AS BALTIKA

Consolidated interim report for the first quarter of 2008

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24,Tallinn 10135, Estonia
Phone	+372 630 2731
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Retail and wholesale of clothes
Auditor	AS PricewaterhouseCoopers
Beginning and end of financial year	01.01.2008- 31.12.2008

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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, Central and Eastern Europe. The Baltika Group operates four retail concepts: Monton, Mosaic, Baltman and Ivo Nikkolo. The Group employs a vertically integrated business model which means that it controls all stages of the fashion process: design, manufacturing, supply chain management, distribution/logistics and retail sales. The Group also sells its collections wholesale.

The shares of AS Baltika are listed on the Tallinn Stock Exchange which belongs to the NASDAQ OMX Group.

As of 31 March 2008, the Group employed 1,951 people (31 December 2007: 1,983).

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

The Group consists of the following companies:

	Location	Activity	Holding at 31.03.2008	Holding at 31.12.2007
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%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.33%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

Consolidated financial results, I quarter 2008

In the first quarter of 2008, the Group's revenues remained stable at 266.1 million kroons (17.0 million euros) compared with a year ago. Retail sales improved by 5.6% and wholesale revenues declined by 19.3% yoy. The period's gross margin was 52.0%. In Q1 2008, Baltika Group earned operating loss of 7.3 million kroons (0.5 million euros) and net loss of 11.0 million kroons (0.7 million euros). The Group opened three stores, increasing its sales area by 15% yoy.

REVENUE

Revenue by business segment

EEK million	Q1 2008	Q1 2007	+/-
Retail	225.5	213.6	5.6%
Wholesale	40.1	49.6	-19.3%
Other	0.5	3.1	-85.3%
Total	**266.1**	**266.3**	**-0.1%**

EUR 1 = EEK 15.6466

RETAIL

The main impact on the first quarter sales came from weak sales in March, which should be the strongest month of the quarter in fashion retailing. In March, discounted sales period is over and the sales of the new season's collections start. This year, however, cold weather in combination with low customer activity during Easter holidays had a negative impact on March sales. Compared with the prior year, retail sales for the first quarter grew by 5.6% amounting to 225.5 million kroons (14.4 million euros).

The Group's average sales area of the first quarter grew by 20% yoy and the average sales efficiency (sales per square metre) declined by 12%. Efficiency is continually affected by sales area expansion – new stores have more space and in the start-up period their efficiency is generally lower. Additionally, the Group's average sales efficiency was not supported by comparable store sales which decreased by 4.5% during the period. Sales in comparable stores decreased in the Baltic markets while in big Central and Eastern European markets comparable store sales improved in the first quarter. Baltic economies are currently in a cooling phase and so is the consumption.

Lithuania became the Group's largest retail market in the first quarter of 2008 surpassing barely Estonia. The third-largest retail market was Russia. The fastest growing market in the first quarter was Poland with 15% yoy sales growth. Among the Baltic countries, the sales grew in Latvia and Lithuania where the Group's sales area expanded the most in 2007. Sales in Estonia remained stable compared with a year ago.

Retail sales by market

EEK million	Q1 2008	Q1 2007	+/-	Percentage, Q1 2008
Lithuania	52.3	47.9	9%	23%
Estonia	51.8	52.3	-1%	23%
Russia	40.9	39.7	3%	18%
Ukraine	37.5	37.4	0%	17%
Latvia	33.2	29.6	12%	15%
Poland	7.7	6.7	15%	3%
Czech Republic	2.1	0	-	1%
Total	**225.5**	**213.6**	**6%**	**100%**

EUR 1 = EEK 15.6466

In terms of brands, the largest contributor is Monton that accounted for 55% of the Group's retail sales for the first quarter of 2008. The sales of Monton amounted to 125 million kroons (8.0 million euros), 6% up on the prior year. Retail sales of Mosaic increased by 11% yoy to 74 million kroons (4.7 million euros) contributing 33% to the Group's retail revenue. Retail sales of Baltman declined by 15% yoy to 18 million kroons (1.2

million euros). The sales of the Ivo Nikkolo brand expanded by 53% yoy and totalled 6.5 million kroons (0.4 million euros).

STORES AND SALES AREA

At the end of March 2008 the Group had 124 stores with a total sales area of 23,964 square metres. Compared with March 2007, the net growth of the retail system was six stores and ca 3,000 square metres as a result of which the sales area operated by the Group increased by 15% yoy.

Stores by market

	31.03.2008	**31.03.2007**
Lithuania	29	26
Estonia	29	28
Russia	21	24
Ukraine	22	22
Latvia	16	13
Poland	5	5
Czech Republic	2	-
Total stores	**124**	**118**
Total sales area, m^2	**23,964**	**20,901**

In the first quarter, the Group opened three and closed seven stores. Two stores were opened in Ukraine and one in the Czech Republic in the city of Ostrava. The latter represents the second opening in the Czech market and entry into a new city. Stores were closed in Russia (3), Ukraine (2), Lithuania (1) and Estonia (1). In the second quarter, there will be no closings while two more stores will be opened. One of the stores has already been opened in Kaliningrad, Russia and the other one will be opened in Narva, Estonia. Both openings represent entry into a new city.

The Group’s main objective of the first half-year is to streamline the store portfolio – a total of five stores will be opened and seven closed. In the second half of the year, the Group intends to open 14-18 stores taking the total number of stores to 140-145 by the end of 2008.

WHOLESALE

Wholesale revenue for the first quarter amounted to 40.1 million kroons (2.6 million euros), 19.3% down from the prior year. The decline in wholesale revenue was planned – wholesale revenues are expected to decline by 15-20% yoy. In the second half of the year, wholesale revenues should remain at the level of the prior year.

EARNINGS AND MARGINS

The first quarter of the year is characterised by the end of season clearance sale in January and February. This year, March sales were also weak having a significant impact on the Group’s first quarter profitability. Additionally, the first quarter results were influenced by the weakening of the Russian rouble and Ukrainian hryvnia against the Estonian kroon and resulting foreign exchange losses. The results are also affected by retail space expansion, especially lower efficiency of new stores in the start-up period.

The Group’s gross margin for the first quarter of 2008 was 52.0% (Q1 2007: 52.5%) and gross profit remained almost stable at 138.4 million kroons (8.8 million euros) compared with a year ago.

Stemming from the current situation, the Group is focusing on cutting costs as a result of which the first quarter administrative and general expenses remained at the same level if compared with the prior year. Distribution costs increased in connection with the opening of new stores by 16.6% yoy.

The first quarter results were adversely affected by exchange rate fluctuations – the period’s other operating expenses and financial expenses include foreign exchange losses of 8.4 million kroons (537 thousand euros). In the first quarter of 2007, foreign exchange losses totalled 1.2 million kroons (76 thousand euros).

Baltika Group ended the first quarter of 2008 with operating loss of 7.3 million kroons (0.5 million euros). Operating profit for the first quarter of 2007 amounted to 24.1 million kroons (1.5 million euros).

Consolidated operating profit for the first quarter includes gains from revaluation of investment property of 11.25 million kroons (0.7 million euros) recognised in other operating income. In Q1 2007, gains from sale of non-current assets totalled 16.2 million kroons (1.0 million euros).

In accordance with International Financial Reporting Standards (IFRS), Baltika recognises in its financial statements gains resulting from changes in the fair value of investment property located at Veerenni 24, Tallinn which is currently being developed. Based on the fair value estimation by an independent expert, the total value of the Veerenni 24 property is 235 million kroons (15.0 million euros) once the first phase of the construction is complete and the detailed plan of the whole property is confirmed. Please see section “Real estate development” for an overview of the Veerenni 24 project.

Compared with the prior year, the Group’s financial expenses doubled in the first quarter of 2008 amounting to 3.8 million kroons (241 thousand euros). Financial expenses grew primarily on account of foreign exchange losses. Interest expenses increased by 34.1% compared to the same period in 2007.

The Group’s net loss for the first quarter of 2008 (after tax and minority interest) amounted to 11.0 million kroons (0.7 million euros). In Q1 2007, the Group’s net profit was 21.7 million kroons (1.4 million euros).

BALANCE SHEET

At 31 March 2008, the Group’s consolidated balance sheet total was 667 million kroons (42.6 million euros), a 7% increase yoy.

During the year, the Group's trade receivables decreased by 25 million kroons (1.6 million euros) to 71 million kroons (4.6 million euros) by the end of the first quarter. During the same period, trade payables grew by 5 million kroons (0.3 million euros) amounting to 85 million kroons (5.4 million euros) at 31 March 2008.

At the end of March inventories stood at 229 million kroons (14.7 million euros), up 11% yoy. Inventory turnover ratio (revenue/average inventories) was 5.18 compared with 5.44 a year ago.

At 31 March 2008, the Group’s borrowings totalled 199 million kroons (12.7 million euros), including bank loans of 135 million kroons (8.6 million euros) and overdraft facility of 52 million kroons (3.3 million euros). The remainder of borrowings was made up of finance lease liabilities of 11 million kroons (0.7 million euros) and other liabilities of 1 million kroons (0.1 million euros). The borrowings have increased by 29 million kroons (1.8 million euros) over the year.

At the end of March 2008, the Group’s net debt (interest-bearing liabilities less cash and bank balances) to equity ratio was 56.9% against 35.6% a year ago.

INVESTMENTS

The Group’s investments for the first quarter of 2008 totalled 22.3 million kroons/1.4 million euros (Q1 2007: 23.8 million kroons/1.5 million euros). Investments in the retail business amounted to 9.7 million kroons (0.6 million euros), in real estate development 7.9 million kroons (0.5 million euros), in information technology 2.7 million kroons (0.2 million euros) and in production activities 2.0 million kroons (0.1 million euros).

REAL ESTATE DEVELOPMENT

Baltika establishes an office and business quarter, the Baltika Quarter, a project that is expected to unite the design and creative companies in the centre of Tallinn. In the beginning of 2008, Baltika launched the first phase of the Baltika Quarter involving reconstruction of the former sewing factory into a five-storey and 10,000 square metre business centre. The largest premises of the new centre will be occupied by Baltika’s headquarters and a unique experimental store. The rest of the space will be let.

The first phase of the development project should be completed in May 2009 and the total cost of the project is estimated to be approximately 160 million kroons (10 million euros). The second phase of the project includes constructing of an additional building on the territory of Baltika’s courtyard. The time schedule of the second phase will be determined after the completion of the first phase.

PEOPLE

At the end of March 2008, Baltika Group employed 1,951 (31 March 2007: 2,017) people including 967 (968) in the retail business, 763 (847) in production operations and 221 (202) in the head office. The number of people employed outside Estonia was 781 (792), i.e., 40% of all employees. The three months' average number of employees was 1,956 (Q1 2007: 1,949).

The Group's employee remuneration expenses for the first quarter of 2008 totalled 56.1 million kroons/3.6 million euros (Q1 2007: 40.2 million kroons/2.6 million euros). Payments made to members of the supervisory council and management board totalled 1.16 million kroons/74 thousand euros (Q1 2007: 1.30 million kroons/83 thousand euros).

INCREASING OWNERSHIP IN A SUBSIDIARY

In the first quarter of 2008, AS Baltika acquired an additional stake of 10.67% of the share capital of its subsidiary AS Virulane and increased its ownership to 93.33%. The core business of AS Virulane is apparel manufacturing.

KEY FIGURES OF THE GROUP (Q1 2008)

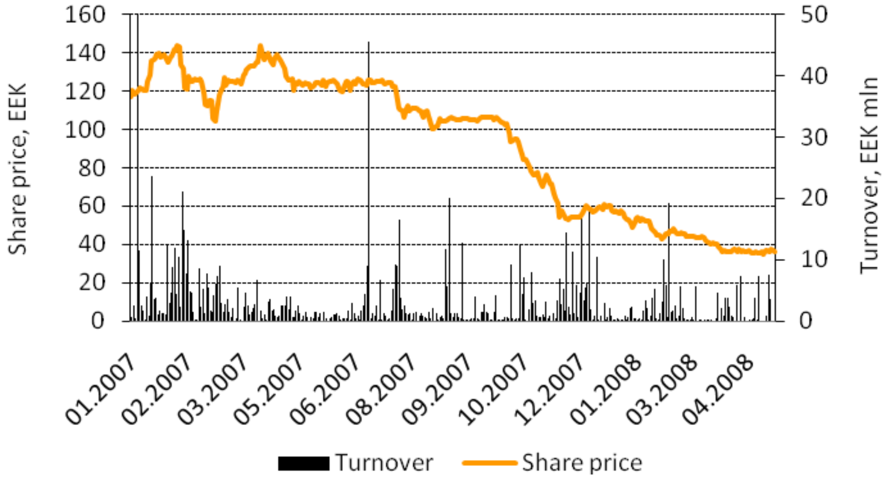
	31.03.2008	**31.03.2007**	**+/-**
Revenue (EEK million)	266.1	266.3	-0.1%
Retail sales (EEK million)	225.5	213.6	5.6%
Share of retail sales in revenue	85%	80%	
Number of stores	124	118	5.1%
Sales area (m^2)	23,964	20,901	14.7%
Number of employees (end of period)	1,951	2,017	-3.3%
Gross margin	52.0%	52.5%	
Operating margin	-2.7%	9.0%	
EBT margin	-4.2%	8.3%	
Net margin	-4.1%	8.1%	
Current ratio	1.7	2.0	-15.0%
Inventory turnover	5.18	5.44	-4.8%
Debt to equity ratio	60.9%	52.3%	
Return on equity	1.8%	35.7%	
Return on assets	0.9%	17.8%	

EUR 1 = EEK 15.6466

Definitions of key ratios

Gross margin = (Revenue-Cost of goods sold)/Revenue
Operating margin = Operating profit/Revenue
EBT margin = Profit before income tax/Revenue
Net margin = Net profit (attributable to parent)/Revenue
Current ratio = Current assets/Current liabilities
Inventory turnover = Revenue/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

SHARE PRICE AND TURNOVER



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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 first quarter of 2008 as presented on pages 10-36.

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 May 2008

Ülle Järv
Member of the management board
28 May 2008

Boriss Loifenfeld
Member of the management board
28 May 2008

Maire Milder
Member of the management board
28 May 2008

CONSOLIDATED BALANCE SHEET
(unaudited, in EEK thousand)

	Note	31.03.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	13,287	31,494
Trade and other receivables	4	117,987	113,563
Inventories	5	229,395	220,698
Non-current assets held for sale		0	500
Total current assets		**360,669**	**366,255**
Non-current assets			
Deferred income tax assets		5,897	5,897
Other non-current asset	6	7,886	11,448
Investment property	7	22,540	11,250
Property, plant and equipment	8	211,120	203,098
Intangible assets	9	59,056	58,409
Total non-current assets		**306,499**	**290,102**
TOTAL ASSETS		**667,168**	**656,357**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	74,193	100,167
Trade and other payables	12	137,554	129,364
Total current liabilities		**211,747**	**229,531**
Non-current liabilities			
Borrowings	10	125,098	84,319
Other liabilities	12	1,108	1,086
Deferred income tax liability		2,075	2,075
Total non-current liabilities		**128,281**	**87,480**
TOTAL LIABILITIES		**340,028**	**317,011**
EQUITY			
Share capital at par value		186,449	186,449
Reserves		26,133	26,133
Retained earnings		108,722	67,949
Net profit for the period		-11,023	40,773
Currency translation differences		11,050	8,131
Total equity attributable to equity holders of the parent		**321,331**	**329,435**
Minority interest		5,809	9,911
TOTAL EQUITY	13	**327,140**	**339,346**
TOTAL LIABILITIES AND EQUITY		**667,168**	**656,357**

CONSOLIDATED BALANCE SHEET
(unaudited, in EUR thousand)

	Note	31.03.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	849	2,013
Trade and other receivables	4	7,541	7,258
Inventories	5	14,661	14,105
Non-current assets held for sale		0	32
Total current assets		**23,051**	**23,408**
Non-current assets			
Deferred income tax assets		377	377
Other non-current asset	6	504	732
Investment property	7	1,441	719
Property, plant and equipment	8	13,493	12,980
Intangible assets	9	3,774	3,733
Total non-current assets		**19,589**	**18,541**
TOTAL ASSETS		**42,640**	**41,949**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	4,742	6,402
Trade and other payables	12	8,791	8,268
Total current liabilities		**13,533**	**14,670**
Non-current liabilities			
Borrowings	10	7,995	5,389
Other liabilities	12	71	69
Deferred income tax liability		133	133
Total non-current liabilities		**8,199**	**5,591**
TOTAL LIABILITIES		**21,732**	**20,261**
EQUITY			
Share capital at par value		11,916	11,916
Reserves		1,670	1,670
Retained earnings		6,949	4,343
Net profit for the period		-704	2,606
Currency translation differences		706	520
Total equity attributable to equity holders of the parent		**20,537**	**21,055**
Minority interest		371	633
TOTAL EQUITY	13	**20,908**	**21,688**
TOTAL LIABILITIES AND EQUITY		**42,640**	**41,949**

CONSOLIDATED INCOME STATEMENT
(unaudited, in EEK thousand)

	Note	Q1 2008	Q1 2007
Revenue	15	266,056	266,330
Cost of goods sold	16	-127,630	-126,430
Gross profit		**138,426**	**139,900**
Distribution costs	17	-137,315	-117,788
Administrative and general expenses	18	-12,862	-12,887
Other operating income	19	12,032	16,278
Other operating expenses	20	-7,554	-1,431
Operating profit		**-7,273**	**24,072**
Financial income (expenses)		**-3,778**	**-1,836**
Interest expenses, net		-2,474	-1,845
Foreign exchange losses, net		-1,593	13
Other financial income (expenses), net		289	-4
Profit before income tax		**-11,051**	**22,236**
Income tax		-443	-422
Net profit		**-11,494**	**21,814**
Net profit attributable to equity holders of the parent company		**-11,023**	**21,662**
Net profit (loss) attributable to minority shareholders		-471	152
Basic earnings per share, EEK	21	-0.59	3.49
Diluted earnings per share, EEK	21	-0.59	3.49

CONSOLIDATED INCOME STATEMENT
(unaudited, in EUR thousand)

	Note	Q1 2008	Q1 2007
Revenue	15	17,004	17,022
Cost of goods sold	16	-8,157	-8,080
Gross profit		**8,847**	**8,941**
Distribution costs	17	-8,776	-7,528
Administrative and general expenses	18	-822	-824
Other operating income	19	769	1,040
Other operating expenses	20	-483	-91
Operating profit		**-465**	**1,538**
Financial income (expenses)		**-241**	**-117**
Interest expenses, net		-158	-118
Foreign exchange losses, net		-102	1
Other financial income (expenses), net		18	0
Profit before income tax		**-706**	**1,421**
Income tax		-28	-27
Net profit		**-735**	**1,394**
Net profit attributable to equity holders of the parent company		**-704**	**1,385**
Net profit (loss) attributable to minority shareholders		-30	9
Basic earnings per share, EUR	21	-0.04	0.22
Diluted earnings per share, EUR	21	-0.04	0.22

CONSOLIDATED CASH FLOW STATEMENT
(unaudited, in EEK thousand)

	Note	Q1 2008	Q1 2007
Operating activities			
Operating profit		-7,273	26,448
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	10,684	9,023
Loss (gain) from disposal of PPE and investment property		142	-16,253
Loss (gain) from revaluation of investment property	7	-11,250	0
Other non-monetary expenses		5,545	0
Changes in working capital:			
Change in trade and other receivables	4	-193	-6,435
Change in inventories	5	-8,697	-7,787
Change in trade and other payables	12	12,829	-11,586
Interest paid		-2,540	-1,409
Income tax paid		-3,556	-37
Net cash generated from operating activities		**-4,309**	**-8,036**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-22,336	-23,840
Under the finance lease terms		3,162	366
Proceeds from disposal of property, plant and equipment		175	50,310
Investments in subsidiaries	22	-3,328	-1,300
Interest received		29	12
Net cash used in investing activities		**-22,298**	**25,548**
Financing activities			
Received borrowings	10	41 462	43,641
Repayments of borrowings	10	-4 678	-12,962
Change in bank overdraft	10	4,345	-10,367
Repayments of finance lease and other liabilities		-1,136	-4,574
Proceeds from issue of bonds		0	28,523
Redemption of bonds	11	-30,000	-20,000
Net cash generated from financing activities		**9,993**	**24,261**
Effect of exchange gains (losses) on cash and cash equivalents		-1,593	13
Total cash flows		**-18,207**	**41,786**
Cash and cash equivalents at the beginning of the period	3	**31,494**	**12,584**
Cash and cash equivalents at the end of the period	3	**13,287**	**54,370**
Change in cash and cash equivalents		**-18,207**	**41,786**

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EUR thousand)

	Note	Q1 2008	Q1 2007
Operating activities			
Operating profit		-465	1,690
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	683	577
Loss (gain) from disposal of PPE and investment property		9	-1,039
Loss (gain) from revaluation of investment property	7	-719	0
Other non-monetary expenses		354	0
Changes in working capital:			
Change in trade and other receivables	4	-12	-411
Change in inventories	5	-556	-498
Change in trade and other payables	12	820	-740
Interest paid		-162	-90
Income tax paid		-227	-2
Net cash generated from operating activities		**-275**	**-514**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-1,427	-1,524
Under the finance lease terms		202	23
Proceeds from disposal of property, plant and equipment		11	3,215
Investments in subsidiaries	22	-213	-83
Interest received		2	1
Net cash used in investing activities		**-1,425**	**1,634**
Financing activities			
Received borrowings	10	2,650	2,789
Repayments of borrowings	10	-299	-828
Change in bank overdraft	10	278	-663
Repayments of finance lease and other liabilities		-73	-292
Proceeds from issue of bonds		0	1,823
Redemption of bonds	11	-1,917	-1,278
Net cash generated from financing activities		**639**	**1,551**
Effect of exchange gains (losses) on cash and cash equivalents		-102	1
Total cash flows		**-1,163**	**2,671**
Cash and cash equivalents at the beginning of the period	3	**2,013**	**804**
Cash and cash equivalents at the end of the period	3	**849**	**3,475**
Change in cash and cash equivalents		**-1,163**	**2,671**

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

	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Currency translation reserve**	**Total attributable to parent**	**Minority interest**	**Total**
Balance at 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	132	132	-21	111
Net income (expense) recognised directly in equity	0	0	0	0	132	132	-21	111
Net profit for the period	0	0	0	24,038	0	24,038	152	24,190
Total recognised income (expense)	**0**	**0**	**0**	**24,038**	**132**	**24,170**	**131**	**24,301**
Balance at 31.03.2007	**62,150**	**59,088**	**9,721**	**184,935**	**4,451**	**320,345**	**8,196**	**328,541**
Balance at 31.12.2007	**186,449**	**0**	**26,133**	**108,722**	**8,131**	**329,435**	**9,911**	**339,346**
Currency translation differences	0	0	0	0	2,919	2,919	0	2,919
Net income (expense) recognised directly in equity	0	0	0	0	2,919	2,919	-4,102	-1,183
Net profit for the period	0	0	0	-11,023	0	-11,023	0	-11,023
Total recognised income (expense)	**0**	**0**	**0**	**-11,023**	**2,919**	**-8,104**	**-4,102**	**-12,206**
Balance at 31.03.2008	**186,449**	**0**	**26,133**	**97,699**	**11,050**	**321,331**	**5,809**	**327,140**

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

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2006	**3,972**	**3,776**	**621**	**10,283**	**276**	**18,930**	**515**	**19,445**
Currency translation differences	0	0	0	0	8	8	-1	6
Net income (expense) recognised directly in equity	0	0	0	0	8	8	-1	6
Net profit for the period	0	0	0	1,536	0	1,536	10	1,546
Total recognised income (expense)	**0**	**0**	**0**	**1,536**	**8**	**1,545**	**8**	**1,553**
Balance at 31.03.2007	**3,972**	**3,776**	**621**	**11,819**	**284**	**20,474**	**524**	**20,998**
Balance at 31.12.2007	**11,916**	**0**	**1,670**	**6,949**	**520**	**21,056**	**633**	**21,689**
Currency translation differences	0	0	0	0	187	187	0	187
Net income (expense) recognised directly in equity	0	0	0	0	187	187	-262	-76
Net profit for the period	0	0	0	-704	0	-704	0	-704
Total recognised income (expense)	**0**	**0**	**0**	**-704**	**187**	**-519**	**-261**	**-780**
Balance at 31.03.2008	**11,916**	**0**	**1,670**	**6,244**	**706**	**20,537**	**371**	**20,908**

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 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 2007. 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 2007 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 the company. The company's ability to identify, measure and control different risks is a key variable for the Group's profitability. The Group's management defines risk as a potential negative deviation from the expected financial results. The main risk factors are market (including currency risk, interest rate risk and price risk), credit, liquidity and operational risks.

The basis for risk management at the Group are the requirements set by the Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies, adherence to generally accepted accounting principles, as well as the company's internal regulations and risk policies. Overall risk management includes identification, measurement and control of risks. The management of the Parent company plays a major role in managing risks and approving risk procedures. The supervisory council of the Group's Parent company supervises the management's risk management activities.

The management of the Group's Parent company considers market risk, including foreign exchange risk as the most significant risk for the Group.

Market risk

Foreign exchange risk

Sales in foreign currencies constitute 76% of the revenues of the Group and are denominated in LTL (Lithuanian lit), LVL (Latvian lat), UAH (Ukrainian hryvnia), PLN (Polish zloty), RUR (Russian rouble), CZK (Czech koruna) for the foreign subsidiaries of the Group and in EUR (euro) for the Parent company and the subsidiaries located in Estonia. The majority of raw materials used in production is acquired from countries located outside of European Union. The major currencies for purchases are EUR (euro) and USD (US dollar).

Trading with the counterparties in countries belonging to the European Monetary Union is handled only in euros. Estonian kroon is pegged to the euro thus no foreign exchange gains (losses) arise on the transactions in euro. As the Group's main revenues arise from retail sales, the prices of goods in the markets are fixed in a local currency and consequently, changes in foreign currency exchange rates directly affect the Group's revenue through the pricing of goods at the stores in those markets. In addition, a change in the economic environment and relative appreciation/depreciation of a local currency may greatly affect the purchasing power of customers in the market of the respective segment.

The weakening of the US dollar against the euro poses liquidity risk, which affects the Group's collectible amounts from the countries most affected by the changes in the dollar's exchange rate (Ukraine, Russia and Poland). On the other hand, the weakening of the dollar has a positive impact on importing from the countries (China, Japan and 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 changes in average foreign currency rates against Estonian kroon in the reporting period were the following: Polish zloty +0.7% (2007: -1.3%), Ukrainian hryvnia -12.4% (2007: -7.8%), Russian rouble -5.1% (2007: -1.8%), Latvian lat +0.7% (2007: -0.9%) and Czech koruna +9.7% (2007: +2.0%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was -12.5% (2007: -8.2%).

Foreign exchange risk arises from cash and bank (Note 3), trade receivables (Note 4) and trade payables (Note 12).

The Group's non-current borrowings carrying floating interest rate were denominated in euros, therefore no currency risk is assumed.

No instruments were used to hedge foreign currency risks in 2008 and 2007. Based on the management's assessment, the effect of losses resulting from changes in foreign currencies does not exceed the risk tolerance determined by the Group. If feasible, foreign currencies collected are used for the settling of liabilities measured in the same currency.

Interest rate risk

As the Group's cash and cash equivalents carry fixed interest rate, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from non-current borrowings issued at floating interest rate and thus exposing the Group to cash flow interest rate risk. The exposure to the fair value interest rate risk of the Group's borrowings is insignificant according to the management's estimate as the borrowings with fixed interest rate have short maturities, expiring within a year, or have no term (overdraft). Interest rate risk is primarily caused by the potential fluctuations of Euribor and the changing of the average interest rates of banks.

All non-current borrowings at 31 March 2008 and 31 December 2007 were subject to a floating interest rate based on Euribor, which is fixed every three or six months. 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.

The Group uses no hedging instruments to manage the risks arising from fluctuations in interest rates.

Price risk

The Group is not exposed to the price risk with respect to financial instruments as it does not hold any equity securities.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Cash and cash equivalents

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted for operations in the Baltic and Central European region as long-term counterparties. For Eastern Europe the "B" rating is considered acceptable. The Group has chosen banks with "A" rating to be the main partners for managing the cash and cash equivalents and financing the Group's operations in Estonia and overseas.

Trade receivables

The most significant credit risk concentration to the Group arises from the wholesale activities in Eastern Europe. For the wholesale customers, their financial position, past experience and other factors are taken into consideration as the basis for credit control. According to the Group's credit policy, no collaterals to secure the trade receivables are required from counterparties but instead, deliveries, outstanding credit amount and adherence to agreed dates are monitored continuously.

At the balance sheet date, the maximum exposure to credit risk from trade receivables (Note 4) amounted to 71,213 thousand kroons/4,551 thousand euros (31 December 2007: 71,148 thousand kroons/4,547 thousand euros), including balances with the Eastern European wholesale partners of 57,899 thousand kroons/3,700 thousand euros (31 December 2007: 61,051 thousand kroons/3,902 thousand euros).

Trade receivables past due six months and more were partially impaired thus the difference between the carrying value and recoverable amount was recognised as an impairment loss (Note 4).

Sales to retail customers are settled in cash or using major credit cards, thus no credit risk is involved except the risk arising from financial institutions selected as approved counterparties. Credit risks arising from the Group's seasonal production and sales cycle are temporary.

Liquidity risk

Liquidity risk is the potential loss that would occur from the limited or insufficient financial (cash) resources to meet the obligations arising from the Group's activities. Management monitors the sufficiency of cash and cash equivalents to settle the liabilities and finance the Group's strategic goals on a regular basis using rolling cash forecasts.

To manage liquidity risks, the Group uses different financing instruments such as bank loans, overdrafts, commercial bond issues, monitoring of receivables and purchase contracts. A Group current account/overdraft facility is in use for more flexible management of liquid assets, enabling Group companies to use the Group's resources up to the limit established by the Parent company.

Financial liabilities by maturity at 31 March 2008

EEK '000	**Carrying amount**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	186,585	84,396	112,374	19,601	216,371
Finance lease liabilities (Note 10)	11,360	2,442	10,141	0	12,583
Trade payables (Note 12)	84,684	84,684	0	0	84,684
Other payables (Note 12)	55,324	54,284	364	676	55,324
Total	**337,953**	**225,806**	**122,879**	**20,277**	**368,962**

EUR '000	**Carrying amount**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	11,926	5,394	7,182	1,253	13,829
Finance lease liabilities (Note 10)	726	156	648	0	804
Trade payables (Note 12)	5,412	5,412	0	0	5,412
Other payables (Note 12)	3,535	3,469	23	43	3,536
Total	**21,599**	**14,432**	**7,853**	**1,296**	**23,581**

Financial liabilities by maturity at 31 December 2007

EEK '000	**Carrying amount**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	145,456	72,398	72,561	16,010	160,969
Finance lease liabilities (Note 10)	9,333	2,752	7,616	0	10,368
Bonds (Note 11)	29,697	30,000	0	0	30,000
Trade payables (Note 12)	72,345	72,345	0	0	72,345
Other payables (Note 12)	57,009	56,003	364	642	57,009
Total	**313,840**	**233,498**	**80,541**	**16,652**	**330,691**

EUR '000	Carrying amount	3-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	9,297	4,627	4,637	1,023	10,288
Finance lease liabilities (Note 10)	596	176	487	0	663
Bonds (Note 11)	1,898	1,917	0	0	1,917
Trade payables (Note 12)	4,624	4,624	0	0	4,624
Other payables (Note 12)	3,643	3,579	23	41	3,644
Total	**20,058**	**14,923**	**5,148**	**1,064**	**21,135**

Overdraft facilities are shown under bank borrowings payable within 1-3 months in the amount of maximum exposure available for the Group. For interest bearing borrowings carrying floating interest rate based on Euribor, the spot rate has been used.

Operational risk

The Group's operations are mostly affected by the cyclical nature of economies in target markets and changes in competitive positions, as well as risks related to specific markets (especially non-European Union markets – Russia and Ukraine).

To manage the risks, the Group attempts to increase the flexibility of its operations: the sales volumes and the activities of competitors are also being monitored and if necessary, the Group makes adjustments in price levels, marketing activities and collections offered. In addition to central gathering and assessment of information, an important role in analysing and planning actions is played by a market organisation in each target market enabling the Group to obtain fast and direct feedback on market developments on the one hand and adequately consider local conditions on the other.

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

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

To ensure good collections, the Group employs a strong team of designers who monitor and are aware of fashion trends by using internationally acclaimed channels. Such a structure, procedures and information systems have been set up at the Group which help daily monitoring of sales and balance of inventories and using the information in subsequent activities. In order to avoid supply problems, cooperation with the world's leading procurement intermediaries as well as fabric manufacturers has been expanded.

The unavoidable risk factor in selling clothes is the weather. Collections are created and sales volumes as well as timing of sales is planned under the assumption that regular weather conditions prevail in the target markets – in case weather conditions differ significantly from normal conditions, the actual sales results may significantly differ from the budget.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt.

Gearing ratios of the Group

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Total borrowings (Note 10)	199,291	184,486	12,737	11,791
Cash and bank (Note 3)	-13,287	-31,494	-849	-2,013
Net debt	186,004	152,992	11,888	9,778
Total equity	327,140	339,346	20,908	21,688
Total capital	513,144	492,338	32,796	31,466
Gearing ratio	**36%**	**31%**	**36%**	**31%**

Fair value

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group’s consolidated balance sheet at 31 March 2008 and 31 December 2007. As the Group’s long-term borrowings have a floating interest rate that changes along with the changes in market interest rates, the discount rates used in the discounted cash flow model are applied to calculate the fair value of borrowings. Therefore, management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 Cash and bank

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Cash in hand	1,914	3,425	122	219
Cash at bank	9,541	19,113	610	1,222
Short-term deposits	1,832	8,956	117	572
Total	**13,287**	**31,494**	**849**	**2,013**

Cash and bank by currency

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
EEK (Estonian kroon)	4,410	6,035	282	386
UAH (Ukrainian hryvnia)	2,267	2,777	145	177
CZK (Czech koruna)	1,619	2,359	103	151
PLN (Polish zloty)	1,568	2,070	100	132
RUB (Russian rouble)	1,403	6,289	90	402
LVL (Latvian lat)	1,111	2,347	71	150
LTL (Lithuanian lit)	871	1,649	56	105
EUR (Euro)	38	5,826	2	372
USD (US dollar)	0	2,142	0	137
Total	**13,287**	**31,494**	**849**	**2,013**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Trade receivables, net	71,213	71,148	4,551	4,547
Other prepaid expenses	23,676	22,808	1,513	1,458
Tax prepayments and tax reclaims, thereof	20,588	15,649	1,316	1,000
Value added tax	19,938	15,490	1,274	990
Prepaid income tax	521	97	33	6
Other taxes	129	62	8	4
Other current receivables	2,510	3,958	160	253
Total	**117,987**	**113,563**	**7,541**	**7,258**

Trade receivables

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Trade receivables, gross	73,851	73,786	4,720	4,716
Allowance for impairment of trade receivables	-2,638	-2,638	-169	-169
Trade receivables, net	**71,213**	**71,148**	**4,551**	**4,547**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Not due	56,751	57,416	3,627	3,670
Up to 1 month past due	1,248	585	80	37
1-3 months past due	492	689	31	44
3-6 months past due	271	30	17	2
Over 6 months past due	12,451	12,428	796	794
Total	**71,213**	**71,148**	**4,551**	**4,547**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
EUR (euro)	58,953	55,687	3,768	3,559
EEK (Estonian kroon)	8,015	4,400	512	281
LVL (Latvian lat)	1,296	2,390	83	153
RUB (Russian rouble)	1,195	2,542	76	162
UAH (Ukrainian hryvnia)	916	3,615	59	231
LTL (Lithuanian lit)	824	2,514	53	161
PLN (Polish zloty)	14	0	1	0
Total	**71,213**	**71,148**	**4,551**	**4,547**

NOTE 5 Inventories

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Fabrics and accessories	47,981	47,695	3,067	3,047
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	4,800	4,419	307	282
Finished goods and goods purchased for resale	174,212	163,708	11,134	10,462
Allowance for impairment of finished goods and goods purchased for resale	-1,600	-1,600	-102	-102
Prepayments to suppliers	4,202	6,676	269	427
Total	**229,395**	**220,698**	**14,661**	**14,105**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Non-current lease prepayments	7,886	11,448	504	732

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2007	**11,250**	**719**
Additions	40	3
Revaluation	11,250	719
Balance at 31 March 2008	**22,540**	**1,441**

Investment property consists of 4,500 square metres of land located at 24 Veerenni in Tallinn, Estonia.

NOTE 8 Property, plant and equipment

EEK '000	**Land and construc-tion rights**	**Buildings and structures**	**Machinery and equipment**	**Other fixtures**	**Construc-tion in progress**	**Pre-pay-ments**	**Total**
At 31 December 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	4,195	2,052	8,372	5,473	2,571	22,663
Disposals	-7,969	-32,181	0	-6	0	0	-40,156
Reclassification	0	8,780	95	-6,888	-1,975	-12	0
Depreciation	0	-2,528	-1,046	-3,606	0	0	-7,180
Currency translation differences	0	-128	-11	-62	-36	-15	-252
At 31 March 2007							
Acquisition cost	**3,004**	**95,557**	**80,618**	**94,857**	**5,067**	**4,096**	**283,199**
Accumulated depreciation	0	-32,378	-69,445	-39,853	0	0	-141,676
Net book amount	**3,004**	**63,179**	**11,173**	**55,004**	**5,067**	**4,096**	**141,523**
At 31 December 2007							
Acquisition cost	**2,113**	**113,430**	**98,437**	**116,685**	**26,879**	**1,362**	**358,906**
Accumulated depreciation	0	-37,740	-70,339	-47,729	0	0	-155,808
Net book amount	**2,113**	**75,690**	**28,098**	**68,956**	**26,879**	**1,362**	**203,098**
Additions	0	2,526	1,631	4,454	6,430	4,928	19,969
Disposals	0	0	0	-228	-89	0	-317
Reclassification	0	-92	0	103	0	-11	0
Depreciation	0	-3,361	-1,714	-4,569	0	0	-9,644
Currency translation differences	0	-526	-181	-1,153	-12	-114	-1,986
At 31 March 2008							
Acquisition cost	**2,113**	**114,860**	**98,265**	**116,588**	**33,208**	**6,165**	**371,199**
Accumulated depreciation	0	-40,623	-70,431	-49,025	0	0	-160,079
Net book amount	**2,113**	**74,237**	**27,834**	**67,563**	**33,208**	**6,165**	**211,120**

EUR '000	Land and construc-tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion in progress	Pre-pay-ments	Total
At 31 December 2006							
Acquisition cost	**701**	**7,459**	**5,049**	**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**	**645**	**3,655**	**103**	**99**	**10,638**
Additions	0	268	131	535	350	164	1,448
Disposals	-509	-2,057	0	0	0	0	-2,566
Reclassification	0	561	6	-440	-126	-1	0
Depreciation	0	-162	-67	-230	0	0	-459
Currency translation differences	0	-8	-1	-4	-2	-1	-16
At 31 March 2007							
Acquisition cost	**192**	**6,107**	**5,152**	**6,062**	**324**	**262**	**18,100**
Accumulated depreciation	0	-2,069	-4,438	-2,547	0	0	-9,055
Net book amount	**192**	**4,038**	**714**	**3,515**	**324**	**262**	**9,045**
At 31 December 2007							
Acquisition cost	**135**	**7,249**	**6,291**	**7,458**	**1,718**	**87**	**22,938**
Accumulated depreciation	0	-2,412	-4,495	-3,050	0	0	-9,958
Net book amount	**135**	**4,837**	**1,796**	**4,407**	**1,718**	**87**	**12,980**
Additions	0	161	104	285	411	315	1,276
Disposals	0	0	0	-15	-6	0	-20
Reclassification	0	-6	0	7	0	-1	0
Depreciation	0	-215	-110	-292	0	0	-616
Currency translation differences	0	-34	-12	-74	-1	-7	-127
At 31 March 2008							
Acquisition cost	**135**	**7,341**	**6,280**	**7,451**	**2,122**	**394**	**23,724**
Accumulated depreciation	0	-2,596	-4,501	-3,133	0	0	-10,231
Net book amount	**135**	**4,745**	**1,779**	**4,318**	**2,122**	**394**	**13,493**

NOTE 9 Intangible assets

EEK '000	Licenses, software and other	Trade-marks	Advances	Goodwill	Total
At 31 December 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	919	0	258	0	1,177
Amortisation	-1,594	-249	0	0	-1,843
Currency translation differences	-8	0	0	13	5
At 31 March 2007					
Acquisition cost	**32,018**	**10,060**	**1,708**	**20,436**	**64,222**
Accumulated amortisation	-15,515	-294	0	0	-15,809
Net book amount	**16,503**	**9,766**	**1,708**	**20,436**	**48,413**

At 31 December 2007					
Acquisition cost	**32,549**	**10,060**	**1,341**	**25,234**	**69,184**
Accumulated amortisation	-10,104	-671	0	0	-10,775
Net book amount	**22,445**	**9,389**	**1,341**	**25,234**	**58,409**
Additions	2,191	0	136	0	2,327
Amortisation	-915	-125	0	0	-1,040
Currency translation differences	16	0	-45	-611	-640
At 31 March 2008					
Acquisition cost	**34,827**	**10,060**	**1,432**	**24,623**	**70,942**
Accumulated amortisation	-11,090	-796	0	0	-11,886
Net book amount	**23,737**	**9,264**	**1,432**	**24,623**	**59,056**

EUR '000	**Licenses, software and other**	**Trade-marks**	**Advances**	**Goodwill**	**Total**
At 31 December 2006					
Acquisition cost	**1,989**	**643**	**93**	**1,305**	**4,029**
Accumulated amortisation	-890	-3	0	0	-893
Net book amount	**1,098**	**640**	**93**	**1,305**	**3,137**
Additions	59	0	16	0	75
Amortisation	-102	-16	0	0	-118
Currency translation differences	-1	0	0	1	0
At 31 March 2007					
Acquisition cost	**2,046**	**643**	**109**	**1,306**	**4,105**
Accumulated amortisation	-992	-19	0	0	-1,010
Net book amount	**1,055**	**624**	**109**	**1,306**	**3,094**
At 31 December 2007					
Acquisition cost	**2,079**	**643**	**86**	**1,613**	**4,422**
Accumulated amortisation	-646	-43	0	0	-689
Net book amount	**1,434**	**600**	**86**	**1,613**	**3,733**
Additions	140	0	9	0	149
Amortisation	-58	-8	0	0	-66
Currency translation differences	1	0	-3	-39	-41
At 31 March 2008					
Acquisition cost	**2,226**	**643**	**92**	**1,574**	**4,534**
Accumulated amortisation	-709	-51	0	0	-760
Net book amount	**1,517**	**592**	**92**	**1,574**	**3,774**

NOTE 10 Borrowings

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Current borrowings				
Current portion of non-current bank loans	16,711	20,733	1,068	1,325
Current bank loans	54,110	47,435	3,458	3,032
Current finance lease liabilities	2,039	2,302	130	147
Bonds	0	29,697	0	1,898
Other current liabilities	1,333	0	85	0
Total	**74,193**	**100,167**	**4,742**	**6,402**
Non-current borrowings				
Non-current bank loans	115,764	77,288	7,399	4,940
Non-current finance lease liabilities	9,322	7,031	596	449
Other non-current liabilities	12	0	1	0
Total	**125,098**	**84,319**	**7,995**	**5,389**

During the reporting period, the Group made loan repayments in the amount of 4,678 thousand kroons/299 thousand euros (2007: 23,329 thousand kroons/1,491 thousand euros). Interest expense of the reporting period amounted to 2,540 thousand kroons/162 thousand euros (2007: 1,347 thousand kroons/86 thousand euros). Interest expenses have been recognised net with the corresponding income under interest expenses.

Bank loans of the Group at 31 March 2008

	Carrying amount		Average risk
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 3-month Euribor)	1,041	67	1.50%
Borrowings at floating interest rate (based on 6-month Euribor)	131,434	8,400	1.50%
Borrowings at fixed interest rate (overdraft)	54,110	3,458	6.22%
Total	**186,585**	**11,925**	

Bank loans of the Group at 31 December 2007

	Carrying amount		Average risk
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 3-month Euribor)	10,012	640	1.75%
Borrowings at floating interest rate (based on 6-month Euribor)	88,009	5,625	1.81%
Borrowings at fixed interest rate (overdraft and short-term loan)	47,435	3,032	6.05%
Total	**145,456**	**9,296**	

NOTE 11 Bonds

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 was 14 March 2008. The difference between the nominal value and issue price yields an interest of 5.00% per annum. The bonds were redeemed at the redemption date.

NOTE 12 Trade and other payables

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Trade payables	84,684	72,345	5,412	4,624
Tax liabilities, thereof	24,082	33,065	1,539	2,113
Personal income tax	4,456	5,156	285	330
Social security tax and unemployment insurance premium	10,334	10,576	660	676
Value added tax	7,251	12,319	463	787
Corporate income tax liability	1,296	3,985	83	255
Other taxes	745	1,029	48	66
Payables to employees and other accrued expenses	27,947	22,857	1,786	1,461
Customer prepayments	841	1,096	54	70
Other current payables	0	1	0	0
Other non-current liabilities	1,108	1,086	71	69
Total	**138,662**	**130,450**	**8,862**	**8,337**

Trade payables by denominating currency

	EEK '000		EUR '000	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
EEK (Estonian kroon)	33,141	17,808	2,118	1,138
EUR (euro)	29,590	20,385	1,891	1,303
RUB (Russian rouble)	9,664	12,315	618	787
USD (US dollar)	7,284	16,105	466	1,029
LTL (Lithuanian lit)	1,623	1,193	104	76
CZK (Czech koruna)	1,494	3,234	95	207
Other currencies	1,888	1,305	121	83
Total	**84,684**	**72,345**	**5,412**	**4,624**

NOTE 13 Equity

Share capital

EEK '000	**31.03.2008**	**31.12.2007**
Share capital	186,449	186,449
Number of shares	18,644,850	18,644,850
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	18,645	18,645
Revaluation surplus	7,488	7,488

EUR '000	**31.03.2008**	**31.12.2007**
Share capital	11,916	11,916
Number of shares	18,644,850	18,644,850
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	1,192
Revaluation surplus	479	479

Under the Articles of Association, the company’s minimum share capital is 100,000 thousand kroons/6,391 thousand euros and the maximum share capital is 400,000 thousand kroons/25,565 thousand euros. All shares have been paid for.

Change in the number of shares

	Issue	Number of shares
Number of shares at 31.12.2006		**6,214,950**
Issued at 11.06. 2007	Bonus issue	12,429,900
Number of shares at 31.12.2007		**18,644,850**
Number of shares at 31.03.2008		**18,644,850**

Shareholders at 31 March 2008

	Number of shares	Holding
BMIG OÜ	4,374,533	23.46%
Svenska Handelsbanken Clients	1,400,500	7.51%
Morgan Stanley + CO Incorporated Equity Client Account	1,394,970	7.48%
Skandisnaviska Enskilda Banken Ab Clients	976,800	5.24%
Hansabankas Clients	955,171	5.12%
Members of management and supervisory boards and persons related to them	0	0.00%
Meelis Milder	730,336	3.92%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	150,366	0.81%
Andres Erm	108,000	0.58%
Ülle Järv	55,370	0.30%
Other shareholders	8,182,721	43.89%
Total	**18,644,850**	**100.00%**

Shareholders at 31 December 2007

	Number of shares	Holding
BMIG OÜ	4,261,120	22.85%
Morgan Stanley + CO Incorporated Equity Client Account	1,545,000	8.29%
Svenska Handelsbanken Clients	1,160,500	6.22%
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	57,570	0.31%
Other shareholders	10,304,662	55.27%
Total	**18,644,850**	**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 the Parent company.

NOTE 14 Segments

Geographical segment by client's location – primary segment for the first quarter ended at 31 March 2008

EEK '000	Baltic region	Eastern European region	Central European region	Other regions	Elimi-nations	Total
External revenue	152,473	96,907	9,813	6,863	0	266,056
Inter-segment revenue	55,678	33,697	6,347	0	-95,722	0
Total revenue (Note 14,15)	**208,151**	**130,604**	**16,160**	**6,863**	**-95,722**	**266,056**
Segment operating profit (loss)	4,263	-4,186	-3,125	888	0	-2,160
Unallocated operating income (expenses)						-5,113
Total operating profit						**-7,273**
Other financial income (expenses)						-3,778
Income tax						-443
Net profit before minority interest						-11,494
Minority interest						-471
Net profit						**-11,023**
Assets	351,470	323,074	43,942	477	-191,644	527,319
Group`s unallocated assets, thereof						139,849
Assets used in production						65,517
Assets used for administration						8,507
Other unallocated assets						65,825
Total assets						**667,168**
Liabilities	96,680	216,324	26,189	0	-278,203	60,990
Group`s unallocated liabilities, thereof						279,038
Liabilities related to production						73,715
Other unallocated liabilities						205,323
Total liabilities						**340,028**
Additions to PPE (Notes 8-10), thereof	**3,509**	**8,584**	**64**	**0**	**0**	**12,157**
Unallocated						10,139
Depreciation and amortisation (Notes 8,9), thereof	**5,353**	**3,572**	**555**	**0**	**0**	**9,480**
Unallocated						1,204

EUR '000	Baltic region	Eastern European region	Central European region	Other regions	Elimi-nations	Total
External revenue	9,745	6,193	627	439	0	17,004
Inter-segment revenue	3,558	2,154	406	0	-6,118	0
Total revenue (Note 14,15)	**13,303**	**8,347**	**1,033**	**439**	**-6,118**	**17,004**
Segment operating profit (loss)	272	-268	-200	57	0	-138
Unallocated operating income (expenses)						-327
Total operating profit						**-465**
Other financial income (expenses)						-241
Income tax						-28

Net profit before minority interest						-735
Minority interest						-30
Net profit						**-704**
Assets	22,463	20,648	2,808	30	-12,248	33,702
Group`s unallocated assets, thereof						8,938
Assets used in production						4,187
Assets used for administration						544
Other unallocated assets						4,207
Total assets						**42,640**
Liabilities	6,179	13,826	1,674	0	-17,780	3,898
Group`s unallocated liabilities, thereof						17,834
Liabilities related to production						4,711
Other unallocated liabilities						13,123
Total liabilities						**21,732**
Additions to PPE (Notes 8-10), thereof	**224**	**549**	**4**	**0**	**0**	**777**
Unallocated						648
Depreciation and amortisation (Notes 8,9), thereof	**342**	**228**	**35**	**0**	**0**	**606**
Unallocated						77

Geographical segment by client's location – primary segment for the first quarter ended at 31 March 2007

EEK '000	**Baltic region**	**Eastern European region**	**Central European region**	**Other regions**	**Elimi-nations**	**Total**
External revenue	149,036	104,374	6,706	6,214	0	266,330
Inter-segment revenue	57,215	40,554	3,985	0	-101,754	0
Total revenue (Note 14,15)	**206,251**	**144,928**	**10,691**	**6,214**	**-101,754**	**266,330**
Segment operating profit (loss)	18,291	3,912	-1,395	1,510	0	22,318
Unallocated operating income (expenses)						1,754
Total operating profit						**24,072**
Other financial income (expenses)						-1,836
Income tax						-422
Net profit before minority interest						21,814
Minority interest						152
Net profit						**21,662**
Assets	306,328	372,044	10,277	1,726	-192,865	497,510
Group`s unallocated assets, thereof						128,068
Assets used in production						70,859
Assets used for administration						6,202
Other unallocated assets						51,007
Total assets						**625,578**
Liabilities	97,051	183,783	5,160	0	-232,790	53,204
Group`s unallocated liabilities, thereof						246,209
Liabilities related to production						65,587

Other unallocated liabilities						180,622
Total liabilities						**299,413**
Additions to PPE (Notes 8-10), thereof	**13,633**	**9,159**	**63**	**0**	**0**	**22,855**
Unallocated						985
Depreciation and amortisation (Notes 8,9), thereof	**4,683**	**3,000**	**336**	**0**	**0**	**8,019**
Unallocated						1,004

EUR '000	**Baltic region**	**Eastern European region**	**Central European region**	**Other regions**	**Elimi-nations**	**Total**
External revenue	9,525	6,671	429	397	0	17,022
Inter-segment revenue	3,657	2,592	255	0	-6,503	0
Total revenue (Note 14,15)	**13,182**	**9,263**	**683**	**397**	**-6,503**	**17,022**
Segment operating profit (loss)	1,169	250	-89	97	0	1,426
Unallocated operating income (expenses)						112
Total operating profit						**1,538**
Other financial income (expenses)						-117
Income tax						-27
Net profit before minority interest						1,394
Minority interest						10
Net profit						**1,384**
Assets	19,578	23,778	657	110	-12,326	31,797
Group`s unallocated assets, thereof						8,185
Assets used in production						4,529
Assets used for administration						396
Other unallocated assets						3,260
Total assets						**39,982**
Liabilities	6,203	11,746	330	0	-14,878	3,400
Group`s unallocated liabilities, thereof						15,736
Liabilities related to production						4,192
Other unallocated liabilities						11,544
Total liabilities						**19,136**
Additions to PPE (Notes 8-10), thereof	**871**	**585**	**4**	**0**	**0**	**1,461**
Unallocated						63
Depreciation and amortisation (Notes 8,9), thereof	**299**	**192**	**21**	**0**	**0**	**513**
Unallocated						64

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

Financial information by area of operations

EEK '000	**Revenue**		**Assets**		**Additions to property, plant and equipment**	
	3m 2008	**3m 2007**	**31.03.2008**	**31.12.2007**	**3m 2008**	**3m 2007**
Retail	225,539	213,595	299,302	312,207	10,427	20,935
Wholesale	40,061	49,607	59,503	55,477	0	0
Production	0	0	65,517	65,207	2,165	985
Unallocated	456	3,128	242,846	223,466	9,704	1,920
Total	**266,056**	**266,330**	**667,168**	**656,357**	**22,296**	**23,840**

EUR '000	**Revenue**		**Assets**		**Additions to property, plant and equipment**	
	3m 2008	**3m 2007**	**31.03.2008**	**31.12.2007**	**3m 2008**	**3m 2007**
Retail	14,415	13,651	19,129	19,954	666	1,338
Wholesale	2,560	3,170	3,803	3,546	0	0
Production	0	0	4,187	4,167	138	63
Unallocated	29	200	15,521	14,281	620	121
Total	**17,004**	**17,022**	**42,640**	**41,949**	**1,425**	**1,523**

NOTE 15 Revenue

	EEK '000		**EUR '000**	
	3m 2008	**3m 2007**	**3m 2008**	**3m 2007**
Sale of goods	265,600	263,202	16,975	16,822
Lease revenue	142	1,834	9	117
Other	314	1,294	20	83
Total	**266,056**	**266,330**	**17,004**	**17,022**

NOTE 16 Cost of goods sold

	EEK '000		**EUR '000**	
	3m 2008	**3m 2007**	**3m 2008**	**3m 2007**
Materials and supplies	96,317	109,070	6,156	6,971
Payroll costs in production	23,665	11,262	1,512	720
Other production costs	2,872	1,002	184	64
Operating lease expenses	574	563	37	36
Depreciation of assets used in production	1,100	738	70	47
Change in inventories	3,102	3,818	198	244
Change in allowance for inventories	0	-23	0	-1
Total	**127,630**	**126,430**	**8,157**	**8,080**

NOTE 17 Distribution costs

	EEK '000		EUR '000	
	3m 2008	**3m 2007**	**3m 2008**	**3m 2007**
Operating lease expenses	54,853	46,948	3,506	3,001
Payroll costs	46,884	38,732	2,996	2,475
Depreciation and amortisation	9,217	6,808	589	435
Advertising expenses	7,626	5,831	487	373
Fuel, heating and electricity expenses	2,267	1,534	145	98
Municipal services and security expenses	2,049	1,495	131	96
Fees for card payments	1,717	1,493	110	95
Freight costs	1,566	3,304	100	211
Travel expenses	1,401	1,205	90	77
Communication expenses	917	822	59	53
Information technology expenses	813	425	52	27
Bank fees	519	727	33	46
Renovation expenses of retail outlets	441	666	28	43
Packaging expenses	299	436	19	28
Expenses for uniforms	251	246	16	16
Training expenses	229	542	15	35
Other sales expenses	6,266	6,574	400	420
Total	**137,315**	**117,788**	**8,776**	**7,528**

NOTE 18 Administrative and general expenses

	EEK '000		EUR '000	
	3m 2008	**3m 2007**	**3m 2008**	**3m 2007**
Payroll costs	6,019	5,921	385	378
Information technology expenses	1,364	929	87	59
Operating lease expenses	1,100	839	70	54
Fuel, heating and electricity expenses	577	266	37	17
Depreciation and amortisation	408	1,478	26	94
Sponsorship	351	291	22	19
Bank fees	305	265	19	17
Communication expenses	216	161	14	10
Municipal services and security expenses	130	315	8	20
Training expenses	88	157	6	10
Travel expenses	31	88	2	6
Other administrative expenses	2,273	2,177	145	139
Total	**12,862**	**12,887**	**822**	**824**

NOTE 19 Other operating income

	EEK '000		EUR '000	
	3m 2008	**3m 2007**	**3m 2008**	**3m 2007**
Gain from sale of non-current assets	42	16,239	3	1,038
Gain from revaluations of investment property	11,250	0	719	0
Other operating income	740	39	47	2
Total	**12,032**	**16,278**	**769**	**1,040**

NOTE 20 Other operating expenses

	EEK '000		EUR '000	
	3m 2008	**3m 2008**	**3m 2008**	**3m 2008**
Foreign exchange losses	6,807	1,189	435	76
Fines, penalties and tax interest	171	65	11	4
Representation costs	74	97	5	6
Other operating expenses	502	80	32	5
Total	**7,554**	**1,431**	**483**	**91**

NOTE 21 Earnings per share

Basic earnings per share

		3m 2008	**3m 2007**
Weighted average number of shares	pcs	18,644,850	6,214,950
Net profit attributable to equity holders of the parent	EEK '000	-11,023	21,662
	EUR '000	-704	1,385
Basic earnings per share	**EEK**	**-0.59**	**3.49**
	EUR	**-0.04**	**0.22**

Diluted earnings per share

		3m 2008	**3m 2007**
Weighted average number of shares	pcs	18,644,850	6,214,950
Net profit attributable to equity holders of the parent	EEK '000	-11,023	21,662
	EUR '000	-704	1,385
Diluted earnings per share	**EEK**	**-0.59**	**3.49**
	EUR	**-0.04**	**0.22**

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in Q1 2008 was 48.44 kroons/3.10 euros (2007: 126.19 kroons/8.07 euros).

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

NOTE 22 Subsidiaries

Subsidiary	**Location**	**Activity**	**Holding at 31.12.2007**	**Holding at 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%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.33%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

Acquisition of an additional stake in AS Virulane

During the first quarter of 2008, AS Baltika acquired an additional stake of 10.67% of the share capital of its subsidiary AS Virulane. As a result, Baltika's ownership in AS Virulane increased to 93.33% at 25 March 2008. The core business of AS Virulane is apparel manufacturing. The transaction does not have significant impact on the financial results of AS Baltika.