



Baltika Group

AS BALTIKA

Consolidated interim report for the third quarter and 9 months of 2009

Commercial name	AS Baltika
Commercial registry number	10144415
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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 – 30.09.2009

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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 September 2009, the Group employed 1,757 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 30.09.2009	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, 9 months 2009

FINANCIAL HIGHLIGHTS

- Q3 revenue 225.1 million kroons (-33% yoy)
- Q3 retail sales 198.3 million kroons (-30% yoy)
- Q3 gross margin 50% (Q3 2008: 52%)
- Q3 operating loss 23.9 million kroons, a 9.5 million kroons improvement on Q2 (Q3 2008: operating profit 13.4 million kroons)
- Q3 net loss 28.8 million kroons, a 6.0 million kroons improvement on Q2, net loss excluding the effect of exchange rate fluctuations 22.3 million kroons (Q3 2008: net profit 13.6 million kroons)
- 9M revenue 660.2 million kroons (-26% yoy)
- 9M net loss 126.2 million kroons (9M 2008: net profit 21.4 million kroons)
- Growth in sales area 18% yoy

By the end of the third quarter Baltika had generally adapted to the ongoing economic crisis in its markets. Operating expenses and inventories had been lowered to levels corresponding to sales reduced by the crisis. By the end of September, consolidated retail sales per square metre and inventories had dropped by 36% and 30% yoy respectively. Average store operating expenses had decreased by 29% yoy.

Normalised inventory levels allowed achieving the highest gross margin of the year - 50% in the third quarter against 42% and 48% for the first and second quarters respectively.

In addition to the economic crisis, at the beginning of the new season sales were undermined by unusually warm weather prevailing at the end of August and throughout September. Despite this, the Group's retail system (at the level of stores) succeeded in ending the third quarter with a profit.

Altogether, the Group's performance in the third quarter complied with management's expectations. The positive trend in the quarterly results is particularly visible in net loss excluding currency fluctuations - Q1: -52.2 million kroons (-3.3 million euros); Q2 -37.2 million kroons (-2.4 million euros); Q3 -23.3 million kroons (-1,5 million euros).

In the light of stabilised sales, improved margins and the cost-cutting measures that will be applied until the year-end, Baltika's management sees opportunities for achieving positive year-over-year results in subsequent quarters.

Baltika Group ended the third quarter with revenue of 225.1 million kroons (14.4 million euros), a 33.2% decrease yoy. Retail revenue for the third quarter shrank by 29.7% yoy. At constant exchange rates, retail revenue contracted by 14%. Gross margin for the third quarter was 50% (Q3 2008: 52%). Within the first nine months Baltika opened 22 new stores and closed 15, the total sales area growing by 18% yoy.

REVENUE

Revenue by business segment

EEK million	Q3 2009	Q3 2008	+/-	9m 2009	9m 2008	+/-
Retail	198.3	282.1	-29.7%	599.3	770.4	-22.2%
Wholesale	25.8	54.4	-52.6%	59.4	115.6	-48.6%
Other	1.0	0.4	150.0%	1.5	1.5	0%
Total	225.1	336.9	-33.2%	660.2	887.5	-25.6%

EUR 1 = EEK 15.6466

RETAIL

As a result of the overall economic recession and a decline in consumer spending, Baltika's nine-month retail revenue from the Baltic region, Eastern Europe and Central Europe decreased by 22%, 24% and 6% yoy respectively. Comparable store revenue for the first nine months shrank by 28% yoy. Comparable store revenues in local currencies dropped by 7% in Russia while growing by 7% in Ukraine.

Retail sales by market

EEK million	9m 2009	9m 2008	+/-	Percentage, 9m 2009
Lithuania	141.7	174.0	-19%	24%
Estonia	136.6	175.3	-22%	22%
Russia	117.7	144.0	-18%	19%
Ukraine	90.8	131.6	-31%	16%
Latvia	77.8	108.8	-28%	13%
Poland	23.3	24.9	-6%	4%
Czech Republic	11.4	11.8	-3%	2%
Total	599.3	770.4	-22%	100%

EUR 1 = EEK 15.6466

In terms of brands, Monton accounted for 54% or 323 million kroons (20.6 million euros) of the Group's nine-month retail revenue, a 24% decrease yoy. Mosaic contributed 34% or 203 million kroons (13.0 million euros), a 21% decline yoy. The hardest-hit by the economic crisis and the general deterioration in the retail sector was Baltman, whose nine-month sales dropped by 27% to 42 million kroons (2.7 million euros). The only brand that posted growth in the first nine months was Ivo Nikkolo (+12%) whose sales rose to 30 million kroons (1.9 million euros).

STORES AND SALES AREA

At the end of September 2009, Baltika Group had 141 stores with a total sales area of 29,277 square metres. Compared with September 2008, the retail system grew by 16 stores and over four thousand square metres (net), the sales area operated by the Group increasing by 18%.

Stores by market

	30 September 2009	30 September 2008
Lithuania	36	29
Estonia	32	30
Russia	30	22
Ukraine	21	22
Latvia	15	16
Poland	5	4
Czech Republic	2	2
Total stores	141	125
Total sales area, sq m	29,277	24,748

In the first nine months, Baltika opened 22 stores (three in the third quarter) including seven taken over from a Russian wholesale partner and closed 15 (six in the third quarter). According to plan, in the fourth quarter four more stores will be opened. Concurrently with store openings, several stores will be closed. The number of stores that will be closed in the fourth quarter may extend to five.

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).

WHOLESALE

Wholesale revenues for the first nine months totalled 59.4 million kroons (3.8 million euros), a 48.6% decrease yoy. The downturn stems largely from the takeover of stores from the Russian wholesale partner and the reclassification of associated wholesale revenue as retail sales. The decrease in consumption has triggered a decline in wholesale orders in the Baltic countries and Russia. On the other hand, cooperation with Peek&Cloppenburg, a leading European department store chain, 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 for 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, lowered profit margins, triggered currency devaluations and required adjustment of operating expenses to the new sales trends. If in the first half-year the Group concentrated on adapting inventory levels to the new sales figures and making cost saving decisions, then in the third quarter the focus shifted on maintaining the cost base and financing purchases for the autumn season so as to secure achievement of the sales targets. The gross margin for the first nine months was 47% (9M 2008: 55%) while gross profit dropped by 36% yoy to 310 million kroons (19.8 million euros).

The Group's results remained adversely impacted by the currency devaluations 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 nine months weakened as follows: the Ukrainian hryvna -32.7%, the Polish zloty -21%, the Russian rouble -17.4% and the Czech koruna -6.7%.

An important step in cutting the costs of the retail system is reducing store operating expenses including rental charges. In this area, some success has already been achieved – compared with the first nine months of 2008 average store operating expenses per square metre decreased by 22% - rental costs dropped by 21% and personnel expenses by 25%. The corresponding figures for the third quarter were: -29% for store operating expenses, -29% for rental costs and -32% for personnel expenses. Thanks to efforts made, in the third quarter the retail system began generating a profit (at the store level). The Group is continuing negotiations with shopping centres regarding better lease terms and is closing any inefficient stores.

Distribution costs for the first nine months decreased by 50.3 million kroons (3.2 million euros) yoy (-12%), the figure for the third quarter declining by 28.0 million kroons (1.8 million euros) yoy (-18%). At the same time, the sales area grew by 18%.

Thanks to cost-cutting, administrative and general expenses for the first nine months decreased by 15% yoy and the personnel expenses of Baltika's Estonian manufacturing units contracted by 25% or 17 million kroons (1.1 million euros) yoy.

Owing to exchange rate fluctuations, the Group's financial result for the first nine months was weakened by foreign exchange losses of 14.4 million kroons (0.9 million euros), including exchange losses of 6.5 million kroons (0.4 million euros) incurred in the third quarter. For comparison, foreign exchange losses for the first nine months of 2008 totalled 1.8 million kroons (0.1 million euros) including third quarter exchange gain of 2.0 million kroons (0.12 million euros).

Baltika ended the third quarter of 2009 with an operating loss of 23.9 million kroons (1.5 million euros), a 9.5 million kroon (0.6 million euro) improvement on the second quarter. The third quarter of 2008 ended in an operating profit of 11.8 million kroons (0.8 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.

The Group's EBITA has been improving quarterly (loss growth is decelerating) and in September it was positive for the first time also on a monthly basis.

In connection with growth in borrowings, interest expenses for the first nine months totalled 10.5 million kroons (0.7 million euros), a 2.3 million kroon (0.15 million euro) increase on a year ago.

The Group ended the first nine months of 2009 with a consolidated net loss (after tax and minority interest) of 126.0 million kroons (8.1 million euros). The Group's net loss for the third quarter was 28.8 million kroons (1.8 million euros), a 6.2 million kroon (0.4 million euro) improvement on the second quarter. The third quarter for 2008 ended with a net profit of 13.6 million kroons (0.9 million euros).

FINANCIAL POSITION

At 30 September 2009, Baltika's consolidated assets totalled 743 million kroons (48.5 million euros), 38.8 million kroons (2.5 million euros) down from the previous year-end.

Compared with the end of 2008 the Group's trade and other receivables decreased by 23.0 million kroons (1.5 million euros) to 75.4 million kroons (4.8 million euros). Within the same period, trade and other payables decreased by 24.0 million kroons (1.5 million euros) to 127.9 million kroons (8.2 million euros). Although trade payables still represent a problem area where adjustment has not been completed, in the third quarter they dropped by 11.4 million kroons (0,73 million euros) and should continue decreasing until the year-end. At the end of September, inventories totalled 215.1 million kroons (13.8 million euros), 25.4% down from the end of 2008 (-73.3 million kroons/-4.7 million euros) despite the period's 8% increase in retail space.

At the end of September, the Group's borrowings totalled 362 million kroons (23.1 million euros), comprising of bank loans of 355.6 million kroons (22.7 million euros) and finance lease liabilities of 6.4 million kroons (0.4 million euros). Compared with the end of 2008, the debt burden has expanded by 89.7 million kroons (5.7 million euros), 75.8 million kroons (4.8 million euros) of which represents an addition to existing construction loans. The growth in the Group's debt burden is largely attributable to the development of the Baltika Quarter that was financed solely with bank loans. At the end of September, borrowings related to real estate development totalled 144.6 million kroons (9.2 million euros).

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 September 2009 stood at 176%. At the end of 2008 the corresponding figure was 65.6%.

INVESTMENT

The Group's investments for the first nine months of 2009 totalled 97.5 million kroons / 6.2 million euros (9M 2008: 97.7 million kroons /6.2 million euros). Investments in the Baltika Quarter totalled 75.8 million kroons (4.8 million euros), investments in the retail system amounted to 15.8 million kroons (1.0 million euros) and other investments totalled 5.9 million kroons (0.4 million euros).

PEOPLE

At the end of September 2009, Baltika Group employed 1,757 (30 September 2008: 1,921) people, including 966 (939) in the retail system, 603 (754) in manufacturing and 188 (228) at the head office. The number of staff employed outside Estonia totalled 768 (745) representing 44% of all personnel. The period's average number of staff was 1,840 (9M 2008: 1,941).

The Group's employee remuneration expenses for the first nine months of 2009 totalled 150.4 million kroons / 9.6 million euros (9M 2008: 174.4 million kroons / 11.1 million euros), a 14% decrease yoy. The figure includes the remuneration of the members of the supervisory council and management board of 3.0 million kroons / 0.2 million euros (9M 2008: 3.1 million kroons / 0.2 million euros). In the third quarter, the fees paid to members of the supervisory council and management board dropped by 11.5% to 0.98 million kroons / 0.06 million 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 (9 MONTHS 2009)

	30.09.2009	30.09.2008	+/-
Revenue (EEK million)	660,2	887,5	-25,6%
Retail sales (EEK million)	599,3	770,4	-22,2%
Share of retail sales in revenue	91%	87%	
Number of stores	141	125	12,8%
Sales area (sqm)	29 277	24 748	18,3%
Number of employees (end of period)	1 757	1 921	-8,5%
Gross margin	47,0%	54,7%	
Operating margin	-17,0%	3,2%	
EBT margin	-19,0%	2,3%	
Net margin	-19,1%	2,4%	
Current ratio	1,0	1,6	-37,5%
Inventory turnover	3,76	4,90	-23,2%
Debt to equity ratio	178,9%	69,9%	
Return on equity	-78,7%	7,0%	
Return on assets	-25,7%	3,3%	

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*

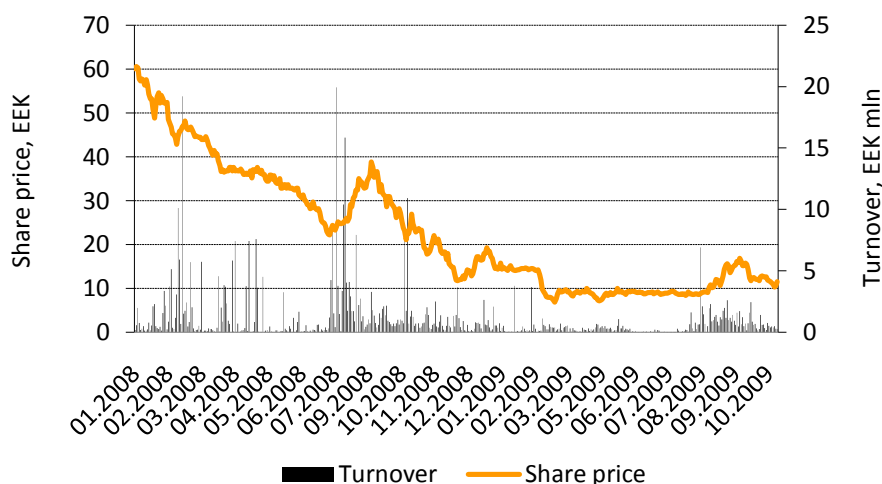
Debt to equity ratio = Interest-bearing liabilities/Equity

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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MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

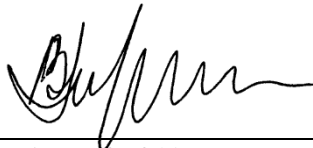
The management board confirms that the management report presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements; includes the description of major risks and doubts influencing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



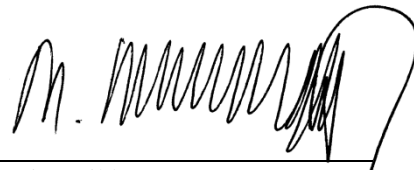
Meelis Milder
Chairman of the management board
17 November 2009



Ülle Järv
Member of the management board
17 November 2009



Boriss Loifenfeld
Member of the management board
17 November 2009



Maire Milder
Member of the management board
17 November 2009



Andrew Paterson
Member of the management board
17 November 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 third quarter and 9 months of 2009 as presented on pages 11-35.

The management board confirms that:

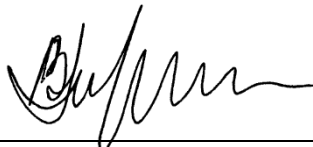
1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;
2. the financial statements give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group 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.



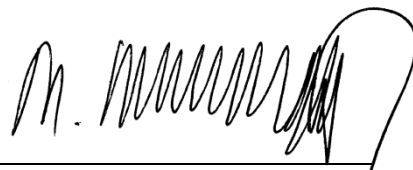
Meelis Milder
Chairman of the management board
17 November 2009



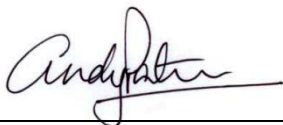
Ülle Järv
Member of the management board
17 November 2009



Boriss Loifenfeld
Member of the management board
17 November 2009



Maire Milder
Member of the management board
17 November 2009



Andrew Paterson
Member of the management board
17 November 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EEK thousand)

	Note	30.09.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	5,498	8,671
Trade and other receivables	4	75,377	98,369
Inventories	5,14	215,149	288,431
Total current assets		296,024	395,471
Non-current assets			
Deferred income tax assets		5,547	5,547
Other non-current asset	6	8,383	6,103
Investment property	7	207,364	134,098
Property, plant and equipment	8	164,221	180,580
Intangible assets	9	61,089	59,604
Total non-current assets		446,604	385,932
TOTAL ASSETS		742,628	781,403
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	117,909	103,967
Trade and other payables	12	175,933	207,946
Total current liabilities		293,842	311,913
Non-current liabilities			
Borrowings	10	244,109	168,388
Other liabilities	12	79	0
Deferred income tax liability		2,196	2,196
Total non-current liabilities		246,384	170,584
TOTAL LIABILITIES		540,226	482,497
EQUITY			
Share capital at par value	13	226,449	186,449
Reserves	13	26,133	26,133
Retained earnings		81,487	108,722
Net profit (loss) for the period		-126,162	-18,947
Currency translation reserve		-8,137	-7,165
Total equity attributable to equity holders of the parent		199,770	295,192
Minority interest		2,632	3,714
TOTAL EQUITY		202,402	298,906
TOTAL LIABILITIES AND EQUITY		742,628	781,403

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	30.09.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	351	554
Trade and other receivables	4	4,817	6,287
Inventories	5,14	13,751	18,434
Total current assets		18,919	25,275
Non-current assets			
Deferred income tax assets		355	355
Other non-current asset	6	536	390
Investment property	7	13,253	8,570
Property, plant and equipment	8	10,496	11,541
Intangible assets	9	3,904	3,809
Total non-current assets		28,543	24,666
TOTAL ASSETS		47,463	49,941
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	7,536	6,645
Trade and other payables	12	11,244	13,290
Total current liabilities		18,780	19,935
Non-current liabilities			
Borrowings	10	15,601	10,762
Other liabilities	12	5	0
Deferred income tax liability		140	140
Total non-current liabilities		15,747	10,902
TOTAL LIABILITIES		34,527	30,837
EQUITY			
Share capital at par value	13	14,473	11,916
Reserves	13	1,670	1,670
Retained earnings		5,208	6,949
Net profit (loss) for the period		-8,063	-1,211
Currency translation reserve		-520	-458
Total equity attributable to equity holders of the parent		12,768	18,866
Minority interest		168	237
TOTAL EQUITY		12,936	19,104
TOTAL LIABILITIES AND EQUITY		47,463	49,941

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EEK thousand)

	Note	Q3 2009	Q3 2008	9m 2009	9m 2008
Revenue	14,15	225,132	336,896	660,181	887,471
Cost of goods sold	16	-111,460	-162,376	-350,140	-401,693
Gross profit		113,672	174,520	310,041	485,778
Distribution costs	17	-120,461	-148,510	-376,760	-427,086
Administrative and general expenses	18	-10,135	-11,075	-31,696	-37,222
Other operating income	19	607	688	642	12,917
Other operating expenses	20	-7,552	-2,217	-14,604	-5,758
Operating profit (loss)	14	-23,869	13,406	-112,377	28,629
Financial income (expenses)		-4,447	-1,566	-13,309	-8,314
Interest expenses, net		-4,622	-3,143	-10,470	-8,232
Foreign exchange income (losses,) net		172	1,584	-2,837	-356
Other financial income (expenses), net		3	-7	-2	274
Profit (loss) before income tax		-28,316	11,840	-125,686	20,315
Income tax		-112	690	-344	-408
Net profit (loss)		-28,428	12,530	-126,030	19,907
Profit (loss) attributable to:					
Equity holders of the parent company		-28,778	13,624	-126,162	21,435
Minority shareholders		350	-1,094	132	-1,528
Other comprehensive income (loss)					
Currency translation differences		3,811	-901	-2,184	-72
Total comprehensive income (loss)		-24,617	11,629	-128,214	19,835
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-24,967	12,733	-127,134	21,712
Minority shareholders		350	-1,104	-1,080	-1,877
Basic earnings per share, EEK	21	-1.54	0.73	-6.77	1.15
Diluted earnings per share, EEK	21	-1.54	0.73	-6.77	1.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousand)

	Note	Q3 2009	Q3 2008	9m 2009	9m 2008
Revenue	14,15	14,389	21,532	42,193	56,720
Cost of goods sold	16	-7,124	-10,378	-22,378	-25,673
Gross profit		7,265	11,154	19,815	31,047
Distribution costs	17	-7,699	-9,492	-24,079	-27,296
Administrative and general expenses	18	-648	-708	-2,026	-2,379
Other operating income	19	39	44	41	826
Other operating expenses	20	-483	-142	-933	-368
Operating profit (loss)	14	-1,526	857	-7,182	1,830
Financial income (expenses)		-284	-100	-851	-531
Interest expenses, net		-295	-201	-669	-526
Foreign exchange income (losses,) net		11	101	-181	-23
Other financial income (expenses), net		0	0	0	18
Profit (loss) before income tax		-1,810	757	-8,033	1,298
Income tax		-7	44	-22	-26
Net profit (loss)		-1,817	801	-8,055	1,272
Profit (loss) attributable to:					
Equity holders of the parent company		-1,839	871	-8,063	1,370
Minority shareholders		22	-70	8	-98
Other comprehensive income (loss)					
Currency translation differences		244	-58	-140	-5
Total comprehensive income (loss)		-1,573	743	-8,194	1,268
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-1,596	814	-8,125	1,388
Minority shareholders		22	-71	-69	-120
Basic earnings per share, EUR	21	-0.10	0.05	-0.43	0.07
Diluted earnings per share, EUR	21	-0.10	0.05	-0.43	0.07

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	9m 2009	9m 2008
Operating activities			
Operating profit (loss)		-112,377	28,629
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	36,529	33,748
Loss (gain) from disposal of PPE and investment property		717	1,441
Loss (gain) from revaluation of investment property	7	0	-11,250
Other non-monetary expenses		1,474	616
Changes in working capital:			
Change in trade and other receivables	4	13,656	-18,742
Change in inventories	5	73,282	-68,249
Change in trade and other payables	12	-32,167	68,522
Interest paid		-10,577	-8,369
Income tax paid		1,276	-5,657
Net cash generated from operating activities		-28,187	20,689
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-94,378	-97,737
Under the finance lease terms		3,775	3,783
Proceeds from disposal of property, plant and equipment		713	427
Investments in subsidiaries		-2	-3,328
Interest received		14	100
Net cash used in investing activities		-89,878	-96,755
Financing activities			
Received borrowings	10	135,266	94,009
Repayments of borrowings	10	-26,705	-17,016
Change in bank overdraft	10	-26,778	15,567
Repayments of finance lease and other liabilities		-3,374	-2,603
Receipts from contributions into share capital		40,000	0
Transaction costs of issuing preference shares		-865	0
Bonds transactions	11	185	-29,999
Net cash generated from financing activities		117,729	59,958
Effect of exchange gains (losses) on cash and cash equivalents		-2,837	-65
Total cash flows		-3,173	-16,173
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	5,498	15,321
Change in cash and cash equivalents		-3,173	-16,173

CONSOLIDATED CASH FLOW STATEMENT

(in EUR thousand)

	Note	9m 2009	9m 2008
Operating activities			
Operating profit (loss)		-7,182	1,830
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	2,335	2,157
Loss (gain) from disposal of PPE and investment property		46	92
Loss (gain) from revaluation of investment property	7	0	-719
Other non-monetary expenses		94	39
Changes in working capital:			
Change in trade and other receivables	4	873	-1,198
Change in inventories	5	4,684	-4,362
Change in trade and other payables	12	-2,056	4,379
Interest paid		-676	-535
Income tax paid		82	-362
Net cash generated from operating activities		-1,801	1,322
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-6,032	-6,247
Under the finance lease terms		241	242
Proceeds from disposal of property, plant and equipment		46	27
Investments in subsidiaries		-0.1	-213
Interest received		1	6
Net cash used in investing activities		-5,744	-6,183
Financing activities			
Received borrowings	10	8,645	6,008
Repayments of borrowings	10	-1,707	-1,088
Change in bank overdraft	10	-1,711	995
Repayments of finance lease and other liabilities		-216	-166
Receipts from contributions into share capital		2,556	0
Transaction costs of issuing preference shares		-55	0
Bonds transactions	11	12	-1,917
Net cash generated from financing activities		7,524	3,832
Effect of exchange gains (losses) on cash and cash equivalents		-181	-4
Total cash flows		-203	-1,034
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	351	979
Change in cash and cash equivalents		-203	-1,034

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	21,435	277	21,712	-1,877	19,835
Acquisition of minority interest	0	0	0	0	0	-3,328	-3,328
Balance at 30.09.2008	186,449	26,133	130,157	8,408	351,147	4,706	355,853
Balance at 31.12.2008	186,449	26,133	89,775	-7,165	295,192	3,714	298,906
Comprehensive income	0	0	-126,162	-972	-127,134	-1,080	-128,214
Change in retained earnings	0	0	-8,288	0	-8,288	0	-8,288
Increase of share capital	40,000	0	0	0	40,000	0	40,000
Acquisition of minority interest	0	0	0	0	0	-2	-2
Balance at 30.09.2009	226,449	26,133	-44,675	-8,137	199,770	2,632	202,402

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	1,370	18	1,388	-120	1,268
Acquisition of minority interest	0	0	0	0	0	-213	-213
Balance at 30.09.2008	11,916	1,670	8,319	537	22,442	301	22,743
Balance at 31.12.2008	11,916	1,670	5,738	-458	18,866	237	19,104
Comprehensive income	0	0	-8,063	-62	-8,125	-69	-8,194
Change in retained earnings	0	0	-530	0	-530	0	-530
Increase of share capital	2,556	0	0	0	2,556	0	2,556
Acquisition of minority interest	0	0	0	0	0	-0.1	-0.1
Balance at 30.09.2009	14,473	1,670	-2,855	-520	12,768	168	12,936

NOTES TO CONSOLIDATED INTERIM REPORT

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

The Group's condensed consolidated interim report for the nine months has been prepared in accordance with IAS 34 'Interim Financial Reporting', 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 for 2008. The accounting policies for preference shares and compound financial instruments that have been added are described in this note. The interim report should be read in conjunction with the Group's latest consolidated annual report for 2008, which has been prepared in accordance with International Financial Reporting Standards. New and revised standards effective from 1 January 2009 and their impact on the Group's financial statements are described in this note. The interim report has 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.

Share capital

Ordinary shares are classified in equity. The costs directly related to the issuance of shares are recognised as a reduction of the equity item "Share premium". Preference shares are classified in equity in case they correspond to the notion of equity instrument or compound financial instrument. The costs directly related to the issuance of shares are recognised as a reduction of the equity by the equity instrument and as a reduction of the liability and equity in proportion by the compound financial instrument.

Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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 72% 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 -0.63% (2008: -0.08), Russian rouble -17.41% (2008: -4.88%), Ukrainian hryvnia -32.68% (2008: -8.31%), Polish zloty -21.58% (2008: +11.66%) and Czech koruna -6.69% (2008: +13.17%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +11.48% (2008: -11.62%). 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.

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 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 September 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 September 2009 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 40,952 thousand kroons (2,617 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 24,347 thousand kroons (1,556 thousand euros), including balances with the Eastern European wholesale partners of 22,486 thousand kroons (1,437 thousand euros) (31 December 2008: 38,083 thousand kroons/2,434 thousand euros) and balances with retail customers for bank card payments of 1,861 thousand kroons (119 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 September 2009

EEK '000	Carrying amount	9-12¹ months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	343,998	11,255	244,203	149,270	404,728
Finance lease liabilities (Note 10)	10,412	1,545	9,816	0	11,361
Trade payables (Note 12)	127,876	127,876	0	0	127,876
Other payables (Note 12)	47,550	47,550	0	0	47,550
Total	529,836	188,226	254,019	149,270	591,515

EUR '000	Carrying amount	9-12¹ months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	21,986	719	15,607	9,540	25,866
Finance lease liabilities (Note 10)	665	99	627	0	726
Trade payables (Note 12)	8,173	8,173	0	0	8,173
Other payables (Note 12)	3,039	3,039	0	0	3,039
Total	33,863	12,030	16,234	9,540	37,804

¹Financial 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 increased to 64%. The Group'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; positive cash flow from rental income is generated starting from the second half of 2009.

Gearing ratios of the Group

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Total borrowings (Note 10)	362,018	272,355	23,137	17,407
Cash and bank (Note 3)	-5,498	-8,671	-351	-554
Net debt	356,520	263,684	22,786	16,852
Total equity	202,402	298,906	12,936	19,104
Total capital	558,922	562,590	35,722	35,956
Gearing ratio	64%	47%	64%	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 September 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	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Cash in hand	2,345	2,241	150	143
Cash at bank	3,153	5,547	201	355
Short-term deposits	0	883	0	56
Total	5,498	8,671	351	554

Cash and bank by currency

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
CZK (Czech koruna)	1,352	2,415	85	154
UAH (Ukrainian hryvnia)	896	1,401	57	90
RUB (Russian rouble)	783	1,089	50	70
EEK (Estonian kroon)	777	1,096	50	70
LTL (Lithuanian lit)	637	926	41	59
PLN (Polish zloty)	469	300	30	19
LVL (Latvian lat)	403	1,375	26	88
EUR (euro)	181	43	12	3
USD (US dollar)	0	26	0	2
Total	5,498	8,671	351	554

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Trade receivables, net	40,952	48,949	2,617	3,128
Other prepaid expenses	19,135	24,406	1,223	1,560
Tax prepayments and tax reclaims, thereof	12,752	20,840	815	1,332
Value added tax	11,711	18,319	748	1,171
Prepaid income tax	0	136	0	9
Other taxes	1,041	2,385	67	152
Other current receivables	2,538	4,174	162	267
Total	75,377	98,369	4,817	6,287

Trade receivables

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Trade receivables, gross	41,161	56,760	2,630	3,628
Allowance for impairment of trade receivables	-209	-7,811	-13	-499
Trade receivables, net	40,952	48,949	2,617	3,128

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Not due	22,054	39,383	1,410	2,517
Up to 1 month past due	1,150	7,882	73	504
1-3 months past due	1,557	1,679	100	107
3-6 months past due	5,985	5	383	0
Over 6 months past due	10,206	0	652	0
Total	40,952	48,949	2,617	3,128

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
EUR (euro)	29,672	39,700	1,896	2,537
EEK (Estonian kroon)	8,125	4,670	519	298
RUB (Russian rouble)	1,384	1,061	89	68
LVL (Latvian lat)	633	1,154	41	74
LTL (Lithuanian lit)	517	929	33	59
UAH (Ukrainian hryvnia)	477	1,249	30	80
PLN (Polish zloty)	110	119	7	8
CZK (Czech koruna)	34	67	2	4
Total	40,952	48,949	2,617	3,128

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Fabrics and accessories	27,974	48,384	1,788	3,092
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,282	4,758	82	304
Finished goods and goods purchased for resale	185,309	236,051	11,844	15,086
Allowance for impairment of finished goods and goods purchased for resale	-1,300	-6,600	-83	-422
Prepayments to suppliers	2,084	6,038	133	386
Total	215,149	288,431	13,751	18,434

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Non-current lease prepayments	8,383	6,103	536	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 September 2008	22,540	1,441
Balance at 31 December 2008	134,098	8,570
Additions	73,266	4,683
Balance at 30 September 2009	207,364	13,253

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 construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	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	13,750	8,288	10,468	59,403	929	92,838
Disposals	0	-105	-247	-1,427	-89	0	-1,868
Reclassification	0	0	0	900	0	-900	0
Depreciation	0	-10,772	-4,530	-14,890	0	0	-30,192
Currency translation differences ¹	0	235	-48	-306	27	0	-92
At 30 September 2008							
Acquisition cost	2,113	119,735	103,673	120,951	86,220	1,391	434,083
Accumulated depreciation	0	-40,937	-72,112	-57,250	0	0	-170,299
Net book amount	2,113	78,798	31,561	63,701	86,220	1,391	263,784
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	6,559	572	12,124	608	127	19,990
Disposals	0	-637	-213	-560	0	0	-1,410
Reclassification	0	0	6,145	-3,967	-2,178	0	0
Depreciation	0	-12,505	-6,334	-13,695	0	0	-32,534
Currency translation differences ¹	0	-446	-363	-1,378	-196	-22	-2,405
At 30 September 2009							
Acquisition cost	2,113	126,850	106,794	122,417	595	279	359,048
Accumulated depreciation	0	-52,680	-73,911	-68,236	0	0	-194,827
Net book amount	2,113	74,170	32,883	54,181	595	279	164,221
EUR '000							
EUR '000	Land and construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	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	879	530	669	3,797	59	5,933
Disposals	0	-7	-16	-91	-6	0	-119
Reclassification	0	0	0	58	0	-58	0

Depreciation	0	-688	-290	-952	0	0	-1,930
Currency translation differences ¹	0	15	-3	-20	2	0	-6
At 30 September 2008							
Acquisition cost	135	7,652	6,626	7,730	5,510	89	27,743
Accumulated depreciation	0	-2,616	-4,609	-3,659	0	0	-10,884
Net book amount	135	5,036	2,017	4,071	5,510	89	16,859
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	419	37	775	39	8	1,278
Disposals	0	-41	-14	-36	0	0	-90
Reclassification	0	0	393	-254	-139	0	0
Depreciation	0	-799	-405	-875	0	0	-2,079
Currency translation differences ¹	0	-29	-23	-88	-13	-1	-154
At 30 September 2009							
Acquisition cost	135	8,107	6,825	7,824	38	18	22,947
Accumulated depreciation	0	-3,367	-4,724	-4,361	0	0	-12,452
Net book amount	135	4,740	2,102	3,463	38	18	10,496

¹Amount 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	4,595	0	264	0	4,859
Amortisation	-3,180	-376	0	0	-3,556
Currency translation differences ¹	38	0	-17	-268	-247
At 30 September 2008					
Acquisition cost	37,259	10,060	1,588	24,966	73,873
Accumulated amortisation	-13,361	-1,047	0	0	-14,408
Net book amount	23,898	9,013	1,588	24,966	59,465
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	1,096	0	26	5,487	6,609
Disposals	-20	0	0	0	-20

Reclassification	1,298	0	-1,298	0	0
Amortisation	-3,652	-377	0	0	-4,029
Currency translation differences ¹	10	0	-98	-987	-1,075

At 30 September 2009

Acquisition cost	42,423	10,060	775	27,165	80,423
Accumulated amortisation	-17,783	-1,551	0	0	-19,334
Net book amount	24,640	8,509	775	27,165	61,089

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	294	0	17	0	311
Amortisation	-203	-24	0	0	-227
Currency translation differences ¹	2	0	-1	-17	-16
At 30 September 2008					
Acquisition cost	2,381	643	101	1,596	4,721
Accumulated amortisation	-854	-67	0	0	-921
Net book amount	1,527	576	101	1,596	3,801
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	70	0	2	351	422
Disposals	-1	0	0	0	-1
Reclassification	83	0	-83	0	0
Amortisation	-233	-24	0	0	-258
Currency translation differences ¹	1	0	-6	-63	-69
At 30 September 2009					
Acquisition cost	2,711	643	50	1,736	5,140
Accumulated amortisation	-1,137	-99	0	0	-1,236
Net book amount	1,575	544	50	1,736	3,904

¹Amount 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	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Current borrowings				
Current portion of non-current bank loans	20,125	20,840	1,287	1,332
Current bank loans	91,143	80,052	5,825	5,116
Current finance lease liabilities	2,740	3,075	175	197
Convertible bonds and liability component of preference shares	3,901	0	249	0
Total	117,909	103,967	7,536	6,645
Non-current borrowings				
Non-current bank loans	232,730	161,323	14,874	10,310
Non-current finance lease liabilities	7,672	7,065	490	452
Liability component of preference shares	3,707	0	237	0
Total	244,109	168,388	15,601	10,762

During the reporting period, the Group made loan repayments in the amount of 26,705 thousand kroons (1,707 thousand euros) (2008: 17,016 thousand kroons/1,088 thousand euros). Interest expense of the reporting periods amounted to 10,484 thousand kroons (670 thousand euros) (2008: 8,369 thousand kroons/535 thousand euros). Interest expenses have been recognised net with interest income under interest expenses.

Bank loans of the Group at 30 September 2009

	Carrying amount		Average risk premium
	EEK '000	EUR '000	
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	2.50%
Borrowings at floating interest rate (based on 3-month Euribor)	4,381	280	1.00%
Borrowings at floating interest rate (based on 6-month Euribor)	288,474	18,436	3.10%
Borrowings at fixed interest rate (incl. overdraft)	43,320	2,769	7.52%
Total	343,998	21,985	

Bank loans of the Group at 31 December 2008

	Carrying amount		Average risk premium
	EEK '000	EUR '000	
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 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. 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). The aforementioned convertible bonds have been recorded as a financial liability in full, as the equity component is immaterial.

	Issue date	Bond conversion period	Number of convertible bonds 30.09.2009	Number of convertible bonds 31.12.2008
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,850,000	0

NOTE 12 Trade and other payables

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Trade payables	127,876	151,938	8,173	9,711
Tax liabilities, thereof	29,039	31,422	1,856	2,008
Personal income tax	3,793	5,997	242	383
Social security tax and unemployment insurance premium	10,452	12,295	668	786
Value added tax	14,329	11,722	916	749
Corporate income tax liability	52	0	3	0
Other taxes	413	1,408	26	90
Payables to employees and other accrued expenses	18,511	24,216	1,183	1,548
Customer prepayments	507	312	32	20
Other current payables (convertible bonds)	0	58	0	4
Total	175,933	207,946	11,244	13,290

Non-current liabilities

Other liabilities	79	0	5	0
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Other non-current liabilities consist of deferred income.

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
EEK (Estonian kroon)	44,511	51,793	2,845	3,310
EUR (euro)	35,533	44,820	2,271	2,864
USD (US dollar)	32,924	42,790	2,104	2,735
LTL (Lithuanian lit)	6,030	2,544	385	163
CZK (Czech koruna)	4,036	2,164	258	138
RUB (Russian rouble)	2,212	4,832	141	309
LVL (Latvian lat)	1,292	840	83	54
PLN (Polish zloty)	409	1,581	26	101
Other currencies	929	574	59	37
Total	127,876	151,938	8,173	9,711

NOTE 13 Equity**Share capital**

EEK '000	30.09.2009	31.12.2008
Share capital	226,449	186,449
Number of shares ¹	22,644,850	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	30.09.2009	31.12.2008
Share capital	14,473	11,916
Number of shares ¹	22,644,850	18,644,850
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	1,192
Revaluation surplus	478	478

¹Shares comprise ordinary shares and preference shares of 186,449 thousand pieces and 4,000 thousand pieces respectively. The 186,449 thousand ordinary shares are listed on the Tallinn Stock Exchange. The preference shares are unlisted.

On 10 July 2009 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.

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 on 31.12.2008		18,644,850
Issued 10.07.2009	Issue of preference shares	4,000,000
Number of shares on 30.09.2009, thereof		22,644,850
Ordinary shares		18,644,850
Preference shares		4,000,000

Shareholders at 30 September 2009

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,912,000	10.25%
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	50,600	0.27%
Andrew Paterson	11,000	0.06%
Other shareholders	10,674,432	57.25%
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 186,449 thousand ordinary 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

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
9m 2009 and at 30 September 2009						
Revenue (from external customers)	356,056	208,561	34,657	59,848	1,059	660,181
Segment profit (loss)	9,962	-24,975	-17,183	14,936	370	-16,890
Inventories of segments	75,009	45,405	4,866	2,611	0	127,891
Other inventories						87,258
Total inventories						215,149
9m 2008 and at 30 September 2008						
Revenue (from external customers)	458,080	275,566	36,784	116,585	456	887,471
Segment profit (loss)	89,641	18,661	-8,309	31,899	105	131,997
Inventories of segments	79,854	49,288	5,265	6,686	0	141,093
Other inventories						147,854
Total inventories						288,947

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole- sale	Real estate manage- ment	Total
9m 2009 and at 30 September 2009						
Revenue (from external customers)	22,756	13,329	2,215	3,825	68	42,193
Segment profit (loss)	637	-1,596	-1,098	955	24	-1,079
Inventories of segments	4,794	2,902	311	167	0	8,174
Other inventories						5,577
Total inventories						13,751
9m 2008 and at 30 September 2008						
Revenue (from external customers)	29,277	17,612	2,351	7,451	29	56,720
Segment profit (loss)	5,729	1,193	-531	2,039	7	8,436
Inventories of segments	5,104	3,150	336	427	0	9,017
Other inventories						9,450
Total inventories						18,467

Reconciliation of segment profit to consolidated operating profit

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Total profit for reportable segments	-16,890	131,997	-1,079	8,436
Unallocated expenses:				
Distribution costs	-49,829	-73,305	-3,185	-4,685
Administrative and general expenses	-31,696	-37,222	-2,026	-2,379
Other operating income (expenses), net	-13,962	7,159	-892	458
Operating profit (loss)	-112,377	28,629	-7,182	1,830

NOTE 15 Revenue

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Sale of goods	658,378	886,042	42,077	56,628
Lease revenue	1,058	456	68	29
Other	745	973	48	62
Total	660,181	887,471	42,193	56,720

NOTE 16 Cost of goods sold

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Materials and supplies	276,244	311,906	17,656	19,934
Payroll costs in production	49,964	67,029	3,193	4,284
Operating lease expenses	7,314	8,049	467	514
Other production costs	5,244	7,090	335	453
Depreciation of assets used in production	3,325	3,378	213	216
Change in inventories	8,049	4,241	514	271
Total	350,140	401,693	22,378	25,673

NOTE 17 Distribution costs

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Operating lease expenses	147,197	159,945	9,408	10,222
Payroll costs	130,409	150,690	8,335	9,631
Depreciation and amortisation	31,175	29,127	1,992	1,862
Advertising expenses	19,369	26,491	1,238	1,693
Fuel, heating and electricity costs	7,207	6,610	461	422
Municipal services and security expenses	6,687	6,197	427	396
Fees for card payments	4,372	5,901	279	377
Financial and management fees ¹	3,036	3,029	194	194
Information technology expenses	2,717	2,435	174	156
Freight costs	2,663	4,717	170	301
Communication expenses	2,529	2,810	162	180
Travel expenses	2,067	3,983	132	255
Bank fees	1,701	1,831	109	117
Packaging costs	1,382	1,432	88	92
Expenses for uniforms	898	1,350	57	86
Renovation expenses of retail outlets	792	1,208	51	77
Training expenses	569	1,314	36	84
Other sales expenses ¹	11,990	18,016	766	1,151
Total	376,760	427,086	24,079	27,296

¹In interim report for the third quarter of 2008 the financial and management fees in amount of 3,029 thousand kroons (194 thousand euros) were recognised under other sales expenses. Financial and management fees consist of accounting, auditing, consulting and management fees.

NOTE 18 Administrative and general expenses

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Payroll costs	15,986	18,237	1,022	1,166
Information technology expenses	3,509	3,761	224	240
Depreciation and amortisation	2,029	1,350	130	86
Operating lease expenses	2,040	3,029	130	194
Bank fees	1,675	1,152	107	74
Fuel, heating and electricity expenses	1,004	1,266	64	81
Communication expenses	610	588	39	38
Municipal services and security expenses	389	478	25	31
Training expenses	223	586	14	37
Sponsorship	368	1,168	24	75
Travel expenses	30	123	2	8
Other administrative expenses	3,833	5,484	245	350
Total	31,696	37,222	2,026	2,379

NOTE 19 Other operating income

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Gain from revaluations of investment property	42	12	3	1
Gain from sale of non-current assets	0	11,250	0	719
Other operating income	600	1,655	38	106
Total	642	12,917	41	826

NOTE 20 Other operating expenses

	EEK '000		EUR '000	
	9m 2009	9m 2008	9m 2009	9m 2008
Foreign exchange losses	11,553	1,461	738	93
Fines, penalties and tax interest	1,161	702	74	45
Representation costs	73	198	5	13
Other operating expenses	1,817	3,397	116	217
Total	14,604	5,758	933	368

NOTE 21 Earnings per share**Basic earnings per share**

		9m 2009	9m 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	-126,162	21,435
	EUR '000	-8,063	1,370
Basic earnings per share	EEK	-6.77	1.15
	EUR	-0.43	0.07

Diluted earnings per share

		9m 2009	9m 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	-126,162	21,435
	EUR '000	-8,063	1,370
Diluted earnings per share	EEK	-6.77	1.15
	EUR	-0.43	0.07

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in Q3 2009 was 10.90 kroons (0.70 euros) (2008: 37.38 kroons/2.39 euros).