9%	
EBT margin	5.5%	9.6%	
Net margin	4.6%	9.1%	
Current ratio	1.8	1.6	12.5%
Inventory turnover	5.32	5.34	-0.4%
Debt to equity ratio	56.8%	59.8%	
Return on equity	23.2%	37.2%	
Return on assets	11.4%	19.6%	

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

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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 of 2007 as presented on pages 9-35.

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.



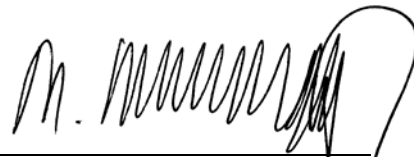
Meelis Milder
Chairman of the Management Board
20 November 2007



Ülle Järv
Member of the Management Board
20 November 2007



Boriss Lohfeld
Member of the Management Board
20 November 2007



Maire Milder
Member of the Management Board
20 November 2007

CONSOLIDATED BALANCE SHEET

(unaudited, in EEK thousand)

	Note	30.09.2007	31.12.2006
ASSETS			
Current assets			
Cash and bank	3	12,547	12,584
Trade receivables	4	100,103	86,402
Other receivables and prepaid expenses	5,6	44,040	42,069
Inventories	7	222,473	200,702
Total current assets		379,163	341,757
Non-current assets			
Investment property	8	30,520	23,572
Deferred income tax asset		4,462	4,462
Other non-current financial assets	9	11,128	11,077
Property, plant and equipment	10	173,614	166,448
Intangible assets	11	56,352	49,074
Total non-current assets		276,076	254,633
TOTAL ASSETS		655,239	596,390
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	12,13	80,641	88,179
Supplier payables		87,043	96,535
Tax liabilities	6	24,589	23,006
Accrued expenses	14	20,965	18,174
Other short-term liabilities	14	2,918	7,022
Total current liabilities		216,156	232,916
Non-current liabilities			
Long-term borrowings	12	107,567	59,234
Total non-current liabilities		107,567	59,234
TOTAL LIABILITIES		323,723	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		39,130	87,376
Currency translation reserve		6,255	4,319
Total equity attributable to equity holders of the parent		322,326	296,175
Minority interest		9,190	8,065
TOTAL EQUITY	15	331,516	304,240
TOTAL LIABILITIES AND EQUITY		655,239	596,390

CONSOLIDATED BALANCE SHEET

(unaudited, in EUR thousand)

	Note	30.09.2007	31.12.2006
ASSETS			
Current assets			
Cash and bank	3	802	804
Trade receivables	4	6,398	5,522
Other receivables and prepaid expenses	5,6	2,815	2,689
Inventories	7	14,219	12,827
Total current assets		24,233	21,843
Non-current assets			
Investment property	8	1,951	1,507
Deferred income tax asset		285	285
Other non-current financial assets	9	711	708
Property, plant and equipment	10	11,096	10,638
Intangible assets	11	3,602	3,136
Total non-current assets		17,644	16,274
TOTAL ASSETS		41,877	38,117
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	12,13	5,154	5,636
Supplier payables		5,563	6,170
Tax liabilities	6	1,572	1,470
Accrued expenses	14	1,340	1,162
Other short-term liabilities	14	186	449
Total current liabilities		13,815	14,886
Non-current liabilities			
Long-term borrowings	12	6,875	3,786
Total non-current liabilities		6,875	3,786
TOTAL LIABILITIES		20,690	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		2,501	5,584
Currency translation reserve		400	276
Total equity attributable to equity holders of the parent		20,600	18,930
Minority interest		587	515
TOTAL EQUITY	15	21,188	19,445
TOTAL LIABILITIES AND EQUITY		41,877	38,117

CONSOLIDATED INCOME STATEMENT
 (unaudited, in EEK thousand)

	Note	Q3 2007	Q3 2006	9m 2007	9m 2006
Net sales	17	308,056	228,113	844,099	618,317
Cost of goods sold	18	-146,024	-116,912	-386,023	-289,050
Gross profit		162,032	111,201	458,076	329,267
Distribution costs	19	-134,594	-84,018	-379,604	-235,038
Administrative and general expenses	20	-13,961	-12,601	-39,314	-36,692
Other operating income	21	5,971	7,451	22,552	7,609
Other operating expenses	22	-5,364	-432	-7,345	-4,206
Operating profit		14,084	21,601	54,365	60,940
Financial income (expenses)		-3,634	-556	-7,936	-1,284
Share of joint venture results		0	0	0	-234
Gains from other investments, net		0	304	0	1,890
Interest expenses, net		-2,303	-1,635	-6,470	-3,884
Foreign exchange gains, net		-1,326	196	-1,389	483
Other financial expenses, net		-5	579	-77	461
Profit before income tax		10,450	21,045	46,429	59,656
Income tax		-20	-308	-4,912	-2,891
Net profit		10,430	20,737	41,517	56,765
Net profit attributable to equity holders of the parent company		8,763	20,032	39,130	56,302
Net profit (loss) attributable to minority shareholders		1,667	705	2,387	463
Basic earnings per share, EEK	23	0.47	1.13	2.10	3.15
Diluted earnings per share, EEK	23	0.47	1.11	2.10	3.07

CONSOLIDATED INCOME STATEMENT
(unaudited, in EUR thousand)

	Note	Q3 2007	Q3 2006	9m 2007	9m 2006
Net sales	17	19,688	14,579	53,948	39,518
Cost of goods sold	18	-9,333	-7,472	-24,671	-18,474
Gross profit		10,356	7,107	29,276	21,044
Distribution costs	19	-8,602	-5,370	-24,261	-15,022
Administrative and general expenses	20	-892	-805	-2,513	-2,345
Other operating income	21	382	476	1,441	486
Other operating expenses	22	-343	-28	-469	-269
Operating profit		900	1,381	3,475	3,895
Financial income (expenses)		-232	-36	-507	-82
Share of joint venture results		0	0	0	-15
Gains from other investments, net		0	19	0	121
Interest expenses, net		-147	-104	-414	-248
Foreign exchange gains, net		-85	13	-89	31
Other financial expenses, net		0	37	-5	29
Profit before income tax		668	1,345	2,967	3,813
Income tax		-1	-20	-314	-185
Net profit		667	1,325	2,653	3,628
Net profit attributable to equity holders of the parent company		560	1,281	2,501	3,599
Net profit (loss) attributable to minority shareholders		107	44	153	29
Basic earnings per share, EUR	23	0.03	0.07	0.13	0.20
Diluted earnings per share, EUR	23	0.03	0.07	0.13	0.20

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EEK thousand)

	Note	9m 2007	9m 2006
Operating activities			
Operating profit		54,365	60,940
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	10,11	28,894	20,336
Profit (loss) from disposal of property, plant and equipment		-15,512	26
Profit (loss) from disposal of investment property		0	-7,513
Revaluation of investment property	8	-6,768	0
Other non-monetary expenses		4,471	0
Changes in working capital:			
Change in balance of receivables		-22,618	-62,410
Change in balance of inventories	7	-21,771	-38,834
Change in supplier payables		-3,675	35,098
Interest paid		-5,292	-4,158
Income tax paid		-4,930	-4,568
Total cash flow from operating activities		7,164	-1,083
Investing activities			
Purchase of property, plant and equipment, intangibles	10,11	-81,215	-102,605
Thereof under the finance lease terms		5,115	5,469
Thereof within business combinations		4,647	7,722
Proceeds from disposal of property, plant and equipment		50,348	918
Proceeds from disposal of investment property		0	11,055
Investments in subsidiaries	25	-3,743	-786
Interest received		152	69
Proceeds from disposal of current financial assets		0	2,131
Repayments of loans granted		0	226
Total cash flow from investing activities		-24,696	-75,801
Financing activities			
Received borrowings	12	50,628	22,517
Repayments of borrowings	12	-19,637	-8,317
Change in bank overdraft	12	14,463	34,707
Finance lease and instalment payments made		-8,745	-941
Receipts from contributions into share capital		0	9,399
Dividends paid		-14,910	-12,020
Dividends received		0	15
Redemption of bonds	13	-31,500	-17,500
Proceeds from issue of bonds	13	28,585	30,239
Total cash flow from financing activities		18,884	58,099
Effect of exchange rate changes on cash balance		-1,389	483
Total cash flows		-37	-18,302
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	12,547	7,659
Change in cash and cash equivalents		-37	-18,302

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EUR thousand)

	Note	9m 2007	9m 2006
Operating activities			
Operating profit		3,475	3,895
Adjustments:			
Depreciation, amortisation and impairment of property, plant and equipment, intangibles	10,11	1,847	1,300
Profit (loss) from disposal of property, plant and equipment		-991	2
Profit (loss) from disposal of investment property		0	-480
Revaluation of investment property	8	-433	0
Other non-monetary expenses		286	0
Changes in working capital:			
Change in balance of receivables		-1,446	-3,989
Change in balance of inventories	7	-1,391	-2,482
Change in supplier payables		-235	2,243
Interest paid		-338	-266
Income tax paid		-315	-292
Total cash flow from operating activities		458	-69
Investing activities			
Purchase of property, plant and equipment, intangibles	10,11	-5,190	-6,558
Thereof under the finance lease terms		327	350
Thereof within business combinations		297	494
Proceeds from disposal of property, plant and equipment		3,218	59
Proceeds from disposal of investment property		0	707
Investments in subsidiaries	25	-239	-50
Interest received		10	4
Proceeds from disposal of current financial assets		0	136
Repayments of loans granted		0	14
Total cash flow from investing activities		-1,578	-4,844
Financing activities			
Received borrowings	12	3,236	1,439
Repayments of borrowings	12	-1,255	-532
Change in bank overdraft	12	924	2,218
Finance lease and instalment payments made		-559	-60
Receipts from contributions into share capital		0	601
Dividends paid		-953	-768
Dividends received		0	1
Redemption of bonds	13	-2,013	-1,118
Proceeds from issue of bonds	13	1,827	1,933
Total cash flow from financing activities		1,207	3,713
Effect of exchange rate changes on cash balance		-89	31
Total cash flows		-1	-1,170
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	802	489
Change in cash and cash equivalents		-1	-1,170

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	-88	-88	-7	-95
Net income (expense) recognised directly in equity	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 recognised income (expense)	0	0	0	56,302	-88	56,214	456	56,670
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	2,744	6,855	0	0	0	9,599	0	9,599
Acquisition of 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
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	1,936	1,936	-25	1,911
Net income (expense) recognised directly in equity	0	0	0	0	1,936	1,936	-25	1,911
Net profit for the period	0	0	0	39,130	0	39,130	2,387	41,517
Total recognised income (expense)	0	0	0	39,130	1,936	41,066	2,362	43,428
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 30.09.2007	186,449	0	22,543	107,079	6,255	322,326	9,190	331,516

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	-6	-6	0	-7
Net income (expense) recognised directly in equity	0	0	0	0	-6	-6	0	-7
Net profit for the period	0	0	0	3,598	0	3,598	30	3,628
Total recognised income (expense)	0	0	0	3,598	-6	3,593	29	3,621
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	175	438	0	0	0	613	0	613
Acquisition of 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
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	124	124	-2	122
Net income (expense) recognised directly in equity	0	0	0	0	124	124	-2	122
Net profit for the period	0	0	0	2,501	0	2,501	153	2,653
Total recognised income (expense)	0	0	0	2,501	124	2,624	152	2,776
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 30.09.2007	11,916	0	1,441	6,844	400	20,600	587	21,188

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 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 75% 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 +2.21% (2006: +3.84%), Ukrainian hryvnia -7.13% (2006: +3.00%), Russian rouble -2.07% (2006: +4.34%) and Latvian lat -0.55% (2006: +0.00%). 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 21 and 22.

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 100,103 thousand kroons/6,398 thousand euros (31 December 2006: 86,402 thousand kroons/5,522 thousand euros), including credit risk of the Russian wholesale partner of 54,395 thousand kroons/3,476 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 12).

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	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Cash in hand	2,919	3,879	187	248
Cash at bank	9,320	8,705	596	556
Short-term deposits	308	0	19	0
Total	12,547	12,584	802	804

NOTE 4 Trade receivables

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Accounts receivable	101,411	87,710	6,481	5,606
Allowance for impairment of trade receivables	-1,308	-1,308	-83	-84
Total	100,103	86,402	6,398	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	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Other current receivables	5,578	9,065	357	579
Tax prepayments and tax reclaims	16,315	14,356	1,043	918
Prepaid expenses	22,147	18,648	1,415	1,192
Total	44,040	42,069	2,815	2,689

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

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Value added tax	14,435	13,260	923	847
Prepaid income tax	1,266	978	81	63
Other taxes	614	118	39	8
Total	16,315	14,356	1,043	918

Tax liabilities

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Personal income tax	4,553	3,895	291	249
Social security tax	8,828	7,444	564	476
Value added tax	9,881	10,565	632	675
Income tax	784	406	50	26
Other taxes	543	696	35	44
Total	24,589	23,006	1,572	1,470

NOTE 7 Inventories

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Raw materials and materials	62,703	71,239	4,007	4,552
Impairment of raw materials	0	-524	0	-33
Work-in-progress	2,909	2,293	186	147
Finished goods and goods purchased for resale	151,882	129,335	9,707	8,265
Impairment of finished goods and goods purchased for resale	-600	-2,807	-38	-179
Prepayments to suppliers	5,579	1,166	357	75
Total	222,473	200,702	14,219	12,827

As of 30 September 2007, the inventories of the Group with the carrying amount of 3,302 thousand kroons/211 thousand euros (31 December 2006: 3,191 thousand kroons/204 thousand euros) were in the custody of third parties.

NOTE 8 Investment property

	EEK '000	EUR '000
Balance 31.12.2006	23,572	1,507
Additions	180	12
Revaluation	6,768	433
Balance 30.09.2007	30,520	1,951

The production facility located at Veerenni 24, Tallinn is presented at fair value of 30,520 thousand kroons/1,951 thousand euros as at 30 September 2007. The valuation of an independent expert was used as the basis for fair value determination. The revaluation gain of 6,768 thousand kroons/433 thousand euros has been recognised under other operating income (Note 21).

NOTE 9 Other non-current financial assets

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Loan receivable from joint venture	0	1,359	0	87
Long-term prepayments for rent	11,128	9,718	711	621
Total	11,128	11,077	711	708

NOTE 10 Property, plant and equipment

The Group's investments in property, plant and equipment during the reporting period amounted to 69,285 thousand kroons/4,428 thousand euros (2006: 83,623 thousand kroons/5,344 thousand euros). Investments within business combinations amounted to 4,506 thousand kroons/288 thousand euros. Investments in retail operations totalled 57,597 thousand kroons/3,681 thousand euros (2006: 45,026 thousand kroons/2,878 thousand euros). Investments in the amount of 9,573 thousand kroons/612 thousand euros (2006: 2,965 thousand kroons/189 thousand euros) were made in production related assets and in the amount of 1,680 thousand kroons/107 thousand euros (2006: 1,625 thousand kroons/104 thousand euros) in information technology. Investments in other equipments amounted to 435 thousand kroons/28 thousand euros (2006: 299 thousand kroons/19 thousand euros). During the first nine months of 2006, the Group invested additionally 33,708 thousand kroons/2,154 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	38 174	4 551	24 790	12 188	3 920	83 623
Disposals	0	-1 852	-299	-723	0	0	-2 874
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
30.09.2006							
Acquisition cost	10 973	112 446	77 071	69 138	13 533	4 077	287 238
Accumulated depreciation	0	-30 259	-68 524	-33 522	0	0	-132 305
Net book amount	10 973	82 187	8 547	35 616	13 533	4 077	154 933
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	12 977	17 043	30 940	3 688	4 637	69 285
Acquired within business combinations	0	0	4 281	0	0	225	4 506
Disposals	-7 969	-32 916	-6	-6	-184	0	-41 081

Reclassification	0	8 919	242	-7 574	-1 246	-341	0
Depreciation	0	-8 750	-3 659	-11 247	0	0	-23 656
Currency translation differences	0	-695	-64	-1 086	-17	-26	-1 888

30.09.2007

Acquisition cost	3 004	88 018	99 052	115 438	3 846	6 047	315 405
Accumulated depreciation	0	-23 442	-71 132	-47 217	0	0	-141 791
Net book amount	3 004	64 576	27 920	68 221	3 846	6 047	173 614

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	2 440	290	1 584	779	251	5 344
Disposals	0	-117	-19	-46	0	0	-184
Written off against reserve	0	79	0	0	0	0	79
Reclassification	0	242	0	0	-43	-199	0
Depreciation	0	-349	-177	-414	0	0	-940
Currency translation differences	0	-13	3	-17	1	-2	-28

30.09.2006

Acquisition cost	701	7 186	4 926	4 419	865	261	18 358
Accumulated depreciation	0	-1 935	-4 379	-2 142	0	0	-8 456
Net book amount	701	5 253	546	2 276	865	261	9 902

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	830	1 089	1 977	236	296	4 428
Acquired within business combinations	0	0	274	0	0	14	288
Disposals	-509	-2 105	0	0	-12	0	-2 626
Reclassification	0	570	15	-483	-80	-22	0
Depreciation	0	-559	-234	-719	0	0	-1 512
Currency translation differences	0	-44	-4	-70	-1	-2	-121

30.09.2007

Acquisition cost	192	5 625	6 331	7 378	246	386	20 158
Accumulated depreciation	0	-1 498	-4 546	-3 018	0	0	-9 062
Net book amount	192	4 127	1 785	4 360	246	386	11 096

NOTE 11 Intangible assets

The investments in development of information systems in the first nine months of 2007 amounted to 7,281 thousand kroons/466 thousand euros (2006: 4,388 thousand kroons/280 thousand euros). The cost of investments is amortised over the estimated useful life of ten 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 25). In 2006, the investments within business combinations amounted to 20,479 thousand kroons/1,309 thousand euros including the goodwill of 7,086 thousand kroons/453 thousand euros.

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	4,517	10,060	3,204	7,086	24,867
Disposals	-26	0	0	0	-26
Amortisation	-3,967	-8	0	0	-3,975
Currency translation differences	-6	0	0	410	404
30.09.2006					
Acquisition cost	25,583	10,060	3,204	21,625	60,472
Accumulated amortisation	-12,703	-8	0	0	-12,711
Net book amount	12,880	10,052	3,204	21,625	47,761
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	5,019	0	2,262	0	7,281
Aquired within business combinations	141	0	0	5,555	5,696
Amortisation	-4,739	-500	0	0	-5,239
Currency translation differences	-6	0	-24	-430	-460
30.09.2007					
Acquisition cost	37,064	10,060	2,797	25,548	75,469
Accumulated amortisation	-18,572	-545	0	0	-19,117
Net book amount	18,492	9,515	2,797	25,548	56,352
EUR '000					
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	1,694

Additions	289	643	205	453	1,589
Disposals	-2	0	0	0	-2
Amortisation	-254	-1	0	0	-254
Currency translation differences	0	0	0	26	26
30.09.2006					
Acquisition cost	1,634	643	205	1,383	3,865
Accumulated amortisation	-812	-1	0	0	-812
Net book amount	822	642	205	1,383	3,052
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	321	0	145	0	466
Acquired within business combinations	9	0	0	355	364
Amortisation	-303	-32	0	0	-335
Currency translation differences	0	0	-2	-27	-29
30.09.2007					
Acquisition cost	2,368	643	179	1,633	4,823
Accumulated amortisation	-1,186	-35	0	0	-1,221
Net book amount	1,182	608	179	1,633	3,602

NOTE 12 Borrowings

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Short-term borrowings				
Current portion of long-term bank loans	4,409	13,946	282	891
Short-term bank loans	46,374	41,911	2,964	2,679
Short-term finance lease liabilities	463	1,149	30	73
Bonds	29,395	31,173	1,879	1,993
Total	80,641	88,179	5,154	5,636
Long-term borrowings				
Long-term bank loans	99,687	49,160	6,371	3,142
Long-term finance lease liabilities	7,868	10,074	503	644
Other long-term liabilities	12	0	0	0
Total	107,567	59,234	6,874	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.

During the reporting period, the Group made loan repayments in the amount of 19,637 thousand kroons/1,255 thousand euros (2006: 8,317 thousand kroons/532 thousand euros). Interest expense of the reporting period amounted to 5,406 thousand kroons/346 thousand euros (2006: 2,872 thousand kroons/184 thousand euros). Interest expenses have been recognised net with the corresponding income under interest expenses.

Bank loans of the Group as of 30 September 2007

EEK '000	Balance as of 30.09.2007	Expiring within 1 year	Expiring within 1-5 years	Interest rate
Nordea Pank	3,977	234	3,743	6 month Euribor+2.50%
Nordea Pank	1,458	208	1,250	3 month Euribor+2.50%
Hansapank	50,000	0	50,000	6 month Euribor+0.90%
Hansapank	3,571	1,428	2,143	6 month Euribor+2.35%
Hansapank	35,702	1,913	33,789	6 month Euribor+1.50%
Nordea Pank	9,388	626	8,762	3 month Euribor+1.00%
Hansapank (overdraft facility)	40,033	40,033	0	4.25%
Nordea Pank (overdraft facility)	6,341	6,341	0	5.30%
Total	150,470	50,783	99,687	

EUR '000	Balance as of 30.09.2007	Expiring within 1 year	Expiring within 1-5 years	Interest rate
Nordea Pank	254	15	239	6 month Euribor+2.50%
Nordea Pank	93	13	80	3 month Euribor+2.50%
Hansapank	3,196	0	3,196	6 month Euribor+0.90%
Hansapank	228	91	137	6 month Euribor+2.35%
Hansapank	2,282	122	2,160	6 month Euribor+1.50%
Nordea Pank	600	40	560	3 month Euribor+1.00%
Hansapank (overdraft facility)	2,559	2,559	0	4.25%
Nordea Pank (overdraft facility)	405	405	0	5.30%
Total	9,617	3,246	6,371	

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 13 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 September 2007

	Issue date	Bond conversion period	Number of convertible bonds 30.09.2007	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 September 2007

	Quantity	Nominal (EEK)	Issue price (EEK)	Balance as of 30.09.2007 (EEK '000)	Interest rate	Maturity
Bonds	3,000	10,000	28,553	29,333	5.00%	14.03.2008

	Quantity	Nominal (EUR)	Issue price (EUR)	Balance as of 30.09.2007 (EUR '000)	Interest rate	Maturity
Bonds	3,000	639	1,825	1,875	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 14 Accrued expenses and other short-term liabilities

	EEK '000		EUR '000	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
Payables to employees	20,753	17,250	1,326	1,102
Dividends payable	13	7	1	0
Interest payable	0	43	0	3
Other accrued expenses	199	874	13	57
Customer prepayments	962	392	61	25
Other short-term liabilities	1,956	6,630	125	424
Total	23,883	25,196	1,526	1,611

NOTE 15 Equity**Share capital**

EEK '000	30.09.2007	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	30.09.2007	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 30.09.2007		18,644,850

Shareholders as of 30 September 2007

	Number of shares	Participation
1. BMIG OÜ	3,829,320	20.54%
2. Morgan Stanley + CO Incorporated Equity Client Account	1,363,071	7.31%
3. Skandinaviska Enskilda Banken Ab Clients	1,213,080	6.51%
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	150,366	0.81%
Andres Erm	108,000	0.58%
Ülle Järv	59,370	0.32%
5. Other minority shareholders	10,864,011	58.27%
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 16 Segments**Geographical segment by client's location – primary segment**

As of 30 September 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, 9 months 2007

EEK '000	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	Internal transactions	Total
Non-group sales	214,758	109,787	167,703	188,715	112,673	21,145	29,318	0	844,099
Inter-segment sales	0	61,960	110,666	44,923	52,529	10,201	0	-280,279	0
Total sales	214,758	171,747	278,369	233,638	165,202	31,346	29,318	-280,279	844,099
Operating profit of the segment	28,170	18,193	17,471	-3,294	1,943	-2,851	3,261	0	62,893
Unallocated operating exp. and inc.									-8,528
Total operating profit									54,365

Other financial income (expenses)										-7,936
Corporate income tax										-4,912
Net profit before minority interest										41,517
Minority interest										2,387
Net profit for the financial year										39,130
Assets	220,548	66,853	101,017	280,069	84,248	12,291	11,070	-211,708		564,388
Group`s unallocated assets										90,851
Incl. assets used in production										72,059
assets used for administrative use										11,526
other unallocated assets										7,266
Total assets										655,239
Liabilities	27,142	31,257	56,045	150,579	61,559	7,375	5,017	-277,561		61,413
Group`s unallocated liabilities										262,310
Incl. liab. related to production activity										73,264
other unallocated liabilities										189,046
Total liabilities										323,723
Property, plant and equipment acquired	9,835	18,485	16,886	10,746	5,212	777	3,322	0		65,263
Property, plant and equipment acquired, unallocated										16,858
Depreciation	8,783	2,588	4,041	6,856	2,747	990	1	0		26,006
Incl. depreciation of PPE	4,087	2,438	3,800	6,856	2,736	969	1	0		20,887
amort. of intangible assets	4,696	150	241	0	11	21	0	0		5,119
Depreciation, unallocated										2,889

EUR '000									Internal	Total
	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other	trans- actions		
Non-group sales	13,726	7,017	10,718	12,061	7,201	1,351	1,874	0		53,948
Inter-segment sales	0	3,960	7,073	2,871	3,357	651	0	-17,913		0
Total sales	13,726	10,977	17,791	14,932	10,558	2,003	1,874	-17,913		53,948
Operating profit of the segment	1,799	1,163	1,117	-211	124	-182	207	0		4,020
Unallocated operating exp. and inc.										-545
Total operating profit										3,475
Other financial income (expenses)										-507
Corporate income tax										-314
Net profit before minority interest										2,653
Minority interest										153
Net profit for the financial year										2,501
Assets	14,096	4,273	6,456	17,900	5,384	786	708	-13,532		36,071
Group`s unallocated assets										5,806
Incl. assets used in production										4,605
assets used for administrative use										737
other unallocated assets										464
Total assets										41,877
Liabilities	1,735	1,998	3,582	9,624	3,934	471	321	-17,740		3,925
Group`s unallocated liabilities										16,765

Incl. liab. related to production activity									4,682
other unallocated liabilities									12,082
Total liabilities									20,690

Property, plant and equipment acquired	629	1,181	1,079	687	333	50	212	0	4,170
Property, plant and equipment acquired, unallocated									1,079
Depreciation	561	165	258	438	176	63	0	0	1,661
Incl. depreciation of PPE	261	156	243	438	175	62	0	0	1,335
amort. of intangible assets	300	9	14	0	2	0	0	0	326
Depreciation, unallocated									186

Financial information by geographical segment, 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									2,601

EUR '000								Internal trans- actions	Total
	Estonia	Latvia	Lithuania	Russia	Ukraine	Poland	Other		
Non-group sales	10,663	4,784	7,773	7,935	5,696	1,636	1,031	0	39,518
Inter-segment sales	0	3,134	5,638	1,386	3,841	822	0	-14,821	0
Total sales	10,663	7,918	13,411	9,321	9,537	2,458	1,031	-14,821	39,518
Operating profit of the segment	2,676	1,278	1,509	1,834	494	-364	424	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									29
Net profit for the financial year									3,599
Assets	10,503	2,302	4,082	13,522	5,112	840	3	-9,337	27,026
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	3,702
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	1,714	251	151	1,993	700	4	0	0	4,814
Property, plant and equipment acquired, unallocated									2,119
Depreciation	464	66	205	85	112	96	0	0	1,028
Incl. depreciation of PPE	239	58	191	85	111	93	0	0	778
amort. of intangible assets	225	8	14	0	1	3	0	0	250
Depreciation, unallocated									166

Business segment by area of operations – secondary segment

As of 30 September 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	
	9m 2007	9m 2006	30.09.2007	31.12.2006	9m 2007	9m 2006
Retail	702,681	488,276	309,271	250,075	60,389	52,112
Wholesale and other	122,719	120,756	72,795	67,204	0	0
Production	14,150	0	72,059	72,092	16,857	2,911
Unallocated	4,549	9,285	201,114	207,019	4,875	53,467
Total	844,099	618,317	655,239	596,390	82,121	108,490

EUR '000	Net sales		Assets		Additions to PPE and intangibles	
	9m 2007	9m 2006	30.09.2007	31.12.2006	9m 2007	9m 2006
Retail	44,910	31,207	19,766	15,983	3,860	3,331
Wholesale and other	7,843	7,718	4,652	4,295	0	0
Production	904	0	4,605	4,608	1,077	186
Unallocated	291	593	12,854	13,231	312	3,416
Total	53,948	39,518	41,877	38,117	5,249	6,933

NOTE 17 Sales revenue

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Sale of goods	825,400	609,031	52,753	38,924
Sale of sewing services	14,150	0	904	0
Rental income	1,740	4,458	111	285
Other	2,809	4,828	180	309
Total	844,099	618,317	53,948	39,518

NOTE 18 Cost of goods sold

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Materials and supplies	322,385	252,046	20,604	16,109
Impairment of inventories	-2,730	-929	-174	-59
Other production costs	8,139	4,153	520	265
Production payroll	52,387	29,400	3,348	1,879
Depreciation of assets used in production	2,482	2,017	159	129
Change in inventories	3,360	2,363	214	151
Total	386,023	289,050	24,671	18,474

NOTE 19 Distribution costs

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Rental expenses	149,341	79,849	9,545	5,103
Payroll expenses	126,092	87,719	8,059	5,606
Depreciation and amortisation	22,150	13,716	1,416	877
Advertising expenses	21,039	16,000	1,345	1,023
Freight cost	9,966	8,286	637	530
Fees for card payments	4,924	3,303	315	211

Communication expenses	2,664	1,536	170	98
Renovation of retail outlets	2,565	887	164	57
Bank fees	2,143	1,378	137	88
Information technology expenses	2,049	1,496	131	96
Expenses for uniforms	1,103	436	70	28
Packaging expenses	1,008	895	64	57
Accounting and auditing expenses	443	566	28	36
Other sales expenses	34,117	18,971	2,180	1,212
Total	379,604	235,038	24,261	15,022

NOTE 20 Administrative expenses

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Payroll costs	16,457	17,243	1,052	1,102
Depreciation and amortisation	4,359	3,408	279	218
Rental expenses	4,974	2,188	318	140
Information technology expenses	3,474	2,162	222	138
Sponsorship	768	944	49	60
Fuel, heating and electricity	780	844	50	54
Bank fees	809	737	52	47
Communication costs	580	642	37	41
Business trips	262	514	17	33
Management and consulting fees	166	2,257	11	144
Other administrative expenses	6,685	5,753	426	369
Total	39,314	36,692	2,513	2,345

NOTE 21 Other operating income

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Gain from sales of non-current assets	15,599	7,438	997	475
Gain from revaluation of investment property	6,768	0	433	0
Other operating income	185	171	11	11
Total	22,552	7,609	1,441	486

NOTE 22 Other operating expenses

	EEK '000		EUR '000	
	9m 2007	9m 2006	9m 2007	9m 2006
Foreign exchange losses	6,444	1,952	412	125
Fines, penalties and tax interest	302	564	19	36
Representation costs	234	678	15	43
Other operating expenses	365	1,012	23	65
Total	7,345	4,206	469	269

NOTE 23 Earnings per share**Basic earnings per share**

		9m 2007	9m 2006
Weighted average number of shares	pcs	18,644,850	17,898,583
Net profit attributable to the equity holders of the parent	EEK '000	39,130	56,302
	EUR '000	2,501	3,599
Basic earnings per share	EEK	2.10	3.15
	EUR	0.13	0.20

Diluted earnings per share

		9m 2007	9m 2006
Weighted average number of shares	pcs	18,644,850	18,312,886
Profit used to determine diluted earnings per share	EEK '000	39,130	56,302
	EUR '000	2,501	3,599
Diluted earnings per share	EEK	2.10	3.07
	EUR	0.13	0.20

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the first nine months of 2007 was 121.38 kroons/7.76 euros (2006: 71.32 kroons/4.56 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 recalculated by applying the conditions of the bonus issue (two bonus shares issued for each existing share) carried out in June 2007 (Note 15).

NOTE 24 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	9m 2007		9m 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	9m 2007		9m 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	
	30.09.2007	31.12.2006	30.09.2007	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 25 Subsidiaries

Subsidiary	Location	Activity	Participation	Participation
			30.09.2007	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 Virulane	Estonia	Production	82.66%	82.66%
OÜ Baltika TP	Estonia	Real estate 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 owner 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 11).

Merger of the fully owned subsidiaries

On 28 May 2007, an agreement was signed to merge the two fully owned subsidiaries of Baltika Group – AS Elina STC and OÜ Baltika Tailor, whereby AS Elina STC was merged with OÜ Baltika Tailor.