AS BALTIKA

Consolidated interim report for the second 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 30 June 2008, the Group employed 1,938 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 30.06.2008	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, 6 months 2008

Baltika Group ended the second quarter with a consolidated net profit of 18.8 million kroons (1.2 million euros) and a net margin of 6.6% (Q2 2007: 3.2%). Compared with the same period in 2007, net profit grew more than two-fold. In the second quarter, consolidated sales revenue grew by 5.5%, retail revenues expanding by 12.7% and wholesale revenues dropping by 22.2%. The Group's second quarter gross margin was 60.7% against 57.9% in the second quarter of 2007, and operating margin 7.9% against 6.0% in the second quarter of 2007.

Consolidated sales revenue for the first six months was 550.6 million kroons (35.2 million euros), a 2.7% improvement year-over-year (yoy). Retail revenues for the first six months grew by 9.3% and wholesale revenues decreased, as anticipated, by 20.3%. The Group's six months' gross and operating margins were 56.5% and 2.8% respectively (6m 2007: 55.2% and 7.5%). Consolidated net profit for the first half-year was 7.8 million kroons (0.5 million euros) and net margin 1.4% (6m 2007: 5.7%).

REVENUE

Revenue by business segment

EEK million	Q2 2008	Q2 2007	+/-	6m 2008	6m 2007	+/-
Retail	262.7	233.2	12.7%	488.3	446.8	9.3%
Wholesale	21.2	27.2	-22.2%	61.3	76.9	-20.3%
Subcontracting	0	8.5	-	0	8.5	-
Other	0.6	0.8	-27.8%	1.0	3.8	-73.7%
Total	**284.5**	**269.7**	**5.5%**	**550.6**	**536.0**	**2.7%**

EUR 1 = EEK 15.6466

RETAIL

Compared with 2007, Baltika's retail sales for the first half-year grew by 9.3% to 488.3 million kroons (31.2 million euros). Although in the first quarter sales (growth 5.6%) fell short of expectations, mainly on account of poor results for March, in the second quarter sales growth improved to 12.7%.

During the first half-year, the Group focused on streamlining its store portfolio and enhancing the stores' sales efficiency. Accordingly, sales space grew relatively slowly – in the first six months the average sales area grew by 14% yoy. Sales efficiency improved in the second quarter when the Group's average sales efficiency (sales per square metre) rose by 4% yoy.

The improvement in sales efficiency was underpinned by strong growth in comparable store sales which in the second quarter rose to 8%. The best results in comparable store sales were achieved in the Central and Eastern European markets, which each delivered growth in excess of 20%. Owing to the impacts of the first quarter, comparable store sales growth for the first half-year remained at 1%.

In the second quarter, the Group increased sales in all markets. The Russian, Ukrainian, and Polish growth rates - 19%, 27% and 24% respectively - are particularly impressive given that the sales area in those markets has remained practically stable for a year. Compared with the prior year, second quarter retail sales in the Baltics grew as follows: Estonia 1%, Latvia 8% and Lithuania 5% - strong results against the background of decelerating economic growth in the countries involved. All markets' six-month results were also satisfactory.

Retail sales by market

EEK million	6m 2008	6m 2007	+/-	Percentage, 6m 2008
Estonia	114.0	113.7	0%	23%
Lithuania	110.6	103.3	7%	23%
Russia	88.0	79.4	11%	18%
Ukraine	81.4	72.0	13%	17%
Latvia	71.2	64.7	10%	15%
Poland	16.4	13.7	20%	3%
Czech Republic	6.7	0	-	1%
Total	**488.3**	**446.8**	**9%**	**100%**

EUR 1 = EEK 15.6466

In terms of brands, Monton accounted for 55% or 269 million kroons (17.2 million euros) of the Group's six-month retail revenue, 11% growth yoy, and Mosaic contributed 33% or 162 million kroons (10.4 million euros), up 15% yoy. The contribution of Baltman decreased 19% to 37 million kroons (2.4 million euros). As an upmarket Baltic-based menswear brand, Baltman has been hit the hardest by economic slowdown; in addition, no new Baltman stores have been opened in the last twelve months. Six-month sales of Ivo Nikkolo grew 48% yoy to 15 million kroons (1.0 million euros).

STORES AND SALES AREA

At the end of June 2008, Baltika had 126 stores with a total sales area of 24,661 square metres. Compared with June 2007, the retail system has grown by two stores and 1,650 square metres (net) whilst the sales area operated by the Group has increased by 7%.

Stores by market

	30.06.2008	**30.06.2007**
Estonia	30	29
Lithuania	29	30
Russia	22	25
Ukraine	22	21
Latvia	16	14
Poland	5	5
Czech Republic	2	-
Total stores	**126**	**124**
Total sales area, sqm	**24,661**	**23,011**

In the first half of 2008, Baltika closed seven stores and opened five, two of them in the second quarter, entering three new cities: Ostrava in the Czech Republic, Kaliningrad in Russia and Narva in Estonia.

In the second half-year, the Group expects to open 12 to 17 and close 4 to 8 stores, taking the total number of stores to 133 to 138 by the year-end.

WHOLESALE

In the first half-year, the bulk of wholesale operations are performed in the first quarter; the second quarter is traditionally weaker. Consolidated wholesale revenue for the first six months of 2008 was 61.3 million kroons (3.9 million euros), a 20.3% decrease yoy. Wholesale revenues have declined in line with projections.

EARNINGS AND MARGINS

Second quarter results indicate that the Group's strategic direction – focus on expansion, export and diversification of the market portfolio - is producing results. While the Baltic economies are experiencing a slowdown, the markets in Central and Eastern Europe are undergoing positive developments that support the Group's performance.

Following a period of rapid expansion, Baltika's main goal in the first half of 2008 was to improve sales efficiency. Among other measures, this involved closing any non-performing stores. Positive results emerged in the second quarter, which ended with a 4% improvement in sales efficiency (yoy), a high gross margin and a strong net profit. However, it ought to be noted that the Group's performance will remain affected by the opening of stores and their ensuing start-up periods.

The first half-year saw two different cycles – a weak first quarter and a strong second quarter. In the second quarter, the Group's gross margin rose to 60.7% (Q2 2007: 57.9%) taking the half-year gross margin to 56.5%, a fair improvement on the 55.2% measured for the first half of 2007. Consolidated gross profit for the first six months was 311.3 million kroons (19.9 million euros), up 5.1% yoy, whilst second quarter gross profit grew by a solid 10.7% yoy.

Administrative and general expenses and distribution costs for the first six months grew by 3.1% and 13.7% yoy respectively.

The impact of exchange differences varied. If in the first quarter exchange differences resulted in an exchange loss of 8.4 million kroons (537 thousand euros) and had a notably negative impact on the Group's performance, in the second quarter the differences resulted in an exchange gain of 4.5 million kroons (288 thousand euros), which had a positive impact. The overall impact on the half-year was negative with exchange losses recognised in other operating expenses and financial expenses totalling 3.9 million kroons (249 thousand euros). In comparison, exchange losses for the first six months of 2007 totalled 1.3 million kroons (83 thousand euros).

Consolidated operating profit for the second quarter was 22.5 million kroons (1.4 million euros), a vigorous 38.8% improvement on the prior year, and operating margin for the second quarter was 7.9% (Q2 2007: 6.0%).

Consolidated operating profit for the first half-year amounted to 15.2 million kroons (1.0 million euros), a 62.2% decrease yoy, and operating margin for six months was 2.8% (6m 2007: 7.5%). Operating profit for six months includes 11.25 million kroons (0.7 million euros) of gain from the revaluation of investment property, which was earned in the first quarter and recognised in other operating income. Operating profit for the first six months of 2007 included 16.21 million kroons (1.0 million euros) of income from the divestment of property, plant and equipment, which was also earned in the first quarter and recognised in other operating income.

The Group’s financial expenses for the first six months of 2008 totalled 6.7 million kroons (431 thousand euros), up 56.9% yoy. The bulk of the growth results from an increase in foreign exchange losses. Interest expenses for the same period grew by 22.2% to 5.1 million kroons (325 thousand euros).

Baltika’s net profit for the second quarter surged to 18.8 million kroons (1.2 million euros), a more than two-fold increase on the second quarter of 2007, and net margin rose to 6.6% (Q2 2007: 3.2%).

Consolidated net profit for six months was 7.8 million kroons (0.5 million euros) and the period’s net margin was 1.4%. The corresponding figures for the first half of 2007 were 30.4 million kroons (1.9 million euros) and 5.7%.

BALANCE SHEET

At 30 June 2008, Baltika’s balance sheet total was 742 million kroons (47.5 million euros), a 17% increase yoy.

Trade receivables totalled 68 million kroons (4.3 million euros), representing a 17 million kroon (1.1 million euro) decrease, and trade payables amounted to 123 million kroons (7.8 million euros), representing a 36 million kroon (2.3 million euro) increase on 30 June 2007.

At 30 June, inventories stood at 283 million kroons (18.1 million euros), 23% growth yoy, and inventory turnover ratio (sales revenue/average inventories) was 5.04 (30 June 2007: 5.34).

The decrease in trade receivables may be attributed to a decline in wholesale operations. Inventories and payables have increased on account of purchases made for the autumn and winter season in excess of the prior year.

At 30 June 2008, Baltika’s borrowings totalled 213 million kroons (13.6 million euros), including bank loans of 145 million kroons (9.2 million euros), overdraft liabilities of 57 million kroons (3.7 million euros) and finance lease liabilities of 11 million kroons (0.7 million euros). Compared with 30 June 2007, borrowings have increased by 38 million kroons (2.4 million euros). Real estate development loans amount to 19 million kroons (1.2 million euros).

At the end of June, the Group’s net debt (interest-bearing liabilities less cash and bank balances) to equity ratio was 56.9% against 48.0% at the end of June 2007.

INVESTMENT

In the first half of 2008 the Group invested 56.3 million kroons (3.6 million euros): 23.5 million kroons (1.5 million euros) in the retail business, 24.9 million kroons (1.6 million euros) in real estate development, 4.3 million kroons (0.3 million euros) in information technology and 3.6 million kroons (0.2 million euros) in manufacturing. Investments for the first half of 2007 totalled 53.9 million kroons (3.4 million euros).

PEOPLE

At 30 June 2008, the Group employed 1,938 (30 June 2007: 2,011) people including 954 (989) in the retail system, 766 (817) in manufacturing and 218 (205) at the head office. The number of people employed outside Estonia was 755 (788), i.e. 39%. The six months’ average number of employees was 1,944 (6m 2007: 1,978).

Employee remuneration expenses for the first six months of 2008 totalled 115.2 million kroons/7.4 million euros (6m 2007: 91.4 million kroons/5.8 million euros). Payments made to members of the supervisory council and management board totalled 2.0 million kroons/126 thousand euros (6m 2007: 2.6 million kroons/166 thousand euros).

ANNUAL GENERAL MEETING

The annual general meeting of Baltika's shareholders which convened on 18 June 2008 approved the annual report for 2007 and the allocation of profits. The meeting resolved to transfer the net profit for 2007 of 40,773 thousand kroons (2,606 thousand euros) to retained earnings and not to distribute any dividends.

The general meeting re-appointed AS PricewaterhouseCoopers as the company's auditors for 2008. In addition, the meeting declared the subscription for Series E bonds unsuccessful and decided that any prepayments made in connection with the subscription should be returned.

KEY FIGURES OF THE GROUP (6 MONTHS 2008)

	30.06.2008	**30.06.2007**	**+/-**
Revenue (EEK million)	550.6	536.0	2.7%
Retail sales (EEK million)	488.3	446.8	9.3%
Share of retail sales in revenue	89%	83%	
Number of stores	126	124	1.6%
Sales area (sqm)	24,661	23,011	7.2%
Number of employees (end of period)	1,938	2,011	-3.6%
Gross margin	56.5%	55.2%	
Operating margin	2.8%	7.5%	
EBT margin	1.5%	6.7%	
Net margin	1.4%	5.7%	
Current ratio	1.6	1.8	-11.1%
Inventory turnover	5.04	5.34	-5.6%
Debt to equity ratio	61.8%	54.6%	
Return on equity	5.7%	28.5%	
Return on assets	2.8%	14.1%	

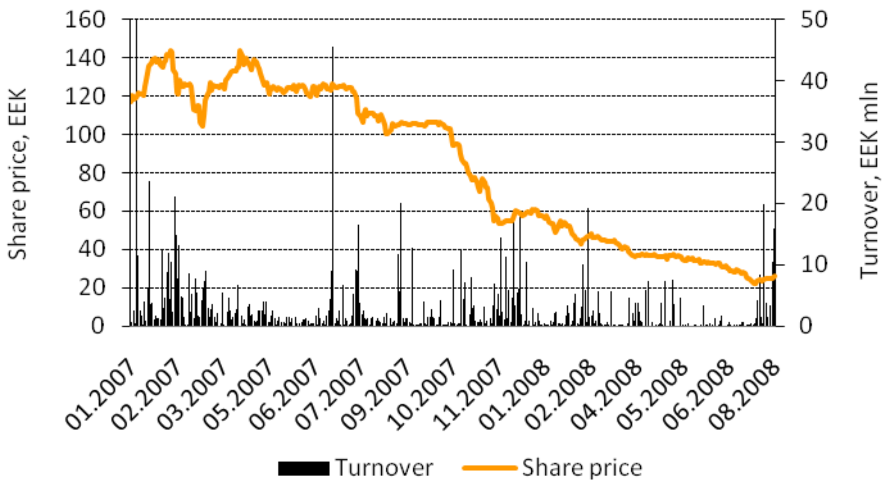
EUR 1 = EEK 15.6466

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 second quarter of 2008 as presented on pages 10-35.

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
28 August 2008

Ülle Järv
Member of the management board
28 August 2008

Boriss Loifenfeld
Member of the management board
28 August 2008

Maire Milder
Member of the management board
28 August 2008

CONSOLIDATED BALANCE SHEET
(unaudited, in EEK thousand)

	Note	30.06.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	16,638	31,494
Trade and other receivables	4	111,647	113,563
Inventories	5	283,316	220,698
Non-current assets held for sale		0	500
Total current assets		**411,601**	**366,255**
Non-current assets			
Deferred income tax assets		5,897	5,897
Other non-current asset	6	7,744	11,448
Investment property	7	22,540	11,250
Property, plant and equipment	8	234,947	203,098
Intangible assets	9	59,742	58,409
Total non-current assets		**330,870**	**290,102**
TOTAL ASSETS		**742,471**	**656,357**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	73,591	100,167
Trade and other payables	12	182,333	129,364
Total current liabilities		**255,924**	**229,531**
Non-current liabilities			
Borrowings	10	139,076	84,319
Other liabilities	12	1,172	1,086
Deferred income tax liability		2,075	2,075
Total non-current liabilities		**142,323**	**87,480**
TOTAL LIABILITIES		**398,247**	**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		7,811	40,773
Currency translation differences		9,299	8,131
Total equity attributable to equity holders of the parent		**338,414**	**329,435**
Minority interest		5,810	9,911
TOTAL EQUITY	13	**344,224**	**339,346**
TOTAL LIABILITIES AND EQUITY		**742,471**	**656,357**

CONSOLIDATED BALANCE SHEET
(unaudited, in EUR thousand)

	Note	30.06.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	1,063	2,013
Trade and other receivables	4	7,136	7,258
Inventories	5	18,107	14,105
Non-current assets held for sale		0	32
Total current assets		**26,306**	**23,408**
Non-current assets			
Deferred income tax assets		377	377
Other non-current asset	6	495	732
Investment property	7	1,441	719
Property, plant and equipment	8	15,016	12,980
Intangible assets	9	3,818	3,733
Total non-current assets		**21,146**	**18,541**
TOTAL ASSETS		**47,453**	**41,949**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	4,703	6,402
Trade and other payables	12	11,653	8,268
Total current liabilities		**16,357**	**14,670**
Non-current liabilities			
Borrowings	10	8,889	5,389
Other liabilities	12	75	69
Deferred income tax liability		133	133
Total non-current liabilities		**9,096**	**5,591**
TOTAL LIABILITIES		**25,453**	**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		499	2,606
Currency translation differences		594	520
Total equity attributable to equity holders of the parent		**21,629**	**21,055**
Minority interest		371	633
TOTAL EQUITY	13	**22,000**	**21,688**
TOTAL LIABILITIES AND EQUITY		**47,453**	**41,949**

CONSOLIDATED INCOME STATEMENT
(unaudited, in EEK thousand)

	Note	Q2 2008	Q2 2007	6m 2008	6m 2007
Revenue	15	284,520	269,714	550,575	536,043
Cost of goods sold	16	-111,687	-113,570	-239,317	-239,999
Gross profit		**172,833**	**156,144**	**311,258**	**296,044**
Distribution costs	17	-141,260	-127,223	-278,576	-245,011
Administrative and general expenses	18	-13,285	-12,465	-26,147	-25,352
Other operating income	19	4,988	303	12,229	16,580
Other operating expenses	20	-780	-550	-3,541	-1,980
Operating profit		**22,496**	**16,209**	**15,223**	**40,281**
Financial income (expenses)		**-2,970**	**-2,465**	**-6,748**	**-4,301**
Interest expenses, net		-2,616	-2,321	-5,089	-4,166
Foreign exchange losses, net		-328	-76	-1,940	-63
Other financial income (expenses), net		-26	-68	281	-72
Profit before income tax		**19,526**	**13,744**	**8,475**	**35,980**
Income tax		-655	-4,471	-1,098	-4,893
Net profit		**18,871**	**9,273**	**7,377**	**31,087**
Net profit attributable to equity holders of the parent company		**18,834**	**8,704**	**7,811**	**30,367**
Net profit (loss) attributable to minority shareholders		37	569	-434	720
Basic earnings per share, EEK	21	1.01	0.47	0.42	1.63
Diluted earnings per share, EEK	21	1.01	0.47	0.42	1.63

CONSOLIDATED INCOME STATEMENT

(unaudited, in EUR thousand)

	Note	Q2 2008	Q2 2007	6m 2008	6m 2007
Revenue	15	18,184	17,238	35,188	34,259
Cost of goods sold	16	-7,138	-7,258	-15,295	-15,339
Gross profit		**11,046**	**9,979**	**19,893**	**18,921**
Distribution costs	17	-9,028	-8,131	-17,804	-15,659
Administrative and general expenses	18	-849	-797	-1,671	-1,620
Other operating income	19	319	19	782	1,060
Other operating expenses	20	-50	-35	-226	-127
Operating profit		**1,438**	**1,036**	**973**	**2,574**
Financial income (expenses)		**-190**	**-158**	**-431**	**-275**
Interest expenses, net		-167	-148	-325	-266
Foreign exchange losses, net		-21	-5	-124	-4
Other financial income (expenses), net		-2	-4	18	-5
Profit before income tax		**1,248**	**878**	**542**	**2,300**
Income tax		-42	-286	-70	-313
Net profit		**1,206**	**593**	**471**	**1,987**
Net profit attributable to equity holders of the parent company		**1,204**	**557**	**499**	**1,941**
Net profit (loss) attributable to minority shareholders		2	35	-28	46
Basic earnings per share, EUR	21	0.06	0.03	0.03	0.10
Diluted earnings per share, EUR	21	0.06	0.03	0.03	0.10

CONSOLIDATED CASH FLOW STATEMENT
(unaudited, in EEK thousand)

	Note	Q2 2008	Q2 2007
Operating activities			
Operating profit		15,223	40,281
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	21,528	18,633
Loss (gain) from disposal of PPE and investment property		1,113	-16,241
Loss (gain) from revaluation of investment property	7	-11,250	0
Other non-monetary expenses		1,460	0
Changes in working capital:			
Change in trade and other receivables	4	6,652	-10,676
Change in inventories	5	-62,618	-29,464
Change in trade and other payables	12	56,627	-2,770
Interest paid		-5,188	-4,180
Income tax paid		-4,870	-501
Net cash generated from operating activities		**18,677**	**-4,918**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-56,362	-48,379
under the finance lease terms		3,162	3,548
Proceeds from disposal of property, plant and equipment		206	50,348
Investments in subsidiaries	22	-3,328	-3,243
Interest received		74	125
Net cash used in investing activities		**-56,248**	**2,399**
Financing activities			
Received borrowings	10	56,076	55,215
Repayments of borrowings	10	-9,500	-27,517
Change in bank overdraft	10	9,942	5,299
Repayments of finance lease and other liabilities		-1,863	-5,270
Dividend paid		0	-13,478
Proceeds from issue of bonds		0	28,585
Redemption of bonds	11	-30,000	-31,500
Net cash generated from financing activities		**24,655**	**11,334**
Effect of exchange gains (losses) on cash and cash equivalents		-1,940	-63
Total cash flows		**-14,856**	**8,752**
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	**16,638**	**21,336**
Change in cash and cash equivalents		**-14,856**	**8,752**

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EUR thousand)

	Note	Q2 2008	Q2 2007
Operating activities			
Operating profit		973	2,574
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	1,376	1,191
Loss (gain) from disposal of PPE and investment property		71	-1,038
Loss (gain) from revaluation of investment property	7	-719	0
Other non-monetary expenses		93	0
Changes in working capital:			
Change in trade and other receivables	4	425	-682
Change in inventories	5	-4,002	-1,883
Change in trade and other payables	12	3,619	-177
Interest paid		-332	-267
Income tax paid		-311	-32
Net cash generated from operating activities		**1,194**	**-314**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-3,602	-3,092
under the finance lease terms		202	227
Proceeds from disposal of property, plant and equipment		13	3,218
Investments in subsidiaries	22	-213	-207
Interest received		5	8
Net cash used in investing activities		**-3,595**	**154**
Financing activities			
Received borrowings	10	3,584	3,529
Repayments of borrowings	10	-607	-1,759
Change in bank overdraft	10	635	339
Repayments of finance lease and other liabilities		-119	-337
Dividend paid		0	-861
Proceeds from issue of bonds		0	1,827
Redemption of bonds	11	-1,917	-2,013
Net cash generated from financing activities		**1,576**	**724**
Effect of exchange gains (losses) on cash and cash equivalents		-124	-4
Total cash flows		**-949**	**559**
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	**1,063**	**1,364**
Change in cash and cash equivalents		**-949**	**559**

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	320	320	5	325
Net income (expense) recognised directly in equity	0	0	0	0	320	320	5	325
Net profit for the period	0	0	0	30,367	0	30,367	720	31,087
Total recognised income (expense)	**0**	**0**	**0**	**30,367**	**320**	**30,687**	**725**	**31,412**
Dividend paid	0	0	0	-14,916	0	-14,916	0	-14,916
Transfers to statutory reserve	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
Change in minority interest	0	0	0	0	0	0	-1,237	-1,237
Balance at 30.06.2007	**186,449**	**0**	**22,543**	**98,316**	**4,639**	**311,947**	**7,553**	**319,500**
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	1,168	1,168	0	1,168
Net income (expense) recognised directly in equity	0	0	0	0	1,168	1,168	0	1,168
Net profit for the period	0	0	0	7,811	0	7,811	-4,101	3,710
Total recognised income (expense)	**0**	**0**	**0**	**7,811**	**1,168**	**8,979**	**-4,101**	**4,878**
Balance at 30.06.2008	**186,449**	**0**	**26,133**	**116,533**	**9,299**	**338,414**	**5,810**	**344,224**

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	20	20	0	20
Net income (expense) recognised directly in equity	0	0	0	0	20	20	0	20
Net profit for the period	0	0	0	1,941	0	1,941	46	1,987
Total recognised income (expense)	**0**	**0**	**0**	**1,941**	**20**	**1,961**	**46**	**2,008**
Dividend paid	0	0	0	-953	0	-953	0	-953
Transfers to statutory reserve	0	0	819	-819	0	0	0	0
Increase of share capital	7,944	-3,776	0	-4,168	0	0	0	0
Change in minority interest	0	0	0	0	0	0	-79	-79
Balance at 30.06.2007	**11,916**	**0**	**1,441**	**6,283**	**296**	**19,937**	**483**	**20,420**
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	75	75	0	75
Net income (expense) recognised directly in equity	0	0	0	0	75	75	0	75
Net profit for the period	0	0	0	499	0	499	-262	237
Total recognised income (expense)	**0**	**0**	**0**	**499**	**75**	**573**	**-262**	**311**
Balance at 30.06.2008	**11,916**	**0**	**1,670**	**7,448**	**594**	**21,629**	**371**	**22,000**

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 74% 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 +10.1% (2007: -0.6%), Ukrainian hryvnia -11.1% (2007: -8.1%), Russian rouble -5.3% (2007: -0.9%), Latvian lat +0.3% (2007: -0.6%) and Czech koruna +11.7% (2007: +2.1%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was -13.1% (2007: -8.8%).

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 30 June 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 67,529 thousand kroons/4,316 thousand euros (31 December 2007: 71,148 thousand kroons/4,547 thousand euros), including balances with the Eastern European wholesale partners of 55,862 thousand kroons/3,570 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 30 June 2008

EEK '000	**Carrying amount**	**1-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	201,974	74,485	116,227	37,882	228,594
Finance lease liabilities (Note 10)	10,638	1,751	10,048	0	11,799
Trade payables (Note 12)	122,640	122,640	0	0	122,640
Other payables (Note 12)	60,865	59,825	364	676	60,865
Total	**396,117**	**258,701**	**126,639**	**38,558**	**423,898**

EUR '000	**Carrying amount**	**1-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	12,909	4,760	7,428	2,421	14,610
Finance lease liabilities (Note 10)	680	112	642	0	754
Trade payables (Note 12)	7,838	7,838	0	0	7,838
Other payables (Note 12)	3,889	3,824	23	43	3,890
Total	**25,316**	**16,534**	**8,094**	**2,464**	**27,092**

Financial liabilities by maturity at 31 December 2007

EEK '000	**Carrying amount**	**1-12 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**	**1-12 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	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
Total borrowings (Note 10)	212,667	184,486	13,592	11,791
Cash and bank (Note 3)	-16,638	-31,494	-1,063	-2,013
Net debt	196,029	152,992	12,529	9,778
Total equity	344,224	339,346	22,000	21,688
Total capital	540,253	492,338	34,528	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 30 June 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	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
Cash in hand	1,932	3,425	123	219
Cash at bank	14,253	19,113	911	1,222
Short-term deposits	453	8,956	29	572
Total	**16,638**	**31,494**	**1,063**	**2,013**

Cash and bank by currency

	EEK '000		EUR '000	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
RUB (Russian rouble)	5,596	6,289	358	402
CZK (Czech koruna)	3,637	2,359	232	151
LVL (Latvian lat)	2,458	2,347	157	150
EEK (Estonian kroon)	1,480	6,035	95	386
LTL (Lithuanian lit)	1,461	1,649	93	105
UAH (Ukrainian hryvnia)	907	2,777	58	177
PLN (Polish zloty)	717	2,070	46	132
EUR (euro)	382	5,826	24	372
USD (US dollar)	0	2,142	0	137
Total	**16,638**	**31,494**	**1,063**	**2,013**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Trade receivables, net	67,529	71,148	4,316	4,547
Other prepaid expenses	23,883	22,808	1,526	1,458
Tax prepayments and tax reclaims, thereof	17,915	15,649	1,145	1,000
value added tax	17,019	15,490	1,088	990
prepaid income tax	638	97	41	6
other taxes	258	62	16	4
Other current receivables	2,320	3,958	148	253
Total	**111,647**	**113,563**	**7,136**	**7,258**

Trade receivables

	EEK '000		EUR '000	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Trade receivables, gross	70,667	73,786	4,516	4,716
Allowance for impairment of trade receivables	-3,138	-2,638	-201	-169
Trade receivables, net	**67,529**	**71,148**	**4,316**	**4,547**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Not due	54,007	57,416	3,452	3,670
Up to 1 month past due	578	585	37	37
1-3 months past due	709	689	45	44
3-6 months past due	45	30	3	2
Over 6 months past due	12,190	12,428	779	794
Total	**67,529**	**71,148**	**4,316**	**4,547**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
EUR (euro)	54,484	55,687	3,482	3,559
EEK (Estonian kroon)	7,234	4,400	462	281
LVL (Latvian lat)	1,382	2,390	88	153
RUB (Russian rouble)	1,070	2,542	68	162
UAH (Ukrainian hryvnia)	2,675	3,615	171	231
LTL (Lithuanian lit)	683	2,514	44	161
PLN (Polish zloty)	1	0	0	0
Total	**67,529**	**71,148**	**4,316**	**4,547**

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Fabrics and accessories	61,492	47,695	3,930	3,047
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	4,661	4,419	298	282
Finished goods and goods purchased for resale	209,670	163,708	13,400	10,462
Allowance for impairment of finished goods and goods purchased for resale	-1,600	-1,600	-102	-102
Prepayments to suppliers	9,293	6,676	594	427
Total	**283,316**	**220,698**	**18,107**	**14,105**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
Non-current lease prepayments	7,744	11,448	495	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 30 June 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 construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Prepayments	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	10,571	6,801	20,559	6,403	557	44,891
Acquired within business combinations	0	0	4,180	0	326	0	4,506
Disposals	-7,969	-32,180	-6	-6	0	0	-40,161
Reclassification	0	11,991	95	-6,851	-5,171	-64	0
Depreciation	0	-5,201	-2,321	-7,641	0	0	-15,163
Currency translation differences	0	-51	-1	-74	-1	-6	-133
At 30 June 2007							
Acquisition cost	**3,004**	**104,253**	**89,480**	**105,748**	**3,162**	**2,039**	**307,686**
Accumulated depreciation	0	-34,082	-70,649	-42,567	0	0	-147,298
Net book amount	**3,004**	**70,171**	**18,831**	**63,181**	**3,162**	**2,039**	**160,388**
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	6,826	5,864	10,635	29,086	0	52,411
Disposals	0	0	-49	-1,181	-89	0	-1,319
Reclassification	0	-93	0	194	0	-101	0
Depreciation	0	-6,719	-3,296	-9,367	0	0	-19,382
Currency translation differences	0	508	-106	-241	25	-47	139
At 30 June 2008							
Acquisition cost	**2,113**	**118,807**	**102,407**	**122,580**	**55,901**	**1,214**	**403,022**
Accumulated depreciation	0	-42,595	-71,896	-53,584	0	0	-168,075
Net book amount	**2,113**	**76,212**	**30,511**	**68,996**	**55,901**	**1,214**	**234,947**

EUR '000	Land and construc-tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion in progress	Pre-payments	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	676	435	1,314	409	36	2,869
Acquired within business combinations	0	0	267	0	21	0	288
Disposals	-509	-2,057	0	0	0	0	-2,567
Reclassification	0	766	6	-438	-330	-4	0
Depreciation	0	-332	-148	-488	0	0	-969
Currency translation differences	0	-3	0	-5	0	0	-9
At 30 June 2007							
Acquisition cost	**192**	**6,663**	**5,719**	**6,759**	**202**	**130**	**19,665**
Accumulated depreciation	0	-2,178	-4,515	-2,721	0	0	-9,414
Net book amount	**192**	**4,485**	**1,204**	**4,038**	**202**	**130**	**10,251**
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	436	375	680	1,859	0	3,350
Disposals	0	0	-3	-75	-6	0	-84
Reclassification	0	-6	0	12	0	-6	0
Depreciation	0	-429	-211	-599	0	0	-1,239
Currency translation differences	0	32	-7	-15	2	-3	9
At 30 June 2008							
Acquisition cost	**135**	**7,593**	**6,545**	**7,834**	**3,573**	**78**	**25,758**
Accumulated depreciation	0	-2,722	-4,595	-3,425	0	0	-10,742
Net book amount	**135**	**4,871**	**1,950**	**4,410**	**3,573**	**78**	**15,016**

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

At 30 June 2007					
Acquisition cost	**32,834**	**10,060**	**3,379**	**25,951**	**72,224**
Accumulated amortisation	-17,048	-419	0	0	-17,467
Net book amount	**15,786**	**9,641**	**3,379**	**25,951**	**54,757**
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	3,656	0	254	0	3,910
Amortisation	-1,895	-251	0	0	-2,146
Currency translation differences	147	0	-40	-538	-431
At 30 June 2008					
Acquisition cost	**36,448**	**10,060**	**1,555**	**24,696**	**72,759**
Accumulated amortisation	-12,095	-922	0	0	-13,017
Net book amount	**24,353**	**9,138**	**1,555**	**24,696**	**59,742**

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	100	0	123	0	223
Acquired within business combinations	9	0	0	355	364
Amortisation	-198	-24	0	0	-222
Currency translation differences	0	0	0	-2	-2
At 30 June 2007					
Acquisition cost	**2,098**	**643**	**216**	**1,659**	**4,616**
Accumulated amortisation	-1,090	-27	0	0	-1,116
Net book amount	**1,009**	**616**	**216**	**1,659**	**3,500**
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	234	0	16	0	250
Amortisation	-121	-16	0	0	-137
Currency translation differences	9	0	-3	-34	-28
At 30 June 2008					
Acquisition cost	**2,329**	**643**	**99**	**1,578**	**4,650**
Accumulated amortisation	-773	-59	0	0	-832
Net book amount	**1,556**	**584**	**99**	**1,578**	**3,818**

NOTE 10 Borrowings

	EEK '000		EUR '000	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
Current borrowings				
Current portion of non-current bank loans	12,690	20,733	811	1,325
Current bank loans	59,532	47,435	3,805	3,032
Current finance lease liabilities	1,314	2,302	84	147
Bonds	0	29,697	0	1,898
Other current liabilities	55	0	4	0
Total	**73,591**	**100,167**	**4,703**	**6,402**
Non-current borrowings				
Non-current bank loans	129,752	77,288	8,293	4,940
Non-current finance lease liabilities	9,324	7,031	596	449
Total	**139,076**	**84,319**	**8,889**	**5,389**

During the reporting period, the Group made loan repayments in the amount of 9,500 thousand kroons/607 thousand euros (2007: 27,517 thousand kroons/1,759 thousand euros). Interest expense of the reporting period amounted to 5,188 thousand kroons/332 thousand euros (2007: 4,180 thousand kroons/267 thousand euros). Interest expenses have been recognised net with the corresponding income under interest expenses.

Bank loans of the Group at 30 June 2008

	Carrying amount		Average risk
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 3-month Euribor)	833	53	1.50%
Borrowings at floating interest rate (based on 6-month Euribor)	141,609	9,051	1.50%
Borrowings at fixed interest rate (overdraft)	59,532	3,805	6.22%
Total	**201,974**	**12,909**	

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.

Convertible bonds

The annual general meeting of Baltika's shareholders which convened on 18 June 2008 declared the subscription for Series E bonds unsuccessful in connection with the withdrawal of the bond subscribers from the agreement and decided that any prepayments made in connection with the subscription should be returned. The general meeting also decided to change the resolution under the item number 6 on the agenda of the annual general meeting held on 21 May 2007 so that 62,000 Series F bonds will be issued on the terms and conditions added to the resolution.

F bonds were subscribed for during the period of 02.06.-13.06.2008 and the share subscription period for F bonds will be during the period of 01.06.-31.12.2009. Each bond entitles the holder to subscribe for three shares in the company. According to the convertible bonds conditions the share subscription price is the weighted average price of the traded shares of AS Baltika on the Tallinn Stock Exchange on the first day of the bond subscription period. The subscription price of Series F bonds was determined based on the share price of 2 June 2008 which was 33.16 kroons (2.12 euros).

NOTE 12 Trade and other payables

	EEK '000		EUR '000	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
Trade payables	122,640	72,345	7,838	4,624
Tax liabilities, thereof	27,913	33,065	1,784	2,113
personal income tax	5,453	5,156	349	330
social security tax and unemployment insurance premium	10,641	10,576	680	676
value added tax	10,489	12,319	670	787
corporate income tax liability	754	3,985	48	255
other taxes	576	1,029	37	66
Payables to employees and other accrued expenses	30,704	22,857	1,962	1,461
Customer prepayments	708	1,096	45	70
Other current payables	368	1	24	0
Other non-current liabilities	1,172	1,086	75	69
Total	**183,505**	**130,450**	**11,728**	**8,337**

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
EEK (Estonian kroon)	47,872	17,808	3,060	1,138
EUR (euro)	39,254	20,385	2,509	1,303
USD (US dollar)	17,988	16,105	1,150	1,029
RUB (Russian rouble)	11,314	12,315	723	787
CZK (Czech koruna)	2,338	3,234	149	207
LTL (Lithuanian lit)	2,189	1,193	140	76
Other currencies	1,685	1,305	108	83
Total	**122,640**	**72,345**	**7,838**	**4,624**

NOTE 13 Equity

Share capital

EEK '000	**30.06.2008**	**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	**30.06.2008**	**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	478	478

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 30.06.2008		**18,644,850**

Shareholders at 30 June 2008

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,760,500	9.44%
Hansabankas Clients	1,661,468	8.91%
Members of management and supervisory boards and persons related to them		
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	9,112,694	48.88%
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 6 months ended at 30 June 2008

EEK '000	Baltic region	Eastern European region	Central European region	Other regions	Elimi-nations	Total
External revenue	322,303	197,028	23,121	8,123	0	550,575
Inter-segment revenue	109,250	62,797	11,621	0	-183,668	0
Total revenue (Note 15)	**431,553**	**259,825**	**34,742**	**8,123**	**-183,668**	**550,575**
Segment operating profit (loss)	24,758	12,124	-4,788	1,283	0	33,377
Unallocated operating income (expenses)						-18,154
Total operating profit						**15,223**
Other financial income (expenses)						-6,748
Income tax						-1,098
Net profit before minority interest						7,377
Minority interest						-434
Net profit						**7,811**
Assets	378,532	340,207	53,861	158	-200,358	572,400
Group`s unallocated assets, thereof						170,071
assets used in production						77,171
assets used for administration						8,396
other unallocated assets						84,504
Total assets						**742,471**
Liabilities	101,523	217,627	33,754	0	-279,570	73,334
Group`s unallocated liabilities, thereof						324,913
liabilities related to production						101,616
other unallocated liabilities						223,297
Total liabilities						**398,247**
Additions to PPE (Notes 8-10), thereof	**8,737**	**11,015**	**7,812**	**0**	**0**	**27,564**
unallocated						28,757
Depreciation and amortisation (Notes 8,9), thereof	**10,856**	**6,996**	**1,173**	**0**	**0**	**19,025**
unallocated						2,503

EUR '000	Baltic region	Eastern European region	Central European region	Other regions	Elimi-nations	Total
External revenue	20,599	12,592	1,478	519	0	35,188
Inter-segment revenue	6,982	4,013	743	0	-11,739	0
Total revenue (Note 15)	**27,581**	**16,606**	**2,220**	**519**	**-11,739**	**35,188**
Segment operating profit (loss)	1,582	775	-306	82	0	2,133
Unallocated operating income (expenses)						-1,160
Total operating profit						**973**
Other financial income (expenses)						-431
Income tax						-70
Net profit before minority interest						471

Minority interest						-28
Net profit						**499**
Assets	24,193	21,743	3,442	10	-12,805	36,583
Group`s unallocated assets, thereof						10,870
assets used in production						4,932
assets used for administration						537
other unallocated assets						5,401
Total assets						**47,453**
Liabilities	6,489	13,909	2,157	0	-17,868	4,687
Group`s unallocated liabilities, thereof						20,766
liabilities related to production						6,494
other unallocated liabilities						14,271
Total liabilities						**25,453**
Additions to PPE (Notes 8-10), thereof	**558**	**704**	**499**	**0**	**0**	**1,762**
unallocated						1,838
Depreciation and amortisation (Notes 8,9), thereof	**694**	**447**	**75**	**0**	**0**	**1,216**
unallocated						160

Geographical segment by client's location – primary segment for the first 6 months ended at 30 June 2007

EEK '000	**Baltic region**	**Eastern European region**	**Central European region**	**Other regions**	**Elimi-nations**	**Total**
External revenue	311,428	193,929	13,724	16,962	0	536,043
Inter-segment revenue	109,802	62,963	6,531	0	-179,296	0
Total revenue (Note 15)	**421,230**	**256,892**	**20,255**	**16,962**	**-179,296**	**536,043**
Segment operating profit (loss)	45,860	1,306	-2,126	2,462	0	47,502
Unallocated operating income (expenses)						-7,221
Total operating profit						**40,281**
Other financial income (expenses)						-4,301
Income tax						-4,893
Net profit before minority interest						31,087
Minority interest						720
Net profit						**30,367**
Assets	345,057	370,331	11,859	694	-202,398	525,543
Group`s unallocated assets, thereof						110,716
assets used in production						96,719
assets used for administration						6,137
other unallocated assets						7,860
Total assets						**636,259**
Liabilities	104,154	194,567	5,945	0	-245,885	58,781
Group`s unallocated liabilities, thereof						257,978
liabilities related to production						77,822
other unallocated liabilities						180,156
Total liabilities						**316,759**

Additions to PPE (Notes 8-10), thereof	**29,176**	**11,608**	**210**	**0**	**0**	**40,994**
unallocated						12,940
Depreciation and amortisation (Notes 8,9), thereof	**9,798**	**6,237**	**671**	**0**	**0**	**16,706**
unallocated						1,928

EUR '000	**Baltic region**	**Eastern European region**	**Central European region**	**Other regions**	**Elimi-nations**	**Total**
External revenue	19,904	12,394	877	1,084	0	34,259
Inter-segment revenue	7,018	4,024	417	0	-11,459	0
Total revenue (Note 15)	**26,922**	**16,418**	**1,295**	**1,084**	**-11,459**	**34,259**
Segment operating profit (loss)	2,931	83	-136	157	0	3,036
Unallocated operating income (expenses)						-462
Total operating profit						**2,574**
Other financial income (expenses)						-275
Income tax						-313
Net profit before minority interest						1,987
Minority interest						46
Net profit						**1,941**
Assets	22,053	23,668	758	44	-12,936	33,588
Group`s unallocated assets, thereof						7,076
assets used in production						6,181
assets used for administration						392
other unallocated assets						502
Total assets						**40,664**
Liabilities	6,657	12,435	380	0	-15,715	3,757
Group`s unallocated liabilities, thereof						16,488
liabilities related to production						4,974
other unallocated liabilities						11,514
Total liabilities						**20,245**
Additions to PPE (Notes 8-10), thereof	**1,865**	**742**	**13**	**0**	**0**	**2,620**
unallocated						827
Depreciation and amortisation (Notes 8,9), thereof	**626**	**399**	**43**	**0**	**0**	**1,068**
unallocated						123

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	
	6m 2008	6m 2007	30.06.2008	31.12.2007	6m 2008	6m 2007
Retail	488,289	446,818	317,623	312,207	25,006	37,717
Wholesale	61,252	76,849	54,638	55,477	0	0
Production	0	8,448	77,171	65,207	3,573	12,861
Unallocated	1,034	3,928	293,039	223,466	27,742	3,356
Total	**550,575**	**536,043**	**742,471**	**656,357**	**56,321**	**53,934**

EUR '000	Revenue		Assets		Additions to property, plant and equipment	
	6m 2008	6m 2007	30.06.2008	31.12.2007	6m 2008	6m 2007
Retail	31,207	28,557	20,300	19,954	1,598	2,411
Wholesale	3,915	4,912	3,492	3,546	0	0
Production	0	540	4,932	4,167	228	822
Unallocated	66	251	18,729	14,281	1,773	212
Total	**35,188**	**34,259**	**47,453**	**41,949**	**3,600**	**3,446**

NOTE 15 Revenue

	EEK '000		EUR '000	
	6m 2008	6m 2007	6m 2008	6m 2007
Sale of goods	549,541	523,667	35,122	33,468
Sale of sewing services	0	8,448	0	540
Lease revenue	295	1,610	19	103
Other	739	2,318	47	148
Total	**550,575**	**536,043**	**35,188**	**34,259**

NOTE 16 Cost of goods sold

	EEK '000		EUR '000	
	6m 2008	6m 2007	6m 2008	6m 2007
Materials and supplies	188,047	206,330	12,018	13,187
Payroll costs in production	47,482	34,048	3,035	2,176
Other production costs	5,043	3,805	322	243
Operating lease expenses	5,398	1,128	345	72
Depreciation of assets used in production	2,233	1,626	143	104
Change in inventories	-8,886	-6,938	-568	-443
Total	**239,317**	**239,999**	**15,295**	**15,339**

NOTE 17 Distribution costs

	EEK '000		EUR '000	
	6m 2008	**6m 2007**	**6m 2008**	**6m 2007**
Operating lease expenses	105,681	97,987	6,754	6,263
Payroll costs	98,872	79,330	6,319	5,070
Depreciation and amortisation	18,796	14,077	1,201	900
Advertising expenses	16,606	13,869	1,061	886
Fuel, heating and electricity expenses	4,423	3,282	283	210
Municipal services and security expenses	3,967	3,131	254	200
Fees for card payments	3,783	3,176	242	203
Freight costs	3,133	6,589	200	421
Travel expenses	2,707	2,470	173	158
Communication expenses	1,851	1,721	118	110
Information technology expenses	1,525	1,142	97	73
Bank fees	1,210	1,434	77	92
Expenses for uniforms	942	888	60	57
Renovation expenses of retail outlets	905	1,486	58	95
Training expenses	760	950	49	61
Packaging expenses	728	794	47	51
Other sales expenses	12,687	12,685	811	811
Total	**278,576**	**245,011**	**17,804**	**15,659**

NOTE 18 Administrative and general expenses

	EEK '000		EUR '000	
	6m 2008	**6m 2007**	**6m 2008**	**6m 2007**
Payroll costs	12,913	10,669	825	682
Information technology expenses	2,474	2,046	158	131
Operating lease expenses	2,076	2,710	133	173
Sponsorship	1,142	566	73	36
Fuel, heating and electricity expenses	956	548	61	35
Depreciation and amortisation	869	2,930	56	187
Bank fees	481	470	31	30
Communication expenses	396	373	25	24
Training expenses	384	485	25	31
Municipal services and security expenses	299	758	19	48
Travel expenses	72	205	5	13
Other administrative expenses	4,085	3,592	261	230
Total	**26,147**	**25,352**	**1,671**	**1,620**

NOTE 19 Other operating income

	EEK '000		EUR '000	
	6m 2008	**6m 2007**	**6m 2008**	**6m 2007**
Gain from sale of non-current assets	66	16,252	4	1,039
Gain from revaluations of investment property	11,250	161	719	10
Other operating income	913	167	58	11
Total	**12,229**	**16,580**	**782**	**1,060**

NOTE 20 Other operating expenses

	EEK '000		EUR '000	
	6m 2008	**6m 2008**	**6m 2008**	**6m 2008**
Foreign exchange losses	1,966	1,405	126	90
Fines, penalties and tax interest	396	116	25	7
Representation costs	120	196	8	13
Other operating expenses	1,059	263	68	17
Total	**3,541**	**1,980**	**226**	**127**

NOTE 21 Earnings per share

Basic earnings per share

		6m 2008	6m 2007
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit attributable to equity holders of the parent	EEK '000	7,811	30,367
	EUR '000	499	1,941
Basic earnings per share	**EEK**	**0.42**	**1.63**
	EUR	**0.03**	**0.10**

Diluted earnings per share

		6m 2008	6m 2007
Weighted average number of shares	pcs	18,644,850	18,645,164
Net profit attributable to equity holders of the parent	EEK '000	7,811	30,367
	EUR '000	499	1,941
Diluted earnings per share	**EEK**	**0.42**	**1.63**
	EUR	**0.03**	**0.10**

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the first 6 months of 2008 was 41.72 kroons/2.67 euros (2007: 126.81 kroons/8.10 euros).

NOTE 22 Subsidiaries

Subsidiary	Location	Activity	Holding at 30.06.2008	Holding at 31.12.2007
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.