



Baltika Group

AS BALTIKA

Consolidated interim report for the third quarter of 2008

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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Retail and wholesale of clothes
Auditor	AS PricewaterhouseCoopers
Beginning and end of financial year	01.01.2008- 31.12.2008

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BRIEF DESCRIPTION OF BALTIKA GROUP

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

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

As of 30 September 2008, the Group employed 1,921 people (31 December 2007: 1,983).

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

The Group consists of the following companies:

	Location	Activity	Holding at 30.09.2008	Holding at 31.12.2007
Parent company				
AS Baltika	Estonia			
Subsidiaries				
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija	Latvia	Retail	75%	75%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania "Baltman Rus"	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.33%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT**Consolidated financial results, 9 months 2008**

Baltika Group ended the third quarter with a consolidated net profit of 13.6 million kroons (0.9 million euros) and a net margin of 4.0% (Q3 2007: 2.8%). Compared with the same period in 2007, net profit grew by 55.5%. In the third quarter, consolidated sales revenue grew by 9.4%, retail revenues expanding by 10.3% and wholesale revenues by 18.5%. The Group's third quarter gross margin was 51.8% against 52.6% in the third quarter of 2007, and operating margin 4.0% against 4.6% in the third quarter of 2007.

Consolidated sales revenue for the first nine months was 887.5 million kroons (56.7 million euros), a 5.1% improvement year-over-year (yoy). Retail revenues grew by 9.6% and wholesale revenues decreased, as anticipated, by 5.8%. The Group's nine months' gross and operating margins were 54.7% and 3.2% respectively (9m 2007: 54.3% and 6.4%). Consolidated net profit for the first nine months was 21.4 million kroons (1.4 million euros) and net margin 2.4% (9m 2007: 4.6%).

REVENUE**Revenue by business segment**

EEK million	Q3 2008	Q3 2007	+/-	9m 2008	9m 2007	+/-
Retail	282.1	255.9	10.3%	770.4	702.7	9.6%
Wholesale	54.4	45.9	18.5%	115.6	122.7	-5.8%
Subcontracting	0	5.7	-100%	0	14.2	-100%
Other	0.4	0.6	-36.5%	1.4	4.6	-68.6%
Total	336.9	308.1	9.4%	887.5	844.1	5.1%

EUR 1 = EEK 15.6466

RETAIL

Compared with 2007, Baltika's retail sales for the first nine months grew by 9.6% to 770.4 million kroons (49.2 million euros). In the third quarter sales growth was 10.3%.

During the first nine months of this year, the Group focused on streamlining its store portfolio and enhancing the stores' sales efficiency. The third quarter evidenced trends similar to the second quarter: sales space grew relatively slowly and the Group's average sales efficiency (sales per square metre) rose by 4% yoy (Q2 2008: 4%). The improvement in sales efficiency was underpinned by strong growth in comparable store sales which in the third quarter amounted to 7% (Q2 2008: 8%). The same trend continued also in regional performance - the best results in comparable store sales were achieved in the Central and Eastern European markets, which each delivered growth in excess of 20%. Owing to the impacts of the first quarter, comparable store sales growth for the first nine months remained at 3%.

In the third quarter, the Group achieved strong sales growth in Ukraine, Russia and Poland - 23%, 19% and 15% respectively. The growth rates are particularly impressive given that the sales area has decreased slightly in Russia and Poland and increased only by 4% in Ukraine in the third quarter of 2008 compared with the prior year. The Baltic countries also delivered good results against the background of decelerating economic growth in the countries involved. Only Estonia experienced decline in retail sales by 2%, Latvia and Lithuania both posted a growth of 3% yoy. Nine-month trends are similar to the third quarter.

Retail sales by market

EEK million	9m 2008	9m 2007	+/-	Percentage, 9m 2008
Estonia	175.3	176.2	-1%	23%
Lithuania	174.0	164.7	6%	23%
Russia	144.0	126.6	14%	19%
Ukraine	131.6	112.7	17%	17%
Latvia	108.8	101.3	7%	14%
Poland	24.9	21.2	17%	3%
Czech Republic	11.8	0	-	1%
Total	770.4	702.7	10%	100%

EUR 1 = EEK 15.6466

In terms of brands, Monton accounted for 56% or 427 million kroons (27.3 million euros) of the Group's nine-month retail revenue, 10% growth yoy, and Mosaic contributed 33% or 253 million kroons (16.2 million euros), up 15% yoy. The sales of Baltman decreased 18% yoy to 55 million kroons (3.5 million euros). As an upmarket Baltic-based menswear brand, Baltman has been hit the hardest by economic slowdown; in addition, two Baltman stores have been closed in the last twelve months. Nine-month sales of Ivo Nikkolo grew 46% yoy to 27 million kroons (1.7 million euros).

STORES AND SALES AREA

At the end of September 2008, Baltika had 125 stores with a total sales area of 24,748 square metres. Compared with September 2007, the retail system has grown by 1,400 square metres (net) or 6%.

Stores by market

	30.09.2008	30.09.2007
Estonia	30	30
Lithuania	29	30
Russia	22	25
Ukraine	22	21
Latvia	16	14
Poland	4	5
Czech Republic	2	-
Total stores	125	125
Total sales area, sqm	24,748	23,339

In the first nine months of 2008, Baltika opened seven and closed ten stores. In the third quarter Baltika opened an Ivo Nikkolo store in Riga taking its premium brand to the Latvian market. Now, the Ivo Nikkolo brand is represented in all the Baltic countries.

In the fourth quarter, the Group expects to open 9 to 11 stores, taking the total number of stores to 133 to 135 by the year-end.

WHOLESALE

Consolidated wholesale revenue for the third quarter of 2008 increased 18.5% yoy to 54.4 million kroons (3.5 million euros). Wholesale revenue for the first nine months was 115.6 million kroons (7.4 million euros), a 5.8% decrease yoy, accounting for 13% of the Group's consolidated sales revenue for the nine-month period.

Wholesale revenues have declined in line with projections and are expected to decline up to 10% yoy in 2008.

EXPANSION OF WHOLESALE TO WESTERN EUROPE

In August, Baltika concluded a cooperation agreement with a leading European department store chain Peek&Cloppenburg. The fashion retail chain will include the ladies' collection of Baltika's Mosaic brand in its product offer. First orders will be shipped in November of this year. The year 2009 is going to be a test period during which the sales of the collection and the quality of the products and deliveries will be monitored. During the test period Mosaic's collection will be included in 13 department stores in five countries.

Peek&Cloppenburg is the largest department store chain in Germany comprising over 80 department stores in the country and altogether over 100 department stores in Europe. Besides Germany, Peek&Cloppenburg is represented in Austria, Belgium, the Netherlands, Switzerland, Poland, Hungary, the Czech Republic, etc. The fashion retailer is offering a wide selection of quality brands including Burberry, Hugo Boss, Pierre Cardin, Marco Polo, Gerry Weber, Mexx, Esprit, s.Oliver, Tommy Hilfiger and Tom Tailor among others.

Cooperation with Western European partners is the strategic direction of Baltika's wholesale. Presently, Baltika's main wholesale partners are located in the Baltic countries, Russia and Finland. Recently, Baltika launched wholesale in Belorussia.

EARNINGS AND MARGINS

The third quarter results show that the recovery of profitability that started in the second quarter has continued. In fashion retail business, the third quarter is seasonally weaker than the second quarter due to the summer discounted sales period, nevertheless, Baltika Group earned more profit compared with the prior year. While the

Baltic economies are experiencing a slowdown, the markets in Central and Eastern Europe are undergoing positive developments that support the Group's performance.

In the third quarter, the Group's gross margin stood at 51.8%, a slight decrease on the 52.6% measured for the third quarter of 2007. This is due to the larger wholesale volume compared with the same period last year – wholesale business has lower margin than retail. The Group's nine months' gross margin was 54.7%, a slight improvement on 2007 figure of 54.3%. Consolidated gross profit for the first nine months was 485.8 million kroons (31.0 million euros), up 6.0% yoy, whilst third quarter gross profit grew by 7.7% yoy.

Administrative and general expenses for the first nine months decreased by 5.3% on account of cost-saving. Distribution costs for the same period grew by 12.5%.

In the third quarter exchange differences resulted in an exchange gain of 2.1 million kroons (134 thousand euros). However, due to a notably negative impact in the first quarter, the overall impact of exchange differences on the nine months was negative with exchange losses recognised in other operating expenses and financial expenses totalling 1.8 million kroons (116 thousand euros). In comparison, exchange losses for the first nine months of 2007 totalled 7.8 million kroons (501 thousand euros).

Consolidated operating profit for the third quarter was 13.4 million kroons (0.9 million euros), a 4.8% decrease yoy. The decline is due to the 6.8 million kroons (0.4 million euros) of gain from the revaluation of investment property, which was earned in the third quarter of 2007 while in the third quarter of 2008 no such income was recorded. Operating margin for the third quarter was 4.0% (Q3 2007: 4.6%).

Consolidated operating profit for the first nine months amounted to 28.6 million kroons (1.8 million euros), a 47.3% decrease yoy, and operating margin for the period was 3.2% (9m 2007: 6.4%). Operating profit for nine months includes 11.3 million kroons (0.7 million euros) of gain from the revaluation of investment property, which was earned in the first quarter and recognised in other operating income. Operating profit for the first nine months of 2007 included 23.0 million kroons (1.5 million euros) of income from the divestment of property, plant and equipment and from the revaluation of investment property recognised in other operating income.

The Group's financial expenses for the first nine months of 2008 totalled 8.3 million kroons (531 thousand euros), up 4.8% yoy. Interest expenses for the same period grew by 27.2% to 8.2 million kroons (526 thousand euros).

Baltika's net profit for the third quarter amounted to 13.6 million kroons (0.9 million euros), a 55.5% increase on the third quarter of 2007, and net margin rose to 4.0% (Q3 2007: 2.8%). The improvement is particularly impressive given that the third quarter results of this year include only revenue generated from core business.

Consolidated net profit for nine months was 21.4 million kroons (1.4 million euros), down by 45.2% yoy, and the period's net margin was 2.4% (9m 2007: 4.6%).

BALANCE SHEET

At 30 September 2008, Baltika's balance sheet total was 801 million kroons (51.2 million euros), a 22% increase yoy.

Trade receivables totalled 75 million kroons (4.8 million euros), representing a 25 million kroon (1.6 million euro) decrease on 30 September 2007. The decrease in trade receivables may be attributed to a decline in wholesale operations.

At 30 September, trade payables amounted to 138 million kroons (8.8 million euros), representing a 51 million kroon (3.2 million euro) increase yoy.

At the end of September, inventories stood at 289 million kroons (18.5 million euros), posting a 30% growth yoy, and inventory turnover ratio (sales revenue/average inventories) was 4.90 (30 September 2007: 5.32).

Inventories and payables have increased on account of purchases made for the autumn and winter season in excess of the prior year.

At 30 September 2008, Baltika's borrowings totalled 249 million kroons (15.9 million euros), including bank loans of 238 million kroons (15.2 million euros) and finance lease liabilities of 11 million kroons (0.7 million

euros). Compared with 30 September 2007, borrowings have increased by 60 million kroons (3.9 million euros). Real estate development loans amount to 43 million kroons (2.7 million euros).

At the end of September, the Group's net debt (interest-bearing liabilities less cash and bank balances) to equity ratio was 65.6% against 53.0% at the end of September 2007.

INVESTMENT

In the first nine months of 2008 the Group invested 97.7 million kroons (6.2 million euros): 35.5 million kroons (2.3 million euros) in the retail business, 5.4 million kroons (0.3 million euros) in information technology and 4.7 million kroons (0.3 million euros) in manufacturing. Investments in real estate development (phase I of the Baltika Quarter) amounted to 52.1 million kroons (3.3 million euros). Investments for the first nine months of 2007 totalled 82.1 million kroons (5.2 million euros).

PEOPLE

At 30 September 2008, the Group employed 1,921 (30 September 2007: 1,964) people including 939 (978) in the retail system, 754 (776) in manufacturing and 228 (210) at the head office. The number of people employed outside Estonia was 745 (793), i.e. 39%. The nine months' average number of employees was 1,941 (9m 2007: 1,980).

Employee remuneration expenses for the first nine months of 2008 totalled 174.4 million kroons/11.1 million euros (9m 2007: 143.5 million kroons/9.2 million euros). Payments made to members of the supervisory council and management board totalled 3.1 million kroons/197 thousand euros (9m 2007: 3.5 million kroons/221 thousand euros).

KEY FIGURES OF THE GROUP (9 MONTHS 2008)

	30.09.2008	30.09.2007	+/-
Revenue (EEK million)	887.5	844.1	5.1%
Retail sales (EEK million)	770.4	702.7	9.6%
Share of retail sales in revenue	87%	83%	
Number of stores	125	125	0%
Sales area (sqm)	24,748	23,339	6.0%
Number of employees (end of period)	1,921	1,964	-2.2%
Gross margin	54.7%	54.3%	
Operating margin	3.2%	6.4%	
EBT margin	2.3%	5.5%	
Net margin	2.4%	4.6%	
Current ratio	1.6	1.8	-11.1%
Inventory turnover	4.90	5.32	-7.9%
Debt to equity ratio	69.9%	56.8%	
Return on equity	7.0%	23.2%	
Return on assets	3.3%	11.4%	

EUR 1 = EEK 15.6466

Definitions of key ratios

Gross margin = (Revenue-Cost of goods sold)/Revenue

Operating margin = Operating profit/Revenue

EBT margin = Profit before income tax/Revenue

Net margin = Net profit (attributable to parent)/Revenue

Current ratio = Current assets/Current liabilities

Inventory turnover = Revenue/Average inventories*

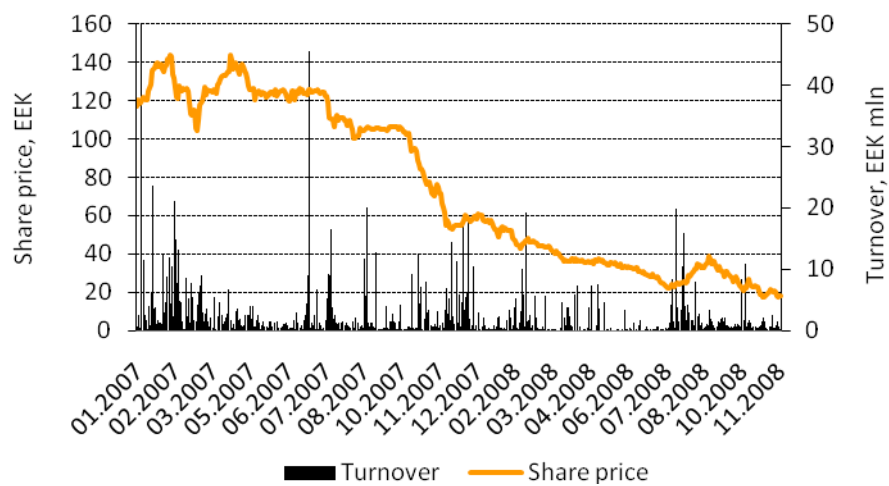
Debt to equity ratio = Interest-bearing liabilities/Equity

Return on equity (ROE) = Net profit (attributable to parent)/Average equity*

Return on assets (ROA) = Net profit (attributable to parent)/Average total assets*

*Based on 12-month average

SHARE PRICE AND TURNOVER



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FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The management board confirms the correctness and completeness of AS Baltika's consolidated interim report for the third quarter of 2008 as presented on pages 10-35.

The management board confirms that:

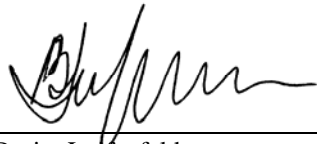
1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;
2. the financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Group;
3. all group companies are going concerns.



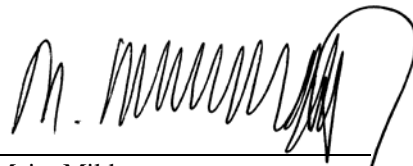
Meelis Milder
Chairman of the management board
25 November 2008



Ülle Järv
Member of the management board
25 November 2008



Boriss Lohfeld
Member of the management board
25 November 2008



Maire Milder
Member of the management board
25 November 2008

CONSOLIDATED BALANCE SHEET

(unaudited, in EEK thousand)

	Note	30.09.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	15,321	31,494
Trade and other receivables	4	138,106	113,563
Inventories	5	288,947	220,698
Non-current assets held for sale		104	500
Total current assets		442,478	366,255
Non-current assets			
Deferred income tax assets		5,897	5,897
Other non-current asset	6	6,671	11,448
Investment property	7	22,540	11,250
Property, plant and equipment	8	263,784	203,098
Intangible assets	9	59,465	58,409
Total non-current assets		358,357	290,102
TOTAL ASSETS		800,835	656,357
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	85,389	100,167
Trade and other payables	12	193,323	129,364
Total current liabilities		278,712	229,531
Non-current liabilities			
Borrowings	10	163,203	84,319
Other liabilities	12	992	1,086
Deferred income tax liability		2,075	2,075
Total non-current liabilities		166,270	87,480
TOTAL LIABILITIES		444,982	317,011
EQUITY			
Share capital at par value		186,449	186,449
Reserves		26,133	26,133
Retained earnings		108,722	67,949
Net profit for the period		21,435	40,773
Currency translation differences		8,408	8,131
Total equity attributable to equity holders of the parent		351,147	329,435
Minority interest		4,706	9,911
TOTAL EQUITY	13	355,853	339,346
TOTAL LIABILITIES AND EQUITY		800,835	656,357

CONSOLIDATED BALANCE SHEET

(unaudited, in EUR thousand)

	Note	30.09.2008	31.12.2007
ASSETS			
Current assets			
Cash and bank	3	979	2,013
Trade and other receivables	4	8,827	7,258
Inventories	5	18,467	14,105
Non-current assets held for sale		7	32
Total current assets		28,279	23,408
Non-current assets			
Deferred income tax assets		377	377
Other non-current asset	6	426	732
Investment property	7	1,441	719
Property, plant and equipment	8	16,859	12,980
Intangible assets	9	3,801	3,733
Total non-current assets		22,903	18,541
TOTAL ASSETS		51,183	41,949
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10,11	5,457	6,402
Trade and other payables	12	12,356	8,268
Total current liabilities		17,813	14,670
Non-current liabilities			
Borrowings	10	10,431	5,389
Other liabilities	12	63	69
Deferred income tax liability		133	133
Total non-current liabilities		10,627	5,591
TOTAL LIABILITIES		28,440	20,261
EQUITY			
Share capital at par value		11,916	11,916
Reserves		1,670	1,670
Retained earnings		6,949	4,343
Net profit for the period		1,370	2,606
Currency translation differences		537	520
Total equity attributable to equity holders of the parent		22,442	21,055
Minority interest		301	633
TOTAL EQUITY	13	22,743	21,688
TOTAL LIABILITIES AND EQUITY		51,183	41,949

CONSOLIDATED INCOME STATEMENT
 (unaudited, in EEK thousand)

	Note	Q3 2008	Q3 2007	9m 2008	9m 2007
Revenue	14,15	336,896	308,056	887,471	844,099
Cost of goods sold	16	-162,376	-146,024	-401,693	-386,023
Gross profit		174,520	162,032	485,778	458,076
Distribution costs	17	-148,510	-134,594	-427,086	-379,604
Administrative and general expenses	18	-11,075	-13,961	-37,222	-39,314
Other operating income	19	688	5,971	12,917	22,552
Other operating expenses	20	-2,217	-5,364	-5,758	-7,345
Operating profit		13,406	14,084	28,629	54,365
Financial income (expenses)		-1,566	-3,634	-8,314	-7,936
Interest expenses, net		-3,143	-2,303	-8,232	-6,470
Foreign exchange losses, net		1,584	-1,326	-356	-1,389
Other financial income (expenses), net		-7	-5	274	-77
Profit before income tax		11,840	10,450	20,315	46,429
Income tax		690	-20	-408	-4,912
Net profit		12,530	10,430	19,907	41,517
Net profit attributable to equity holders of the parent company		13,624	8,763	21,435	39,130
Net profit (loss) attributable to minority shareholders		-1,094	1,667	-1,528	2,387
Basic earnings per share, EEK	21	0.73	0.47	1.15	2.10
Diluted earnings per share, EEK	21	0.73	0.47	1.15	2.10

CONSOLIDATED INCOME STATEMENT

(unaudited, in EUR thousand)

	Note	Q3 2008	Q3 2007	9m 2008	9m 2007
Revenue	15	21,532	19,688	56,720	53,948
Cost of goods sold	16	-10,378	-9,333	-25,673	-24,671
Gross profit		11,154	10,356	31,047	29,276
Distribution costs	17	-9,492	-8,602	-27,296	-24,261
Administrative and general expenses	18	-708	-892	-2,379	-2,513
Other operating income	19	44	382	826	1,441
Other operating expenses	20	-142	-343	-368	-469
Operating profit		857	900	1,830	3,475
Financial income (expenses)		-100	-232	-531	-507
Interest expenses, net		-201	-147	-526	-414
Foreign exchange losses, net		101	-85	-23	-89
Other financial income (expenses), net		0	0	18	-5
Profit before income tax		757	668	1,298	2,967
Income tax		44	-1	-26	-314
Net profit		801	667	1,272	2,653
Net profit attributable to equity holders of the parent company		871	561	1,370	2,501
Net profit (loss) attributable to minority shareholders		-70	106	-98	153
Basic earnings per share, EUR	21	0.05	0.03	0.07	0.13
Diluted earnings per share, EUR	21	0.05	0.03	0.07	0.13

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EEK thousand)

	Note	9m 2008	9m 2007
Operating activities			
Operating profit		28,629	54,365
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	33,748	28,894
Loss (gain) from disposal of PPE and investment property		1,441	-15,512
Loss (gain) from revaluation of investment property	7	-11,250	-6,768
Other non-monetary expenses		616	4,471
Changes in working capital:			
Change in trade and other receivables	4	-18,742	-22,618
Change in inventories	5	-68,249	-21,771
Change in trade and other payables	12	68,522	-3,675
Interest paid		-8,369	-5,292
Income tax paid		-5,657	-4,930
Net cash generated from operating activities		20,689	7,164
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-97,737	-81,215
under the finance lease terms		3,783	5,115
within business combinations		0	4,647
Proceeds from disposal of property, plant and equipment		427	50,348
Investments in subsidiaries	22	-3,328	-3,743
Interest received		100	152
Net cash used in investing activities		-96,755	-24,696
Financing activities			
Received borrowings	10	94,009	50,628
Repayments of borrowings	10	-17,016	-19,637
Change in bank overdraft	10	15,567	14,463
Repayments of finance lease and other liabilities		-2,603	-8,745
Dividend paid		0	-14,910
Proceeds from issue of bonds		0	28,585
Redemption of bonds	11	-29,999	-31,500
Net cash generated from financing activities		59,958	18,884
Effect of exchange gains (losses) on cash and cash equivalents		-65	-1,389
Total cash flows		-16,173	-37
Cash and cash equivalents at the beginning of the period	3	31,494	12,584
Cash and cash equivalents at the end of the period	3	15,321	12,547
Change in cash and cash equivalents		-16,173	-37

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in EUR thousand)

	Note	9m 2008	9m 2007
Operating activities			
Operating profit		1,830	3,475
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	2,157	1,847
Loss (gain) from disposal of PPE and investment property		92	-991
Loss (gain) from revaluation of investment property	7	-719	-433
Other non-monetary expenses		39	286
Changes in working capital:			
Change in trade and other receivables	4	-1,198	-1,446
Change in inventories	5	-4,362	-1,391
Change in trade and other payables	12	4,379	-235
Interest paid		-535	-338
Income tax paid		-362	-315
Net cash generated from operating activities		1,322	458
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-6,247	-5,191
under the finance lease terms		242	327
within business combinations		0	297
Proceeds from disposal of property, plant and equipment		27	3,218
Investments in subsidiaries	22	-213	-239
Interest received		6	10
Net cash used in investing activities		-6,184	-1,577
Financing activities			
Received borrowings	10	6,008	3,236
Repayments of borrowings	10	-1,088	-1,255
Change in bank overdraft	10	995	924
Repayments of finance lease and other liabilities		-166	-559
Dividend paid		0	-953
Proceeds from issue of bonds		0	1,827
Redemption of bonds	11	-1,917	-2,013
Net cash generated from financing activities		3,832	1,207
Effect of exchange gains (losses) on cash and cash equivalents		-4	-89
Total cash flows		-1,034	-2
Cash and cash equivalents at the beginning of the period	3	2,013	804
Cash and cash equivalents at the end of the period	3	979	802
Change in cash and cash equivalents		-1,034	-2

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

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2006	62,150	59,088	9,721	160,897	4,319	296,175	8,065	304,240
Currency translation differences	0	0	0	0	1,936	1,936	-25	1,911
Net income (expense) recognised directly in equity	0	0	0	0	1,936	1,936	-25	1,911
Net profit for the period	0	0	0	39,130	0	39,130	2,387	41,517
Total recognised income (expense)	0	0	0	39,130	1,936	41,066	2,362	43,428
Dividend paid	0	0	0	-14,916	0	-14,916	0	-14,916
Transfers to statutory reserve	0	0	12,822	-12,822	0	0	0	0
		-						
Increase of share capital	124,299	59,088	0	-65,211	0	0	0	0
Change in minority interest	0	0	0	0	0	0	-1,237	-1,237
Balance at 30.09.2007	186,449	0	22,543	107,079	6,255	322,326	9,190	331,516
Balance at 31.12.2007	186,449	0	26,133	108,722	8,131	329,435	9,911	339,346
Currency translation differences	0	0	0	0	277	277	-349	-72
Net income (expense) recognised directly in equity	0	0	0	0	277	277	-349	-72
Net profit for the period	0	0	0	21,435	0	21,435	-1,528	19,907
Total recognised income (expense)	0	0	0	21,435	277	21,712	-1,877	19,835
Change in minority interest	0	0	0	0	0	0	-3,328	-3,328
Balance at 30.09.2008	186,449	0	26,133	130,157	8,408	351,147	4,706	355,853

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2006	3,972	3,776	621	10,283	276	18,930	515	19,445
Currency translation differences	0	0	0	0	124	124	-2	121
Net income (expense) recognised directly in equity	0	0	0	0	124	124	-2	121
Net profit for the period	0	0	0	2,501	0	2,501	153	2,653
Total recognised income (expense)	0	0	0	2,501	124	2,625	151	2,776
Dividend paid	0	0	0	-953	0	-953	0	-953
Transfers to statutory reserve	0	0	819	-819	0	0	0	0
Increase of share capital	7,944	-3,776	0	-4,168	0	0	0	0
Change in minority interest	0	0	0	0	0	0	-79	-79
Balance at 30.09.2007	11,916	0	1,441	6,843	400	20,600	587	21,188
Balance at 31.12.2007	11,916	0	1,670	6,949	520	21,056	633	21,689
Currency translation differences	0	0	0	0	18	18	-22	-5
Net income (expense) recognised directly in equity	0	0	0	0	18	18	-22	-5
Net profit for the period	0	0	0	1,370	0	1,370	-98	1,272
Total recognised income (expense)	0	0	0	1,370	18	1,387	-120	1,267
Change in minority interest	0	0	0	0	0	0	-213	-213
Balance at 30.09.2008	11,916	0	1,670	8,319	537	22,442	301	22,743

NOTES TO CONSOLIDATED INTERIM REPORT

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

The Group's consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the consolidated financial statements of 2007. The financial statements have been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2007 annual report.

All information in the financial statements is presented in thousands of Estonian kroons and thousands of euros, unless otherwise stated. The Estonian kroon is pegged to the euro at the rate of EUR 1 = EEK 15.6466.

This interim report has not been audited or otherwise reviewed by auditors.

Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been changed, then also the comparative information of previous periods has been restated.

NOTE 2 Financial risks

In its daily activities, the Group is exposed to different types of risk management, which is an important and integral part of the business activities of the company. The company's ability to identify, measure and control different risks is a key variable for the Group's profitability. The Group's management defines risk as a potential negative deviation from the expected financial results. The main risk factors are market (including currency risk, interest rate risk and price risk), credit, liquidity and operational risks.

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

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

Market risk

Foreign exchange risk

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

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

The weakening of the US dollar against the euro poses liquidity risk, which affects the Group's collectible amounts from the countries most affected by the changes in the dollar's exchange rate (Ukraine, Russia and Poland). On the other hand, the weakening of the dollar has a positive impact on importing from the countries (China, Japan and Korea) with which accounts are settled in dollars.

The Group's results are open to fluctuations in foreign currency rates against Estonian kroon in those countries where AS Baltika has subsidiaries. The changes in average foreign currency rates against Estonian kroon in the reporting period were the following: Polish zloty +11.7% (2007: 2.2%), Ukrainian hryvnia -8.3% (2007: -7.1%), Russian rouble -4.9% (2007: -2.1%), Latvian lat -0.1% (2007: -0.6%) and Czech koruna +13.2% (2007: +1.3%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was -11.6% (2007: -7.2%).

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

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

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

Interest rate risk

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

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

All non-current borrowings at 30 September 2008 and 31 December 2007 were subject to a floating interest rate based on Euribor, which is fixed every three or six months. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

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

Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

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

At the balance sheet date, the maximum exposure to credit risk from trade receivables (Note 4) amounted to 74,927 thousand kroons/4,789 thousand euros (31 December 2007: 71,148 thousand kroons/4,547 thousand

euros), including balances with the Eastern European wholesale partners of 57,106 thousand kroons/3,650 thousand euros (31 December 2007: 61,051 thousand kroons/3,902 thousand euros).

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

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

Liquidity risk

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

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

Financial liabilities by maturity at 30 September 2008

EEK '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	238,016	80,264	138,533	65,026	283,823
Finance lease liabilities (Note 10)	10,518	919	10,656	0	11,575
Trade payables (Note 12)	137,798	137,798	0	0	137,798
Other payables (Note 12)	56,517	59,825	364	676	60,865
Total	442,849	278,806	149,553	65,702	494,061

EUR '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	15,212	5,130	8,854	4,156	18,140
Finance lease liabilities (Note 10)	672	59	681	0	740
Trade payables (Note 12)	8,807	8,807	0	0	8,807
Other payables (Note 12)	3,612	3,824	23	43	3,890
Total	28,303	17,819	9,558	4,199	31,576

Financial liabilities by maturity at 31 December 2007

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

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

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

Operational risk

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

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

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

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

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

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

Capital risk management

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

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

Gearing ratios of the Group

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Total borrowings (Note 10)	248,592	184,486	15,888	11,791
Cash and bank (Note 3)	-15,321	-31,494	-979	-2,013
Net debt	233,271	152,992	14,909	9,778
Total equity	355,853	339,346	22,743	21,688
Total capital	589,124	492,338	37,652	31,466
Gearing ratio	40%	31%	40%	31%

Fair value

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet at 30 September 2008 and 31 December 2007. As the Group's long-term borrowings have a floating interest rate that changes along with the changes in market interest rates, the discount rates used in the discounted cash flow model are applied to calculate the fair value of borrowings. Therefore, management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 Cash and bank

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Cash in hand	2,636	3,425	168	219
Cash at bank	12,108	19,113	774	1,222
Short-term deposits	577	8,956	37	572
Total	15,321	31,494	979	2,013

Cash and bank by currency

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
UAH (Ukrainian hryvnia)	3,322	2,777	212	177
RUB (Russian rouble)	3,211	6,289	205	402
EEK (Estonian kroon)	2,187	6,035	140	386
CZK (Czech koruna)	2,096	2,359	134	151
EUR (euro)	1,526	5,826	98	372
LTL (Lithuanian lit)	1,118	1,649	71	105
LVL (Latvian lat)	978	2,347	63	150
PLN (Polish zloty)	796	2,070	51	132
USD (US dollar)	87	2,142	6	137
Total	15,321	31,494	979	2,013

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Trade receivables, net	74,927	71,148	4,789	4,547
Other prepaid expenses	30,962	22,808	1,979	1,458
Tax prepayments and tax reclaims, thereof	27,312	15,649	1,746	1,000
Value added tax	24,601	15,490	1,572	990
Prepaid income tax	1,627	97	104	6
Other taxes	1,084	62	69	4
Other current receivables	4,905	3,958	313	253
Total	138,106	113,563	8,827	7,258

Trade receivables

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Trade receivables, gross	78,274	73,786	5,003	4,716
Allowance for impairment of trade receivables	-3,347	-2,638	-214	-169
Trade receivables, net	74,927	71,148	4,789	4,547

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Not due	61,916	57,416	3,957	3,670
Up to 1 month past due	517	585	33	37
1-3 months past due	1,060	689	68	44
3-6 months past due	7,584	30	485	2
Over 6 months past due	3,850	12,428	246	794
Total	74,927	71,148	4,789	4,547

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
EUR (euro)	59,337	55,687	3,792	3,559
EEK (Estonian kroon)	15,289	4,400	977	281
RUB (Russian rouble)	1,318	2,542	84	162
LVL (Latvian lat)	932	2,390	60	153
LTL (Lithuanian lit)	788	2,514	50	161
UAH (Ukrainian hryvnia)	606	3,615	39	231
CZK (Czech koruna)	4	0	0	0
Total	78,274	71,148	5,003	4,547

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Fabrics and accessories	48,438	47,695	3,096	3,047
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	2,285	4,419	146	282
Finished goods and goods purchased for resale	235,902	163,708	15,077	10,462
Allowance for impairment of finished goods and goods purchased for resale	-1,600	-1,600	-102	-102
Prepayments to suppliers	4,122	6,676	263	427
Total	288,947	220,698	18,467	14,105

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Non-current lease prepayments	6,671	11,448	426	732

NOTE 7 Investment property

	EEK '000	EUR '000
Balance at 31 December 2007	11,250	719
Additions	40	3
Revaluation	11,250	719
Balance at 30 September 2008	22,540	1,441

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

NOTE 8 Property, plant and equipment

EEK '000	Land and construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	Total
At 31 December 2006							
Acquisition cost	10,973	116,708	78,982	94,154	1,605	1,552	303,974
Accumulated depreciation	0	-31,667	-68,899	-36,960	0	0	-137,526
Net book amount	10,973	85,041	10,083	57,194	1,605	1,552	166,448
Additions	0	12,977	17,043	30,940	3,688	4,637	69,285
Acquired within business combinations	0	0	4,281	0	0	225	4,506
Disposals	-7,969	-32,916	-6	-6	-184	0	-41,081
Reclassification	0	8,919	242	-7,574	-1,246	-341	0
Depreciation	0	-8,750	-3,659	-11,247	0	0	-23,656
Currency translation differences	0	-695	-64	-1,086	-17	-26	-1,888
At 30 September 2007							
Acquisition cost	3,004	88,018	99,052	115,438	3,846	6,047	315,405
Accumulated depreciation	0	-23,442	-71,132	-47,217	0	0	-141,791
Net book amount	3,004	64,576	27,920	68,221	3,846	6,047	173,614
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	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

EUR '000	Land and construc- tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc- tion in progress	Pre- payments	Total
At 31 December 2006							
Acquisition cost	701	7,459	5,049	6,018	103	99	19,427
Accumulated depreciation	0	-2,024	-4,403	-2,362	0	0	-8,790
Net book amount	701	5,435	645	3,655	103	99	10,638
Additions	0	829	1,089	1,977	236	296	4,428
Acquired within business combinations	0	0	274	0	0	14	288
Disposals	-509	-2,104	0	0	-12	0	-2,626
Reclassification	0	570	15	-484	-80	-22	0
Depreciation	0	-559	-234	-719	0	0	-1,512
Currency translation differences	0	-44	-4	-69	-1	-2	-121
At 30 September 2007							
Acquisition cost	192	5,625	6,331	7,378	246	386	20,158
Accumulated depreciation	0	-1,498	-4,546	-3,018	0	0	-9,062
Net book amount	192	4,127	1,784	4,360	246	386	11,096
At 31 December 2007							
Acquisition cost	135	7,249	6,291	7,458	1,718	87	22,938
Accumulated depreciation	0	-2,412	-4,495	-3,050	0	0	-9,958
Net book amount	135	4,837	1,796	4,407	1,718	87	12,980
Additions	0	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	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

NOTE 9 Intangible assets

EEK '000	Licenses, software and other	Trade- marks	Advances	Goodwill	Total
At 31 December 2006					
Acquisition cost	31,114	10,060	1,450	20,423	63,047
Accumulated amortisation	-13,928	-45	0	0	-13,973
Net book amount	17,186	10,015	1,450	20,423	49,074
Additions	5,019	0	2,262	0	7,281
Acquired within business combinations	141	0	0	5,555	5,696
Reclassification	891	0	-891	0	0
Amortisation	-4,739	-500	0	0	-5,239
Currency translation differences	-6	0	-24	-430	-460

At 30 September 2007					
Acquisition cost	37,064	10,060	2,797	25,548	75,469
Accumulated amortisation	-18,572	-545	0	0	-19,117
Net book amount	18,492	9,515	2,797	25,548	56,352
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	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
EUR '000	Licenses, software and other	Trade- marks	Advances	Goodwill	Total
At 31 December 2006					
Acquisition cost	1,989	643	93	1,305	4,029
Accumulated amortisation	-890	-3	0	0	-893
Net book amount	1,098	640	93	1,305	3,137
Additions	321	0	145	0	465
Acquired within business combinations	9	0	0	355	364
Reclassification	57	0	-57	0	0
Amortisation	-303	-32	0	0	-335
Currency translation differences	0	0	-2	-27	-29
At 30 September 2007					
Acquisition cost	2,369	643	179	1,633	4,823
Accumulated amortisation	-1,187	-35	0	0	-1,222
Net book amount	1,182	608	179	1,633	3,602
At 31 December 2007					
Acquisition cost	2,079	643	86	1,613	4,422
Accumulated amortisation	-646	-43	0	0	-689
Net book amount	1,434	600	86	1,613	3,733
Additions	294	0	17	0	311
Amortisation	-203	-24	0	0	-227
Currency translation differences	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

NOTE 10 Borrowings

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Current borrowings				
Current portion of non-current bank loans	7,954	20,733	508	1,325
Current bank loans	76,772	47,435	4,907	3,032
Current finance lease liabilities	605	2,302	39	147
Bonds	0	29,697	0	1,898
Other current liabilities	58	0	4	0
Total	85,389	100,167	5,457	6,402
Non-current borrowings				
Non-current bank loans	153,290	77,288	9,797	4,940
Non-current finance lease liabilities	9,913	7,031	634	449
Total	163,203	84,319	10,431	5,389

During the reporting period, the Group made loan repayments in the amount of 17,016 thousand kroons/1,088 thousand euros (2007: 27,517 thousand kroons/1,759 thousand euros). Interest expense for the reporting period amounted to 8,369 thousand kroons/535 thousand euros (2007: 4,180 thousand kroons/267 thousand euros). Interest expenses have been recognised net with the corresponding income under interest expenses in the income statement.

Bank loans of the Group at 30 September 2008

	Carrying amount		Average risk premium
	EEK '000	EUR '000	
Borrowings at floating interest rate (based on 3-month Euribor)	626	40	1.50%
Borrowings at floating interest rate (based on 6-month Euribor)	160,618	10,266	1.50%
Borrowings at floating interest rate (based on 1-month Libor)	2,041	131	1.60%
Borrowings at fixed interest rate (incl. overdraft)	74,731	4,776	6.14%
Total	238,016	15,214	

Bank loans of the Group at 31 December 2007

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

NOTE 11 Bonds**Closed issue of bonds**

On 15 March 2007, AS Baltika issued 3,000 bonds with the nominal value of 10,000.00 kroons/639.12 euros and price of 9,517.51 kroons/608.28 euros per bond. The total amount of the closed bond issue was 30,000 thousand kroons/1,917 thousand euros. The redemption date of the bonds was 14 March 2008. The difference between the nominal value and issue price yields an interest of 5.00% per annum. The bonds were redeemed at the redemption date.

Convertible bonds

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

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

NOTE 12 Trade and other payables

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Trade payables	137,798	72,345	8,807	4,624
Tax liabilities, thereof	28,587	33,065	1,827	2,113
Personal income tax	5,882	5,156	376	330
Social security tax and unemployment insurance premium	10,233	10,576	654	676
Value added tax	11,562	12,319	739	787
Corporate income tax liability	266	3,985	17	255
Other taxes	644	1,029	41	66
Payables to employees and other accrued expenses	26,743	22,857	1,709	1,461
Customer prepayments	195	1,096	12	70
Other current payables	0	1	0	0
Other non-current liabilities	992	1,086	63	69
Total	194,315	130,450	12,419	8,337

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.09.2008	31.12.2007	30.09.2008	31.12.2007
EEK (Estonian kroon)	49,436	17,808	3,160	1,138
EUR (euro)	50,212	20,385	3,209	1,303
USD (US dollar)	23,572	16,105	1,507	1,029
RUB (Russian rouble)	8,210	12,315	525	787
CZK (Czech koruna)	1,904	3,234	122	207
LTL (Lithuanian lit)	1,165	1,193	74	76
LVL (Latvian lat)	1,611	0	103	0
GBP (GB pound)	1,037	0	66	0
Other currencies	651	1,305	42	83
Total	137,798	72,345	8,807	4,624

NOTE 13 Equity**Share capital**

EEK '000	30.09.2008	31.12.2007
Share capital	186,449	186,449
Number of shares	18,644,850	18,644,850
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	18,645	18,645
Revaluation surplus	7,488	7,488
EUR '000	30.09.2008	31.12.2007
Share capital	11,916	11,916
Number of shares	18,644,850	18,644,850
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	1,192
Revaluation surplus	478	478

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

Change in the number of shares

	Issue	Number of shares
Number of shares at 31.12.2006		6,214,950
Issued at 11.06.2007	Bonus issue	12,429,900
Number of shares at 31.12.2007		18,644,850
Number of shares at 30.09.2008		18,644,850

Shareholders at 30 September 2008

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,912,000	10.25%
Hansabankas Clients	1,405,493	7.54%
Members of management and supervisory boards and persons related to them		
Meelis Milder	730,336	3.92%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	150,366	0.81%
Andres Erm	108,000	0.58%
Ülle Järv	55,370	0.30%
Other shareholders	9,217,169	49.44%
Total	18,644,850	100.00%

Shareholders at 31 December 2007

	Number of shares	Holding
BMIG OÜ	4,261,120	22.85%
Morgan Stanley + CO Incorporated Equity Client Account	1,545,000	8.29%
Svenska Handelsbanken Clients	1,160,500	6.22%
Members of management and supervisory boards and persons related to them		
Meelis Milder	741,549	3.98%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	150,366	0.81%
Andres Erm	108,000	0.58%
Ülle Järv	57,570	0.31%
Other shareholders	10,304,662	55.27%
Total	18,644,850	100.00%

The shares of the Parent company are listed on the Tallinn Stock Exchange. The Parent company does not have a controlling shareholder or any shareholders jointly controlling the entity. The investment company OÜ BMIG is under the control of the management board members of the Parent company.

NOTE 14 Segments**Geographical segment by client's location – primary segment for the first 9 months ended at 30 September 2008**

EEK '000	Baltic region	Eastern European region	Central European region	Other regions	Eliminations	Total
External revenue	503,716	327,394	36,784	19,577	0	887,471
Inter-segment revenue	194,231	119,372	17,871	0	-331,474	0
Total revenue (Note 15)	697,947	446,766	54,655	19,577	-331,474	887,471
Segment operating profit (loss)	39,814	23,610	-9,050	1,809	0	56,183
Unallocated operating income (expenses)						-27,554
Total operating profit						28,629
Other financial income (expenses)						-8,314
Income tax						-408
Net profit before minority interest						19,907
Minority interest						-1,528
Net profit						21,435
Assets	412,182	390,789	40,942	412	-233,760	610,565
Group's unallocated assets, thereof						190,270
Assets used in production						68,777
Assets used for administration						8,285
Other unallocated assets						113,208
Total assets						800,835
Liabilities	123,435	240,174	38,292	0	-331,549	70,352
Group's unallocated liabilities, thereof						374,630
Liabilities related to production						110,395
Other unallocated liabilities						264,235
Total liabilities						444,982
Additions to PPE (Notes 8-10), thereof	14,107	15,716	10,836	0	0	40,659
Unallocated						57,038
Depreciation and amortisation (Notes 8,9), thereof	16,500	11,196	2,270	0	0	29,966
Unallocated						3,782
EUR '000	Baltic region	Eastern European region	Central European region	Other regions	Eliminations	Total
External revenue	32,193	20,924	2,351	1,251	0	56,720
Inter-segment revenue	12,414	7,629	1,142	0	-21,185	0
Total revenue (Note 15)	44,607	28,554	3,493	1,251	-21,185	56,720
Segment operating profit (loss)	2,545	1,509	-578	116	0	3,591
Unallocated operating income (expenses)						-1,761
Total operating profit						1,830
Other financial income (expenses)						-531

Income tax						-26
Net profit before minority interest						1,272
Minority interest						-98
Net profit						1,370
Assets	26,343	24,976	2,617	26	-14,940	39,022
Group`s unallocated assets, thereof						12,160
Assets used in production						4,396
Assets used for administration						530
Other unallocated assets						7,235
Total assets						51,183
Liabilities	7,889	15,350	2,447	0	-21,190	4,496
Group`s unallocated liabilities, thereof						23,943
Liabilities related to production						7,056
Other unallocated liabilities						16,888
Total liabilities						28,440
Additions to PPE (Notes 8-10), thereof	902	1,004	693	0	0	2,599
Unallocated						3,645
Depreciation and amortisation (Notes 8,9), thereof	1,055	716	145	0	0	1,915
Unallocated						242

Geographical segment by client`s location – primary segment for the first 9 months ended at 30 September 2007

EEK '000	Baltic region	Eastern European region	Central European region	Other regions	Eliminations	Total
External revenue	492,248	301,388	21,145	29,318	0	844,099
Inter-segment revenue	172,626	97,452	10,201	0	-280,279	0
Total revenue (Note 15)	664,874	398,840	31,346	29,318	-280,279	844,099
Segment operating profit (loss)	63,834	-1,351	-2,851	3,261	0	62,893
Unallocated operating income (expenses)						-8,528
Total operating profit						54,365
Other financial income (expenses)						-7,936
Income tax						-4,912
Net profit before minority interest						41,517
Minority interest						2,387
Net profit						39,130
Assets	388,418	364,317	22,922	439	-211,708	564,388
Group`s unallocated assets, thereof						90,851
Assets used in production						72,059
Assets used for administration						11,526
Other unallocated assets						7,266
Total assets						655,239

Liabilities	114,444	212,138	12,392	0	-277,561	61,413
Group`s unallocated liabilities, thereof						262,310
Liabilities related to production						73,264
Other unallocated liabilities						189,046
Total liabilities						323,723
Additions to PPE (Notes 8-10), thereof	45,206	15,958	4,099	0	0	65,263
Unallocated						16,858
Depreciation and amortisation (Notes 8,9), thereof	15,412	9,603	991	0	0	26,006
Unallocated						2,889
EUR '000		Eastern European region	Central European region	Other regions	Eliminations	Total
External revenue	31,460	19,262	1,351	1,874	0	53,948
Inter-segment revenue	11,033	6,228	652	0	-17,913	0
Total revenue (Note 15)	42,493	25,491	2,003	1,874	-17,913	53,948
Segment operating profit (loss)	4,080	-86	-182	208	0	4,020
Unallocated operating income (expenses)						-545
Total operating profit						3,475
Other financial income (expenses)						-507
Income tax						-314
Net profit before minority interest						2,653
Minority interest						153
Net profit						2,501
Assets	24,824	23,284	1,465	28	-13,531	36,071
Group`s unallocated assets, thereof						5,806
Assets used in production						4,605
Assets used for administration						737
Other unallocated assets						464
Total assets						41,877
Liabilities	7,314	13,558	792	0	-17,739	3,925
Group`s unallocated liabilities, thereof						16,765
Liabilities related to production						4,682
Other unallocated liabilities						12,082
Total liabilities						20,690
Additions to PPE (Notes 8-10), thereof	2,889	1,020	262	0	0	4,171
Unallocated						1,077
Depreciation and amortisation (Notes 8,9), thereof	985	614	63	0	0	1,662
Unallocated						185

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

Financial information by area of operations

EEK '000	Revenue		Assets		Additions to property, plant and equipment	
	9m 2008	9m 2007	30.09.2008	31.12.2007	9m 2008	9m 2007
Retail	770,430	702,681	317,623	312,207	36,750	60,389
Wholesale	115,613	122,719	54,638	55,477	0	0
Production	0	14,150	77,171	65,207	4,687	16,857
Unallocated	1,428	4,549	293,039	223,466	56,260	4,875
Total	887,471	844,099	742,471	656,357	97,697	82,121

EUR '000	Revenue		Assets		Additions to property, plant and equipment	
	9m 2008	9m 2007	30.09.2008	31.12.2007	9m 2008	9m 2007
Retail	49,239	44,910	20,300	19,954	2,349	3,860
Wholesale	7,389	7,843	3,492	3,546	0	0
Production	0	904	4,932	4,167	300	1,077
Unallocated	91	291	18,729	14,281	3,596	310
Total	56,720	53,948	47,453	41,949	6,244	5,247

NOTE 15 Revenue

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Sale of goods	886,042	825,400	56,628	52,753
Sale of sewing services	0	14,150	0	904
Lease revenue	456	1,740	29	111
Other	973	2,809	62	180
Total	887,471	844,099	56,720	53,948

NOTE 16 Cost of goods sold

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Materials and supplies	311,906	319,655	19,934	20,430
Payroll costs in production	67,029	52,387	4,284	3,348
Other production costs	7,090	6,434	453	411
Operating lease expenses	8,049	1,705	514	109
Depreciation of assets used in production	3,378	2,482	216	159
Change in inventories	4,241	3,360	271	215
Total	401,693	386,023	25,673	24,671

NOTE 17 Distribution costs

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Operating lease expenses	159,945	149,341	10,222	9,545
Payroll costs	150,690	126,092	9,631	8,059
Depreciation and amortisation	29,127	22,150	1,862	1,416
Advertising expenses	26,491	21,039	1,693	1,345
Fuel, heating and electricity expenses	6,610	5,069	422	324
Municipal services and security expenses	6,197	5,221	396	334
Fees for card payments	5,901	4,924	377	315
Freight costs	4,717	9,966	301	637
Travel expenses	3,983	3,678	255	235
Communication expenses	2,810	2,664	180	170
Information technology expenses	2,435	2,049	156	131
Bank fees	1,831	2,143	117	137
Packaging expenses	1,432	1,008	92	64
Expenses for uniforms	1,350	1,103	86	70
Training expenses	1,314	1,708	84	109
Renovation expenses of retail outlets	1,208	2,565	77	164
Other sales expenses	21,045	18,884	1,345	1,207
Total	427,086	379,604	27,296	24,261

NOTE 18 Administrative and general expenses

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Payroll costs	18,237	16,457	1,166	1,052
Information technology expenses	3,761	3,474	240	222
Operating lease expenses	3,029	4,974	194	318
Depreciation and amortisation	1,350	4,359	86	279
Fuel, heating and electricity expenses	1,266	780	81	50
Sponsorship	1,168	768	75	49
Bank fees	1,152	809	74	52
Communication expenses	588	580	38	37
Training expenses	586	686	37	44
Municipal services and security expenses	478	1,204	31	77
Travel expenses	123	262	8	17
Other administrative expenses	5,484	4,961	350	317
Total	37,222	39,314	2,379	2,513

NOTE 19 Other operating income

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Gain from revaluations of investment property	11,250	15,599	719	997
Gain from sale of non-current assets	12	6,768	1	433
Other operating income	1,655	185	106	12
Total	12,917	22,552	826	1,441

NOTE 20 Other operating expenses

	EEK '000		EUR '000	
	9m 2008	9m 2007	9m 2008	9m 2007
Foreign exchange losses	1,461	6,444	93	412
Fines, penalties and tax interest	702	302	45	19
Representation costs	198	234	13	15
Other operating expenses	3,397	365	217	23
Total	5,758	7,345	368	469

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

		9m 2008	9m 2007
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit attributable to equity holders of the parent	EEK '000	21,435	39,130
	EUR '000	1,370	2,501
Basic earnings per share	EEK	1.15	2.10
	EUR	0.07	0.13

Diluted earnings per share

		9m 2008	9m 2007
Weighted average number of shares	pcs	18,644,850	18,645,164
Net profit attributable to equity holders of the parent	EEK '000	21,435	39,130
	EUR '000	1,370	2,501
Diluted earnings per share	EEK	1.15	2.10
	EUR	0.07	0.13

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in the first 9 months of 2008 was 37.38 kroons/2.39 euros (2007: 121.38 kroons/7.76 euros).

NOTE 22 Subsidiaries

Subsidiary	Location	Activity	Holding at 30.09.2008	Holding at 31.12.2007
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvia	Latvia	Retail	75%	75%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania "Baltman Rus"	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.33%	82.66%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

Acquisition of an additional stake in AS Virulane

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