AS BALTIKA

Consolidated interim report for the second quarter and 6 months of 2009

Commercial name	AS Baltika
Commercial registry number	10144415
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	01.01.2009 – 31.12.2009
Reporting period	01.01.2009 – 30.06.2009

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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.

At 30 June 2009, the Group employed 1,816 people (31 December 2008: 1,988).

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 30.06.2009	Holding at 31.12.2008
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	93.34%	93.33%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

Consolidated financial results, 6 months 2009

In the first six months of 2009, Baltika focused on adapting to the rapid deterioration in its economic environment. Compared with the first half of 2008 as well as the time when the investment and purchasing decisions for the reporting period were made (August-October 2008), all of the Group's retail markets had experienced a sharp economic downturn. Moreover, in 41% of the Group's retail markets national currencies had been devalued either to a greater or lesser extent. In a situation where sales were over 20% weaker than a year before and around 40% below the target for which inventories had been planned, the main priority was to adjust inventories and operating expenses to the new, slump-time sales results. If in the first months of the year sales continued decreasing, then since March sales efficiency indicators (particularly comparable store revenues) have been stabilizing at -25% to -28%. According to management's conservative estimates, the second half of the year may still see a certain slide but these are the assumptions used for setting the Group's inventory and operating expense targets. In the first six months, the Group's management adopted a number of decisions and initiated a series of activities whose preliminary effect is already reflected in the results of the second quarter but whose true impact should become visible in the second half of 2009 and in 2010.

Through major discounts and arrangements with suppliers, the Group was able to reduce inventories by 62.5 million kroons (4 million euros) compared with the beginning of the year; inventories per square metre of the retail system decreased by 18%. Although relations with the main suppliers were seriously tested by orders and, consequently, inventories that significantly exceeded the Group's actual sales needs, the supply chain built up over the years proved its resilience in the face of the taxing circumstances. In addition, during the reporting period the Group succeeded in reducing trade payables by 13 million kroons (0.8 million euros). The 40 million kroons (2.6 million euros) raised by the share issue performed in July will largely resolve the difficulties with on-time inventory financing that arose in the first half of the year. Purchases for the new season have already been made on the basis of conservative sales projections.

Compared with the first half of 2008, consolidated operating expenses decreased by 23.4 million kroons (1.5 million euros) – distribution costs shrank by 18.8 million kroons (1.2 million euros) and administrative and general expenses by 4.6 million kroons (0.3 million euros), the respective declines for the second quarter being 12.9 million kroons (0.8 million euros) and 3.1 million kroons (0.2 million euros). Although in the second quarter, the Group's retail system was 18% larger than a year before, the stores' operating expenses per square metre and the markets' head office costs were 20% and 14% smaller respectively. The decisions made for reducing operating expenses will have their full impact in the second half of the year – in annual terms the markets' operating expenses per square metre and the Group's general management expenses should decrease by 26% and 15% respectively; altogether the Group's operating expenses are expected to decline by 80 million kroons (5.1 million euros). It has been decided that at least eight non-profitable stores will be closed in the third quarter and one of the Group's four factories will be closed at the year-end.

In the first six months of the year, the number of staff decreased by 172 – from 1988 to 1816. The most affected by the downsizing were the manufacturing units whose staff on 1 July was 126 smaller than at the beginning of the year (a 16% cut). The number of head office and retail personnel decreased by 31 (14% down) and 15 (1.5%) respectively although the retail space operated by the Group grew by 8%.

Expenses for the second half of the year may be further influenced by non-recurring restructuring costs and unpredictable movements in exchange rates. In general, the Group's management intends to achieve a positive difference between revenue and expenses in its projections for 2010.

On the whole, the Group's most challenging season seems to be over. We believe that the decisions required for adapting have been made and will be successfully implemented. In the current period we will again focus on our core activity, creating strong apparel collections, enhancing customer service and streamlining the business processes.

Baltika Group's second quarter revenue amounted to 214.0 million kroons (13.7 million euros), a 24.7% decrease yoy. Retail revenue for the second quarter shrank by 21.0%. At constant exchange rates retail revenue contracted by 14%. The gross margin for the second quarter was 49% against 42.9% for the first quarter. In the first half of the year, Baltika opened 19 new stores and closed 9, the total sales area growing by 18% yoy.

REVENUE

Revenue by business segment

EEK million	Q2 2009	Q2 2008	+/-	6m 2009	6m 2008	+/-
Retail	207.4	262.7	-21.0%	401.0	488.3	-17.9%
Wholesale	6.3	21.2	-70.1%	33.6	61.3	-45.2%
Other	0.3	0.6	-47.4%	0.4	1.0	-61%
Total	**214.0**	**284.5**	**-24.7%**	**435.0**	**550.6**	**-21.0%**

EUR 1 = EEK 15.6466

RETAIL

As a result of the overall economic recession and a decline in consumer spending, Baltika's half-year retail revenue from the Baltic region and Eastern Europe decreased by 19% and 18% yoy respectively. Western European retail sales grew by 1% yoy. Comparable store revenue for the first six months shrank by 23% yoy. Comparable store revenues in local currencies grew by 2% in Russia and 12% in Ukraine.

Retail sales by market

EEK million	6m 2009	6m 2008	+/-	Percentage, 6m 2009
Lithuania	95.7	110.6	-13%	24%
Estonia	90.4	114.0	-21%	22%
Russia	75.3	88.0	-14%	19%
Ukraine	63.0	81.4	-23%	16%
Latvia	53.3	71.2	-25%	13%
Poland	15.5	16.4	-5%	4%
Czech Republic	7.8	6.7	16%	2%
Total	**401.0**	**488.3**	**-18%**	**100%**

EUR 1 = EEK 15.6466

In terms of brands, Monton accounted for 54% or 215 million kroons (13.7 million euros) of the Group's six-month retail revenue, a 20% decrease yoy, and Mosaic contributed 35% or 139 million kroons (8.9 million euros), a 16% decline yoy. The hardest-hit by the economic crisis and the general deterioration in the retail sector was Baltman, whose six-month sales dropped by 29% to 27 million kroons (1.7 million kroons). The only brand that posted growth in the first half-year was Ivo Nikkolo (up 23%) whose sales rose to 19 million kroons (1.2 million euros).

STORES AND SALES AREA

At the end of June 2009, Baltika Group had 144 stores with a total sales area of 29,041 square metres. Compared with June 2008, the retail system grew by 18 stores and over four thousand square metres; as a result the sales area operated by the Group increased by 18% yoy.

Stores by market

	30 June 2009	30 June 2008
Lithuania	35	29
Estonia	33	30
Russia	30	22
Ukraine	22	22
Latvia	16	16
Poland	6	5
Czech Republic	2	2
Total stores	**144**	**126**
Total sales area, sq m	**29,041**	**24,661**

In the first half-year, Baltika opened 19 stores including seven taken over from a Russian wholesale partner and closed nine. According to plan, in the second half-year five stores will be opened. Concurrently with store openings, up to ten loss-generating stores will be closed.

In line with an agreement, in the second quarter Baltika took over the operation of seven stores belonging to its Russian wholesale partner in the Ural region. The stores are located in Jekaterinburg, Ufa, Perm and Tjumen. The takeover is aligned with the Group's strategic decisions to mitigate the risks arising from reliance on the wholesale partner and to expand retail operations to the Siberia-Ural region in Russia.

WHOLESALE

Wholesale revenues for the first six months of 2009 totalled 33.6 million kroons (2.1 million euros), a 45% decrease yoy. The downturn results largely from the takeover of stores from the Russian wholesale partner as a result of which associated wholesale revenue was reclassified to retail revenue. Cooperation with one of the leading European department store chains Peek&Cloppenburg is continuing successfully - the Mosaic collection is being sold in 18 department stores across Germany, Austria and Poland. Orders for the second half-year are almost twice as large as in the first half-year.

EARNINGS AND MARGINS

The Group's performance in 2009 has been strongly influenced by the economic recession that has reduced sales and profit margins and triggered currency devaluations. The first quarter is typically characterized by the end-of-season discounts offered in January and February. Due to a deep sales slump and higher than anticipated inventory levels, the discounts provided in the first quarter of 2009 were larger than usual and extended over a longer period. The trend continued through the second quarter. Although inventory levels were already considerably lower, the unfavourable retail environment did not allow disposing of goods at expected margins. This had a marked impact on profitability – the Group's second quarter gross margin dropped to 49% (Q2 2008: 60.7%) and gross profit decreased by 39.3% yoy to 104.9 million kroons (6.7 million euros).

Another reason for more aggressive discounting was the need to generate liquidity for purchasing merchandise for the new season. In addition, the Group's margins were adversely impacted by the devaluation of currencies that began in November 2008. According to the exchange rates quoted by the Bank of Estonia, compared with a year ago the average exchange rates for the first half-year weakened as follows: the Ukrainian hryvna 29%, the Polish zloty 21.5%, the Russian rouble 16.8% and the Czech koruna 7.1%.

In the first half-year Baltika focused on reducing its inventories and operating expenses and adjusting them to the lower revenue levels. This involved executing a programme for cutting the Group's operating and management expenses and streamlining the business processes. The savings and rightsizing measures implemented in the first half-year will yield benefits mainly in the second half-year.

An important step in cutting the costs of the retail system is the reduction of store operating expenses including rental charges. In this area, some success has already been achieved – compared with the first six months of 2008 the average store operating expenses per square metre have decreased by 17% - rental costs have dropped by 16% and personnel expenses by 22%. The Group is continuing negotiations with shopping centres regarding lease terms and is closing any inefficient retail outlets.

Thanks to cost-cutting, administrative and general expenses for the first six months decreased by 17.5% yoy and distribution costs declined despite a 6.7% increase in sales area. The personnel expenses of Baltika's Estonian manufacturing units contracted by 25% or 12 million kroons (0.8 million euros) yoy.

Baltika ended the second quarter of 2009 with an operating loss of 33.4 million kroons (2.1 million euros), a 21.7 million-kroon (1.39 million-euro) improvement on the first quarter. The second quarter of 2008 ended in an operating profit of 22.5 million kroons (1.4 million euros). In the first quarter of 2008, the Group benefited from investment property revaluation gains of 11.25 million kroons (0.7 million euros) that were recognised as other operating income. In 2009, there has been no similar income.

Financial expenses for the first half-year grew by 31.4% to 8.9 million kroons (0.6 million euros), mainly on account of 55.1% growth in foreign exchange losses. The growth in borrowings expanded interest expenses by 15% to 5.9 million kroons (0.4 million euros) yoy.

The Group ended the first six months of 2009 with a consolidated net loss (after tax and minority interest) of 97.4 million kroons (6.2 million euros). For comparison, the first half of 2008 ended in a net profit of 7.8 million kroons (0.5 million euros). Consolidated net loss for the second quarter amounted to 34.8 million kroons (2.2 million euros), a 27.8 million-kroon (1.8 million-euro) decrease compared with the first quarter.

FINANCIAL POSITION

At 30 June 2009, Baltika's consolidated assets totalled 752 million kroons (48.1 million euros), 29.4 million kroons (1.9 million euros) down from the previous year-end.

Compared with the end of 2008, the Group's trade and other receivables decreased by 29.6 million kroons (1.9 million euros), amounting to 68.8 million kroons (4.4 million euros) as at the reporting date. Within the same period, trade and other payables decreased by 17.5 million kroons (1.2 million euros) to 190.4 million kroons (12.1 million euros). At the end of June, inventories totalled 226 million kroons (14.4 million euros), 22% down from the end of 2008 despite the period's 7% increase in retail space.

At the end of the first half-year, the Group's borrowings totalled 364.3 million kroons (23.3 million euros), comprising of bank loans of 355.7 million kroons (22.8 million euros) and finance lease liabilities of 8.6 million kroons (0.6 million euros). Compared with the end of 2008, the debt burden has expanded by 92 million kroons (5.9 million euros), 73.3 million kroons (4.7 million euros) of which represents an addition to existing construction loans. The growth in the Group's debt burden is largely attributable to the construction of a new office and business building, which was financed solely with bank loans. At the end of June, borrowings related to the construction of the office building amounted to 142.5 million kroons (9.1 million euros). At the end of June, the building was completed and the Group's head office moved to the new premises.

Construction loans have increased the Group's net debt (interest-bearing liabilities less cash and bank balances) to equity ratio, which at the end of June 2009 stood at 183.8%. At the end of 2008 the corresponding figure was 88.2%.

INVESTMENT

In the first six months of 2009, the Group's investments totalled 86.4 million kroons (5.5 million euros) (6m 2008: 56.3 million kroons /3.6 million euros). Investments in the new office and business building totalled 73.3 million kroons (4.7 million euros), investments in the retail system amounted to 11.6 million kroons (0.7 million euros) and other investments totalled 1.5 million kroons (0.1 million euros).

PEOPLE

At the end of June 2009, Baltika Group employed 1,816 (30 June 2008: 1,938) people, including 979 (954) in the retail system, 645 (766) in manufacturing and 192 (218) at the head office. The number of staff employed outside Estonia totalled 768 (755), i.e., 42% of all personnel. The period's average number of staff was 1,873 (6m 2008: 1,944).

The Group's employee remuneration expenses for the first half of 2009 totalled 104.2 million kroons (6.7 million euros) (6m 2008: 115.2 million kroons / 7.4 million euros). The figure includes the remuneration of the members of the supervisory council and management board of 1.0 million kroons (122 thousand euros) (6m 2008: 2.0 million kroons / 126 thousand euros).

ANNUAL GENERAL MEETING

The annual general meeting that convened on 18 June 2009 approved the company's annual report and the board's profit allocation recommendation for 2008. The general meeting resolved that the net loss for the year ended 31 December 2008 of 18,947 thousand kroons (1,211 thousand euros) should be charged to retained earnings.

The annual general meeting appointed AS PricewaterhouseCoopers as the auditor of the company's annual financial statements for 2009 and Lauri Kustaa Äima as a member of the supervisory council.

In addition, the annual general meeting decided to increase the company's share capital by 4 million preference shares. Share capital was increased by arranging a direct placement to professional investors. The subscription price was 10 kroons (0.64 euros) per share and the total issue size was 40 million kroons (2.6 million euros).

The general meeting decided that 1,850,000 convertible bonds with a par value of 0.1 kroons (0.0064 euros) should be issued within the framework of the Group's management incentive program. Each bond entitles the holder to subscribe for one share in the company. The shares may be subscribed for from 1 July to 31 December 2012 and the issue price of a share is 12 kroons (0.77 euros).

The general meeting also amended the company's Articles of Association to reflect changes in legislation and motions passed.

KEY FIGURES OF THE GROUP (6 MONTHS 2009)

	30.06.2009	30.06.2008	+/-
Revenue (EEK million)	435,0	550,6	-21,0%
Retail sales (EEK million)	401,0	488,3	-17,9%
Share of retail sales in revenue	92%	89%	
Number of stores	144	126	14,3%
Sales area (sqm)	29 041	24 661	17,8%
Number of employees (end of period)	1 816	1 938	-6,3%
Gross margin	46,0%	56,5%	
Operating margin	-20,3%	2,8%	
EBT margin	-22,4%	1,5%	
Net margin	-22,4%	1,4%	
Current ratio	0,9	1,6	-43,8%
Inventory turnover	3,95	5,04	-21,6%
Debt to equity ratio	186,6%	61,8%	
Return on equity	-54,7%	5,7%	
Return on assets	-20,1%	2,8%	

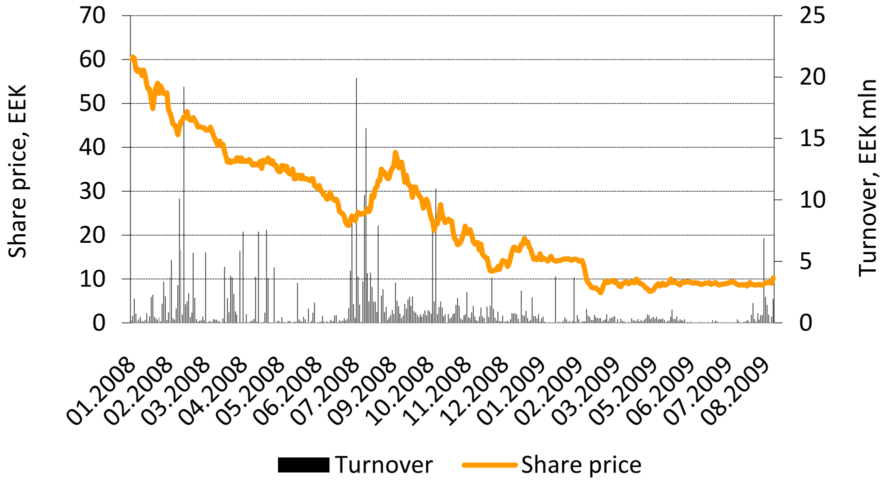
EUR 1 = EEK 15.6466

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



Ülle Järv
CFO, Member of the Management Board
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MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The management board confirms that the management report presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements; includes the description of major risks and doubts influencing the remainder of the financial year; and provides an overview of all significant transactions with related parties.

Meelis Milder
Chairman of the management board
28 August 2009

Ülle Järv
Member of the management board
28 August 2009

Boriss Loifenfeld
Member of the management board
28 August 2009

Maire Milder
Member of the management board
28 August 2009

Andrew Paterson
Member of the management board
28 August 2009

INTERIM 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 and 6 months of 2009 as presented on pages 11-34.

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 give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of the operations and the cash flows of the Group; and its cash flows ;

3. all group companies are going concerns.

Meelis Milder
Chairman of the management board
28 August 2009

Ülle Järv
Member of the management board
28 August 2009

Boriss Loifenfeld
Member of the management board
28 August 2009

Maire Milder
Member of the management board
28 August 2009

Andrew Paterson
Member of the management board
28 August 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EEK thousand)

	Note	30.06.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	5,501	8,671
Trade and other receivables	4	68,764	98,369
Inventories	5,13	225,924	288,431
Total current assets		**300,189**	**395,471**
Non-current assets			
Deferred income tax assets		5,547	5,547
Other non-current asset	6	8,397	6,103
Investment property	7	207,391	134,098
Property, plant and equipment	8	168,535	180,580
Intangible assets	9	62,205	59,604
Total non-current assets		**452,075**	**385,932**
TOTAL ASSETS		**752,264**	**781,403**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	153,641	103,967
Trade and other payables	11	190,446	207,946
Total current liabilities		**344,087**	**311,913**
Non-current liabilities			
Borrowings	10	210,674	168,388
Deferred income tax liability		2,196	2,196
Total non-current liabilities		**212,870**	**170,584**
TOTAL LIABILITIES		**556,957**	**482,497**
EQUITY			
Share capital at par value	12	186,449	186,449
Reserves	12	26,133	26,133
Retained earnings		89,775	108,722
Net profit (loss) for the period		-97,384	-18,947
Currency translation reserve		-11,948	-7,165
Total equity attributable to equity holders of the parent		**193,025**	**295,192**
Minority interest		2,282	3,714
TOTAL EQUITY		**195,307**	**298,906**
TOTAL LIABILITIES AND EQUITY		**752,264**	**781,403**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	30.06.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	352	554
Trade and other receivables	4	4,395	6,287
Inventories	5,13	14,439	18,434
Total current assets		**19,186**	**25,275**
Non-current assets			
Deferred income tax assets		355	355
Other non-current asset	6	537	390
Investment property	7	13,255	8,570
Property, plant and equipment	8	10,771	11,541
Intangible assets	9	3,976	3,809
Total non-current assets		**28,893**	**24,666**
TOTAL ASSETS		**48,078**	**49,941**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	9,819	6,645
Trade and other payables	11	12,172	13,290
Total current liabilities		**21,991**	**19,935**
Non-current liabilities			
Borrowings	10	13,465	10,762
Deferred income tax liability		140	140
Total non-current liabilities		**13,605**	**10,902**
TOTAL LIABILITIES		**35,596**	**30,837**
EQUITY			
Share capital at par value	12	11,916	11,916
Reserves	12	1,670	1,670
Retained earnings		5,738	6,949
Net profit (loss) for the period		-6,224	-1,211
Currency translation reserve		-764	-458
Total equity attributable to equity holders of the parent		**12,337**	**18,866**
Minority interest		146	237
TOTAL EQUITY		**12,482**	**19,104**
TOTAL LIABILITIES AND EQUITY		**48,078**	**49,941**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EEK thousand)

	Note	Q2 2009	Q2 2008	6m 2009	6m 2008
Revenue	13,14	214,032	284,520	435,049	550,575
Cost of goods sold	15	-109,153	-111,687	-235,244	-239,317
Gross profit		**104,879**	**172,833**	**199,805**	**311,258**
Distribution costs	16	-128,353	-141,260	-259,735	-278,576
Administrative and general expenses	17	-10,227	-13,285	-21,561	-26,147
Other operating income	18	24	4,988	35	12,229
Other operating expenses	19	267	-780	-7,052	-3,541
Operating profit (loss)	13	**-33,410**	**22,496**	**-88,508**	**15,223**
Financial income (expenses)		**-1,569**	**-2,970**	**-8,862**	**-6,748**
Interest expenses, net		-2,726	-2,616	-5,848	-5,089
Foreign exchange income (losses,) net		1,157	-328	-3,009	-1,940
Other financial income (expenses), net		0	-26	-5	281
Profit (loss) before income tax		**-34,979**	**19,526**	**-97,370**	**8,475**
Income tax		-81	-655	-232	-1,098
Net profit (loss)		**-35,060**	**18,871**	**-97,602**	**7,377**
Profit (loss) attributable to:					
Equity holders of the parent company		-34,821	18,834	-97,384	7,811
Minority shareholders		-239	37	-218	-434
Other comprehensive income (loss)					
Currency translation differences		1,150	-1,490	-5,995	829
Total comprehensive income (loss)		**-33,910**	**17,381**	**-103,597**	**8,206**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-33,670	17,083	-102,167	8,979
Minority shareholders		-240	298	-1,430	-773
Basic earnings per share, EEK	20	-1.87	1.01	-5.22	0.42
Diluted earnings per share, EEK	20	-1.87	1.01	-5.22	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousand)

	Note	Q2 2009	Q2 2008	6m 2009	6m 2008
Revenue	13,14	13,679	18,184	27,805	35,188
Cost of goods sold	15	-6,976	-7,138	-15,035	-15,295
Gross profit		**6,703**	**11,046**	**12,770**	**19,893**
Distribution costs	16	-8,203	-9,028	-16,600	-17,804
Administrative and general expenses	17	-654	-849	-1,378	-1,671
Other operating income	18	2	319	2	782
Other operating expenses	19	17	-50	-451	-226
Operating profit (loss)	13	**-2,135**	**1,438**	**-5,657**	**973**
Financial income (expenses)		**-100**	**-190**	**-566**	**-431**
Interest expenses, net		-174	-167	-374	-325
Foreign exchange income (losses,) net		74	-21	-192	-124
Other financial income (expenses), net		0	-2	0	18
Profit (loss) before income tax		**-2,236**	**1,248**	**-6,223**	**542**
Income tax		-5	-42	-15	-70
Net profit (loss)		**-2,241**	**1,206**	**-6,238**	**471**
Profit (loss) attributable to:					
Equity holders of the parent company		-2,225	1,204	-6,224	499
Minority shareholders		-15	2	-14	-28
Other comprehensive income (loss)					
Currency translation differences		73	-95	-383	53
Total comprehensive income (loss)		**-2,167**	**1,111**	**-6,621**	**524**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-2,152	1,092	-6,530	574
Minority shareholders		-15	19	-91	-49
Basic earnings per share, EUR	20	-0.12	0.06	-0.33	0.03
Diluted earnings per share, EUR	20	-0.12	0.06	-0.33	0.03

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	6m 2009	6m 2008
Operating activities			
Operating profit (loss)		-88,508	15,223
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	24,026	21,528
Loss (gain) from disposal of PPE and investment property		755	1,113
Loss (gain) from revaluation of investment property	7	0	-11,250
Other non-monetary expenses		-2,870	1,460
Changes in working capital:			
Change in trade and other receivables	4	20,298	6,652
Change in inventories	5	62,507	-62,618
Change in trade and other payables	11	-17,655	56,627
Interest paid		-5,909	-5,188
Income tax paid		1,388	-4,870
Net cash generated from operating activities		**-5,968**	**18,677**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-86,390	-56,362
Under the finance lease terms		0	3,162
Proceeds from disposal of property, plant and equipment		227	206
Investments in subsidiaries		-2	-3,328
Interest received		12	74
Net cash used in investing activities		**-86,153**	**-56,248**
Financing activities			
Received borrowings	10	102,809	56,076
Repayments of borrowings	10	-12,527	-9,500
Change in bank overdraft	10	3,230	9,942
Repayments of finance lease and other liabilities		-1,552	-1,863
Redemption of bonds		0	-30,000
Net cash generated from financing activities		**91,960**	**24,655**
Effect of exchange gains (losses) on cash and cash equivalents		-3,009	-1,940
Total cash flows		**-3,170**	**-14,856**
Cash and cash equivalents at the beginning of the period	3	**8,671**	**31,494**
Cash and cash equivalents at the end of the period	3	**5,501**	**16,638**
Change in cash and cash equivalents		**-3,170**	**-14,856**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR thousand)

	Note	6m 2009	6m 2008
Operating activities			
Operating profit (loss)		-5,657	973
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	1,536	1,376
Loss (gain) from disposal of PPE and investment property		48	71
Loss (gain) from revaluation of investment property	7	0	-719
Other non-monetary expenses		-183	93
Changes in working capital:			
Change in trade and other receivables	4	1,297	425
Change in inventories	5	3,995	-4,002
Change in trade and other payables	11	-1,128	3,619
Interest paid		-378	-332
Income tax paid		89	-311
Net cash generated from operating activities		**-381**	**1,194**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-5,521	-3,602
Under the finance lease terms		0	202
Proceeds from disposal of property, plant and equipment		15	13
Investments in subsidiaries		-0.1	-213
Interest received		1	5
Net cash used in investing activities		**-5,506**	**-3,594**
Financing activities			
Received borrowings	10	6,571	3,584
Repayments of borrowings	10	-801	-607
Change in bank overdraft	10	206	635
Repayments of finance lease and other liabilities		-99	-119
Redemption of bonds		0	-1,917
Net cash generated from financing activities		**5,877**	**1,576**
Effect of exchange gains (losses) on cash and cash equivalents		-192	-124
Total cash flows		**-203**	**-949**
Cash and cash equivalents at the beginning of the period	3	**554**	**2,013**
Cash and cash equivalents at the end of the period	3	**352**	**1,063**
Change in cash and cash equivalents		**-203**	**-949**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EEK thousand)

	Share capital	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2007	**186,449**	**26,133**	**108,722**	**8,131**	**329,435**	**9,911**	**339,346**
Comprehensive income	0	0	7,811	1,168	8,979	-773	8,206
Acquisition of minority interest	0	0	0	0	0	-3,328	-3,328
Balance at 30.06.2008	**186,449**	**26,133**	**116,533**	**9,299**	**338,414**	**5,810**	**344,224**
Balance at 31.12.2008	**186,449**	**26,133**	**89,775**	**-7,165**	**295,192**	**3,714**	**298,906**
Comprehensive income	0	0	-97,384	-4,783	-102,167	-1,430	-103,597
Acquisition of minority interest	0	0	0	0	0	-2	-2
Balance at 30.06.2009	**186,449**	**26,133**	**-7,609**	**-11,948**	**193,025**	**2,282**	**195,307**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EUR thousand)

	Share capital	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2007	**11,916**	**1,670**	**6,949**	**520**	**21,055**	**633**	**21,688**
Comprehensive income	0	0	499	75	574	-49	524
Acquisition of minority interest	0	0	0	0	0	-213	-213
Balance at 30.06.2008	**11,916**	**1,670**	**7,448**	**594**	**21,629**	**371**	**22,000**
Balance at 31.12.2008	**11,916**	**1,670**	**5,738**	**-458**	**18,866**	**237**	**19,104**
Comprehensive income	0	0	-6,224	-306	-6,530	-91	-6,621
Acquisition of minority interest	0	0	0	0	0	-0.1	-0.1
Balance at 30.06.2009	**11,916**	**1,670**	**-486**	**-764**	**12,337**	**146**	**12,482**

NOTES TO CONSOLIDATED INTERIM REPORT

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

The Group's consolidated condensed interim report for the six months has been prepared in accordance with IAS 34 Interim Financial Reporting and 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 Group's consolidated financial statements of 2008. The interim report should be read in conjunction with the Group's latest consolidated annual report for 2008, which is in compliance with International Financial Reporting Standards. 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 2008 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. Due to rounding of euros to the nearest thousand arithmetical inaccuracies up to 1 thousand euros may occur.

This interim report has not been audited or otherwise reviewed by auditors, and includes only Group's consolidated reports.

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.

Pursuant to the changes in IAS 1, Presentation of Financial Statements, which came into force as of 1 January 2009, the consolidated income statement is replaced by a consolidated statement of comprehensive income in current interim reporting. The statement of comprehensive income effectively combines the income statement and all non-owner changes in equity into a single statement. In connection with the compilation of the consolidated comprehensive income statement the presentation of the report on changes in equity is also changed, and instead of the "balance sheet" the term "statement of financial position" is used. The change of the presentation of basic reports and new terms do not affect the recognition of transactions and balances or the accounting principles.

IFRS 8, Operating Segments requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes and used by the chief operating decision maker. In connection with adoption of the standard as of 1 January 2009 are instead of previously reported geographical and business segments the following operating segments (areas) disclosed: Retail Baltic region, Retail Eastern Europe, Retail Central Europe, Wholesale and Real estate management. The operating segments are identified on the basis how of the internal reports are used by the Groups' management in order to assess performance of the operating segment and allocate resources.

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 75% 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 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: Latvian lat -1.14% (2008: +0.29%), Russian rouble -16.85% (2008: -5.33%), Ukrainian hryvnia -29.04% (2008: -11.06%), Polish zloty -21.46% (2008: +10.08%) and Czech koruna -7.10% (2008: +11.65%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +14.87% (2008: -13.10%). The Group's foreign exchange risk has increased significantly as a result of the devaluation of the Ukrainian hryvnia and the Russian rouble in the fourth quarter of 2008 when they weakened against the Estonian kroon by 34% and 12% respectively but in the first quarter of 2009 these currency rates did not show significant decrease. Compared with the foreign currency rates as at 31 December 2008 the change in average foreign currency rates against Estonian kroon within six months of 2009 were the following: Polish zloty -6.08, Russian rouble -5.18%, Czech koruna -1.80%, Latvian lat +0.23%, Ukrainian hryvnia +4.97% and US dollar +5.85%.

Foreign exchange risk arises from cash and bank (Note 3), trade receivables (Note 4) and trade payables (Note 11).

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 2009 and 2008. 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 2009 and 31 December 2008 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 30 June 2009 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 32,711 thousand kroons (2,091 thousand euros) (31 December 2008: 48,949 thousand kroons/3,128 thousand euros) on a net basis after the allowances. The trade receivables from Eastern European clients amounted to 26,635 thousand kroons (1,702 thousand euros), including balances with the Eastern European wholesale partners of 25,558 thousand kroons (1,633 thousand euros) (31 December 2008: 38,083 thousand kroons/2,434 thousand euros) and balances with retail customers for bank card payments of 1,077 thousand kroons (69 thousand euros) (31 December 2008: 2,490 thousand kroons/159 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 2009

EEK '000	Carrying amount	6-12[1] months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	355,727	102,696	169,482	143,291	415,469
Finance lease liabilities (Note 10)	8,588	2,297	7,612	0	9,909
Trade payables (Note 11)	139,343	139,343	0	0	139,343
Other payables (Note 11)	50,579	50,579	0	0	50,579
Total	**554,237**	**294,915**	**177,094**	**143,291**	**615,300**

EUR '000	**Carrying amount**	**6-12[1] months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	22,735	6,563	10,832	9,158	26,553
Finance lease liabilities (Note 10)	549	147	486	0	633
Trade payables (Note 11)	8,906	8,906	0	0	8,906
Other payables (Note 11)	3,232	3,232	0	0	3,232
Total	**35,422**	**18,848**	**11,318**	**9,158**	**39,325**

[1]Financial liabilities due in current financial year.

Financial liabilities by maturity at 31 December 2008

EEK '000	**Carrying amount**	**1-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	262,215	112,904	125,071	89,167	327,142
Finance lease liabilities (Note 10)	10,140	3,446	7,352	0	10,798
Trade payables (Note 11)	151,938	151,938	0	0	151,938
Other payables (Note 11)	55,638	55,638	0	0	55,638
Total	**479,931**	**323,926**	**132,423**	**89,167**	**545,516**

EUR '000	**Carrying amount**	**1-12 months**	**1-5 years**	**Over 5 years**	**Total**
Bank borrowings (Note 10)	16,759	7,216	7,993	5,699	20,908
Finance lease liabilities (Note 10)	649	220	470	0	690
Trade payables (Note 11)	9,711	9,711	0	0	9,711
Other payables (Note 11)	3,555	3,556	0	0	3,556
Total	**30,673**	**20,702**	**8,463**	**5,699**	**34,865**

Overdraft facilities are shown under bank borrowings payable within 1-12 months in the amount of used 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 equity. 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. At 30 June 2009 the gearing ratio increasid to 65%. The Groups's net debt increased due to the loss earned in 2009 and due to the loan taken to finance construction of a new office building; postive cash flow from rental income is generated starting from the second half of 2009.

Gearing ratios of the Group

	EEK '000		**EUR '000**	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Total borrowings (Note 10)	364,315	272,355	23,284	17,407
Cash and bank (Note 3)	-5,501	-8,671	-352	-554
Net debt	358,814	263,684	22,932	16,852
Total equity	195,307	298,906	12,482	19,104
Total capital	554,121	562,590	35,415	35,956
Gearing ratio	**65%**	**47%**	**65%**	**47%**

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 2009 and 31 December 2008. 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**	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Cash in hand	2,307	2,241	147	143
Cash at bank	3,193	5,547	204	355
Short-term deposits	1	883	0	56
Total	**5,501**	**8,671**	**352**	**554**

Cash and bank by currency

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
UAH (Ukrainian hryvnia)	1,291	1,401	83	90
LTL (Lithuanian lit)	862	926	55	59
RUB (Russian rouble)	765	1,089	49	70
CZK (Czech koruna)	722	2,415	46	154
EEK (Estonian kroon)	834	1,096	53	70
LVL (Latvian lat)	564	1,375	36	88
PLN (Polish zloty)	375	300	24	19
EUR (euro)	88	43	6	3
USD (US dollar)	0	26	0	2
Total	**5,501**	**8,671**	**352**	**554**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Trade receivables, net	32,711	48,949	2,091	3,128
Other prepaid expenses	17,302	24,406	1,106	1,560
Tax prepayments and tax reclaims, thereof	17,727	20,840	1,133	1,332
Value added tax	17,037	18,319	1,089	1,171
Prepaid income tax	318	136	20	9
Other taxes	372	2,385	24	152
Other current receivables	1,024	4,174	65	267
Total	**68,764**	**98,369**	**4,395**	**6,287**

Trade receivables

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Trade receivables, gross	32,920	56,760	2,104	3,628
Allowance for impairment of trade receivables	-209	-7,811	-13	-499
Trade receivables, net	**32,711**	**48,949**	**2,091**	**3,128**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Not due	13,184	39,383	843	2,517
Up to 1 month past due	6,141	7,882	392	504
1-3 months past due	8,723	1,679	558	107
3-6 months past due	4,663	5	298	0
Total	**32,711**	**48,949**	**2,091**	**3,128**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
EUR (euro)	27,308	39,700	1,745	2,537
EEK (Estonian kroon)	2,981	4,670	191	298
RUB (Russian rouble)	726	1,061	47	68
LTL (Lithuanian lit)	592	929	38	59
LVL (Latvian lat)	576	1,154	37	74
UAH (Ukrainian hryvnia)	351	1,249	22	80
PLN (Polish zloty)	117	119	7	8
CZK (Czech koruna)	60	67	4	4
Total	**32,711**	**48,949**	**2,091**	**3,128**

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Fabrics and accessories	31,138	48,384	1,990	3,092
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,320	4,758	84	304
Finished goods and goods purchased for resale	192,056	236,051	12,275	15,086
Allowance for impairment of finished goods and goods purchased for resale	-1,300	-6,600	-83	-422
Prepayments to suppliers	2,910	6,038	186	386
Total	**225,924**	**288,431**	**14,439**	**18,434**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Non-current lease prepayments	8,397	6,103	537	390

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**
Balance at 31 December 2008	**134,098**	**8,570**
Additions	73,293	4,684
Balance at 30 June 2009	**207,391**	**13,255**

Investment property consists of 4,500 square metres of land and former production building that was renovated and turned into office building, located at 24 Veerenni in Tallinn, Estonia. Construction of new office was finished in June 2009.

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 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[1]	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**
At 31 December 2008							
Acquisition cost	**2,113**	**123,096**	**106,998**	**117,239**	**2,361**	**174**	**351,981**
Accumulated depreciation	0	-41,897	-73,922	-55,582	0	0	-171,401
Net book amount	**2,113**	**81,199**	**33,076**	**61,657**	**2,361**	**174**	**180,580**
Additions	0	4,216	295	7,284	475	5	12,275
Disposals	0	-654	-94	-224	0	0	-972
Reclassification	0	0	6,143	-3,956	-2,187	0	0
Depreciation	0	-8,387	-4,221	-8,873	0	0	-21,481
Currency translation differences[1]	0	-262	-479	-995	-134	3	-1,867
At 30 June 2009							
Acquisition cost	**2,113**	**124,920**	**106,890**	**120,252**	**515**	**182**	**354,872**
Accumulated depreciation	0	-48,808	-72,170	-65,359	0	0	-186,337
Net book amount	**2,113**	**76,112**	**34,720**	**54,893**	**515**	**182**	**168,535**

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 2007							
Acquisition cost	**135**	**7,249**	**6,292**	**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**	**1,797**	**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[1]	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**
At 31 December 2008							
Acquisition cost	**135**	**7,867**	**6,838**	**7,493**	**151**	**11**	**22,496**
Accumulated depreciation	0	-2,678	-4,724	-3,552	0	0	-10,955
Net book amount	**135**	**5,190**	**2,114**	**3,941**	**151**	**11**	**11,541**
Additions	0	269	19	466	30	0	785
Disposals	0	-42	-6	-14	0	0	-62
Reclassification	0	0	393	-253	-140	0	0
Depreciation	0	-536	-270	-567	0	0	-1,373
Currency translation differences[1]	0	-17	-31	-64	-9	0	-119
At 30 June 2009							
Acquisition cost	**135**	**7,984**	**6,832**	**7,686**	**33**	**12**	**22,680**
Accumulated depreciation	0	-3,119	-4,613	-4,177	0	0	-11,909
Net book amount	**135**	**4,864**	**2,219**	**3,508**	**33**	**12**	**10,771**

[1]Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

NOTE 9 Intangible assets

EEK '000	**Licenses, software and other**	**Trade-marks**	**Advances**	**Goodwill**	**Total**
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[1]	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**
At 31 December 2008					
Acquisition cost	**40,245**	**10,060**	**2,145**	**22,665**	**75,115**
Accumulated amortisation	-14,337	-1,174	0	0	-15,511
Net book amount	**25,908**	**8,886**	**2,145**	**22,665**	**59,604**
Additions	796	0	26	5,523	6,345
Disposals	-10	0	0	0	-10
Reclassification	1,306	0	-1,306	0	0
Amortisation	-2,403	-251	0	0	-2,654
Currency translation differences[1]	-2	0	-133	-945	-1,080

At 30 June 2009					
Acquisition cost	**42,867**	**10,060**	**732**	**27,243**	**80,902**
Accumulated amortisation	-17,272	-1,425	0	0	-18,697
Net book amount	**25,595**	**8,635**	**732**	**27,243**	**62,205**

EUR '000	**Licenses, software and other**	**Trade-marks**	**Advances**	**Goodwill**	**Total**
At 31 December 2007					
Acquisition cost	**2,080**	**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[1]	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**
At 31 December 2008					
Acquisition cost	**2,572**	**643**	**137**	**1,449**	**4,801**
Accumulated amortisation	-916	-75	0	0	-991
Net book amount	**1,656**	**568**	**137**	**1,449**	**3,809**
Additions	51	0	2	353	406
Disposals	-1	0	0	0	-1
Reclassification	83	0	-83	0	0
Amortisation	-154	-16	0	0	-170
Currency translation differences[1]	0	0	-9	-60	-69
At 30 June 2009					
Acquisition cost	**2,740**	**643**	**47**	**1,741**	**5,171**
Accumulated amortisation	-1,104	-91	0	0	-1,195
Net book amount	**1,636**	**552**	**47**	**1,741**	**3,976**

[1]Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

NOTE 10 Borrowings

	EEK '000		**EUR '000**	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Current borrowings				
Current portion of non-current bank loans	20,423	20,840	1,305	1,332
Current bank loans	131,109	80,052	8,379	5,116
Current finance lease liabilities	2,109	3,075	135	197
Bonds	0	0	0	0
Other current liabilities	0	0	0	0
Total	**153,641**	**103,967**	**9,819**	**6,645**

Non-current borrowings				
Non-current bank loans	204,195	161,323	13,051	10,310
Non-current finance lease liabilities	6,479	7,065	414	452
Total	**210,674**	**168,388**	**13,465**	**10,762**

During the reporting period, the Group made loan repayments in the amount of 12,527 thousand kroons (801 thousand euros) (2008: 9,500 thousand kroons/607 thousand euros). Interest expense of the reporting periods amounted to 5,860 thousand kroons (374 thousand euros) (2008: 5,163 thousand kroons/330 thousand euros). Interest expenses have been recognised net with interest income under interest expenses.

Bank loans of the Group at 30 June 2009

	Carrying amount		**Average risk**
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	1.50%
Borrowings at floating interest rate (based on 3-month Euribor)	5,007	320	1.25%
Borrowings at floating interest rate (based on 6-month Euribor)	263,111	16,816	2.56%
Borrowings at floating interest rate (based on 1-month Libor)	3,758	240	1.60%
Borrowings at fixed interest rate (incl. overdraft)	76,028	4,859	7.28%
Total	**355,727**	**22,735**	

Bank loans of the Group at 31 December 2008

	Carrying amount		**Average risk**
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	1.50%
Borrowings at floating interest rate (based on 3-month Euribor)	6,676	427	1.25%
Borrowings at floating interest rate (based on 6-month Euribor)	175,487	11,216	1.58%
Borrowings at floating interest rate (based on 1-month Libor)	400	26	1.60%
Borrowings at fixed interest rate (incl. overdraft)	71,829	4,591	6.20%
Total	**262,215**	**16,759**	

NOTE 11 Trade and other payables

	EEK '000		**EUR '000**	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
Trade payables	139,343	151,938	8,906	9,711
Tax liabilities, thereof	30,044	31,422	1,920	2,008
Personal income tax	4,791	5,997	306	383
Social security tax and unemployment insurance premium	11,713	12,295	749	786
Value added tax	12,767	11,722	816	749
Corporate income tax liability	50	0	3	0
Other taxes	723	1,408	46	90
Payables to employees and other accrued expenses	20,535	24,216	1,312	1,548
Customer prepayments	440	312	28	20
Other current payables (convertible bonds)	84	58	5	4
Total	**190,446**	**207,946**	**12,172**	**13,290**

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.06.2009	**31.12.2008**	**30.06.2009**	**31.12.2008**
EUR (euro)	46,434	44,820	2,968	2,864
EEK (Estonian kroon)	44,778	51,793	2,862	3,310
USD (US dollar)	34,645	42,790	2,214	2,735
LTL (Lithuanian lit)	4,843	2,544	310	163
RUB (Russian rouble)	3,812	4,832	244	309
CZK (Czech koruna)	2,391	2,164	153	138
LVL (Latvian lat)	1,085	840	69	54
PLN (Polish zloty)	476	1,581	30	101
Other currencies	879	574	56	37
Total	**139,343**	**151,938**	**8,906**	**9,711**

NOTE 12 Equity

Share capital

EEK '000	**30.06.2009**	**31.12.2008**
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	**30.06.2009**	**31.12.2008**
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.

Number of shares

	Number of shares
Number of shares at 31.12.2007	18,644,850
Number of shares at 31.12.2008	18,644,850
Number of shares at 30.06.2009	**18,644,850**

Shareholders at 30 June 2009

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,912,000	10.25%
Central Securities Depository of Lithuania	1,640,822	8.80%
Members of management and supervisory boards; persons and entities related to them		
Meelis Milder	730,336	3.92%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	200,366	1.07%
Ülle Järv	55,370	0.30%
Andrew Paterson	11,000	0.06%
Other shareholders	9,028,840	48.43%
Total	**18,644,850**	**100.00%**

Shareholders at 31 December 2008

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,912,000	10.25%
Central Securities Depository of Lithuania	1,538,974	8.25%
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	200,366	1.07%
Andres Erm	108,000	0.58%
Ülle Järv	55,370	0.30%
Andrew Paterson	11,000	0.06%
Other shareholders	9,022,688	48.39%
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 13 Segments

The Group’s chief operating decision maker is the management board of the Parent company AS Baltika. The Parent company’s management board reviews the Group’s internal reporting in order to assess performance and allocate resources. Management board has determined the operating segments based on these reports.

Parent company’s management board assesses the performance from operations area perspective i.e. the performance of retail, wholesale and real estate management is assessed. Retail is further evaluated on a geographic basis. The retail segments are countries which belong to the same region and correspond to the same criteria:
- Baltic region consists of operations in Estonia, Latvia and Lithuania;
- Eastern European region consists of operations in Russia and Ukraine;
- Central European region consists of operations in Poland and the Czech Republic.

The Parent company’s management board assesses the performance of the operating segments based on a measure of external revenue and profit. The profit of an operating segment is its gross profit less market operating costs. Other operating income and expenses are not included in the internally generated financial reports to assess the performance of the segment. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment. The inventories of the Parent company and the production companies are disclosed as unallocated inventories.

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale	Real estate manage-ment	Total
6m 2009 and at 30 June 2009						
Revenue (from external customers)	239,535	138,208	23,265	33,690	351	435,049
Segment profit (loss)	4,675	-18,818	-12,384	7,918	101	-18,508
Inventories of segments	61,479	45,963	4,115	9,751	0	121,308
Other inventories						104,616
Total inventories						225,924
6m 2008 and at 30 June 2008						
Revenue (from external customers)	295,779	169,389	23,121	61,991	295	550,575
Segment profit (loss)	61,751	9,246	-4,087	17,474	81	84,465
Inventories of segments	58,698	36,499	6,391	15,820	0	117,408
Other inventories						165,908
Total inventories						283,316

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale	Real estate manage-ment	Total
6m 2009 and at 30 June 2009						
Revenue (from external customers)	15,309	8,833	1,487	2,153	22	27,805
Segment profit (loss)	299	-1,203	-791	506	6	-1,183
Inventories of segments	3,929	2,938	263	623	0	7,753
Other inventories						6,686
Total inventories						14,439
6m 2008 and at 30 June 2008						
Revenue (from external customers)	18,904	10,826	1,478	3,962	19	35,188
Segment profit (loss)	3,947	591	-261	1,117	5	5,398
Inventories of segments	3,751	2,333	408	1,011	0	7,504
Other inventories						10,603
Total inventories						18,107

Reconciliation of segment profit to consolidated operating profit

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Total profit for reportable segments	-18,508	84,465	-1,183	5,398
Unallocated expenses:				
Distribution costs	-41,422	-51,783	-2,647	-3,310
Administrative and general expenses	-21,561	-26,147	-1,378	-1,671
Other operating income (expenses), net	-7,017	8,688	-448	555
Operating profit (loss)	**-88,508**	**15,223**	**-5,657**	**973**

NOTE 14 Revenue

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Sale of goods	434,365	549,541	27,761	35,122
Lease revenue	351	295	22	19
Other	333	739	21	47
Total	**435,049**	**550,575**	**27,805**	**35,188**

NOTE 15 Cost of goods sold

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Materials and supplies	189,890	188,047	12,136	12,018
Payroll costs in production	35,503	47,482	2,269	3,035
Operating lease expenses	4,890	5,043	313	322
Other production costs	3,900	5,398	249	345
Depreciation of assets used in production	2,238	2,233	143	143
Change in inventories	-1,177	-8,886	-75	-568
Total	**235,244**	**239,317**	**15,035**	**15,295**

NOTE 16 Distribution costs

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Operating lease expenses	101,160	105,681	6,465	6,754
Payroll costs	89,383	98,872	5,713	6,319
Depreciation and amortisation	20,507	18,796	1,311	1,201
Advertising expenses	13,047	16,606	834	1,061
Fuel, heating and electricity costs	4,936	4,423	315	283
Municipal services and security expenses	4,297	3,967	275	254
Fees for card payments	2,935	3,783	187	242
Financial and management fees[1]	2,190	1,755	140	112
Information technology expenses	1,879	1,525	120	97
Communication expenses	1,716	1,851	110	118
Freight costs	1,668	3,133	107	200
Travel expenses	1,312	2,707	84	173
Bank fees	1,161	1,210	74	77
Packaging costs	1,041	728	66	47
Expenses for uniforms	669	942	43	60
Renovation expenses of retail outlets	499	905	32	58
Training expenses	380	760	24	49
Other sales expenses[1]	10,955	10,932	700	699
Total	**259,735**	**278,576**	**16,600**	**17,804**

[1]In interim report for the second quarter of 2008 the financial and management fees in amount of 1,755 thousand kroons (112 thousand euros) were recognised under other sales expenses. Financial and management fees consist of accounting, auditing, consulting and management fees.

NOTE 17 Administrative and general expenses

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Payroll costs	11,421	12,913	730	825
Information technology expenses	2,481	2,474	158	158
Depreciation and amortisation	1,281	869	82	56
Operating lease expenses	1,280	2,076	82	133
Bank fees	1,045	481	67	31
Fuel, heating and electricity expenses	719	956	46	61
Communication expenses	394	396	25	25
Municipal services and security expenses	259	299	16	19
Training expenses	168	384	11	25
Sponsorship	165	1,142	11	73
Travel expenses	17	72	1	5
Other administrative expenses	2,331	4,085	149	261
Total	**21,561**	**26,147**	**1,378**	**1,671**

NOTE 18 Other operating income

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Gain from revaluations of investment property	0	116	0	7
Gain from sale of non-current assets	0	11,250	0	719
Other operating income	35	863	2	55
Total	**35**	**12,229**	**2**	**782**

NOTE 19 Other operating expenses

	EEK '000		EUR '000	
	6m 2009	**6m 2008**	**6m 2009**	**6m 2008**
Foreign exchange losses	4,925	1,966	315	126
Fines, penalties and tax interest	522	396	33	25
Representation costs	48	120	3	8
Loss from sale of non-current assets	25	0	2	0
Other operating expenses	1,532	1,059	98	68
Total	**7,052**	**3,541**	**451**	**226**

NOTE 20 Earnings per share

Basic earnings per share

		6m 2009	**6m 2008**
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-97,384	7,811
	EUR '000	-6,224	499
Basic earnings per share	**EEK**	**-5.22**	**0.42**
	EUR	**-0.33**	**0.03**

Diluted earnings per share

		6m 2009	**6m 2008**
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-97,384	7,811
	EUR '000	-6,224	499
Diluted earnings per share	**EEK**	**-5.22**	**0.42**
	EUR	**-0.33**	**0.03**

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in Q2 2009 was 10.87 kroons (0.69 euros) (2008: 41.72 kroons/2.67 euros).

NOTE 21 Related parties

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

For the reporting purposes in consolidated interim report of the Group, the following entities have been considered related parties:

- owners that have either significant influence or control, generally implying an ownership interest of 20% or more;
- members of the management, the management board and the supervisory council;
- close family members of the persons stated above;
- entities under the control or significant influence of the members of the management board and the supervisory council;

Convertible bonds

The annual general meeting held on 18 June 2009 decided that 1,850,000 convertible bonds (G-bonds) with a par value of 0.10 kroons (0.0064 euros) should be issued within the framework of the Group’s management incentive program. The previous E-bonds issue did not realised.

The bonds will be issued with a total sales price of 185,000 kroons (11,824 euros) and the bonds shall be subscribed for during the period from 22 June 2009 until 30 June 2009. Each bond entitles its holder to subscribe for one share of the company with a nominal value of 10 kroons (0.64 euros). The share subscription period for G-bonds shall be from 1 July 2012 until 31 December 2012. The share subscription price is 12 kroons (0.77 euros).

NOTE 22 Events occurring after the reporting period

Completed preferred share emission

On 10 July 4 million preferred shares were subscribed by institutional investors in total amount of 40 million kroons (2.56 million euros).

The issued preferred shares shall grant its owner the preferential right to receive dividends in the amount of 10% annually within two years from the issuance of the preferred shares and thereafter shall have voting rights and rights to receive dividends as stated in the Articles of Association.

Liquidation of the Czech subsidiary

On 13 August AS Baltika started the liquidation of Baltika Retail Czech Republic s.r.o. As anticipated, throughout the start-up period the subsidiary, established in 2007, has been generating a loss. The global economic crisis that emerged at the end of 2008 has lessened the parent company's ability to continue supporting the loss-generating subsidiary.

According to management's estimates, non-recurring liquidation expenses may amount to up to 10 million kroons (0,6 million euros). At the same time, the discontinuance of the Czech operations is expected to improve the Group’s financial performance in 2010 by around 15 million kroons (0.9 million euros).