AS BALTIKA

Consolidated interim report for the second quarter and six months of 2010

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	01.01.2010 – 31.12.2010
Reporting period	01.01.2010 – 30.06.2010

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BRIEF DESCRIPTION OF BALTIKA GROUP

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

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

At 30 June 2010, the Group employed 1,520 people (31 December 2009: 1,697).

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

The Group consists of the following companies:

	Location	Activity	Holding at 30.06.2010	Holding at 31.12.2009
Parent company				
AS Baltika	Estonia			
Subsidiaries				
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija	Latvia	Retail	100%	100%
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%	93.34%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

BALTIKA'S FINANCIAL RESULTS, 6 MONTHS 2010

The second quarter of 2010 was the first time in the past two years when Baltika Group succeeded in earning a positive EBITDA of 4.1 million kroons (0.3 million euros). The corresponding figure for the second quarter of 2009 was negative at 31.3 million kroons (2.0 million euros). The Group's retail system ended the second quarter with a profit of 16 million kroons (1.0 million euros) (Q2 2009: a loss of 5.0 million kroons/0.31 million euros).

In the first half of 2010, Baltika continued facing up to the challenges brought about by the economic crisis, focusing mainly on achieving two main goals:

- exploiting the crisis as an opportunity for streamlining the Group's business model and
- strengthening its financial position that had been severely weakened by the crisis.

Management believes that a successful implementation of the financial strengthening package will secure the Group with a sustainable financial position until the end of the economic crisis. Baltika's strategy for 2010-2014, developed in partnership with the international strategy consultancy Roland Berger, affirms the sustainability of the Group's business model, forecasting an average corporate growth rate of 9% per year until 2014.

As part of the financial strengthening package, the Group has:

- disposed of some non-core assets (in Q1 an industrial property at Ahtme, at the end of March a coat manufacturing operation in Rakvere, and in Q2 a manufacturing property in Rakvere and the MasCara and Herold brands);
- conducted negotiations with suppliers for the grant of more favourable settlement terms and price concessions;
- conducted negotiations with the banks in order to restructure the existing loan portfolio;
- increased share capital by issuing additional shares. In June, the annual general meeting approved a share issue that increased share capital by 8,850,000 shares, raising 106.2 million kroons (6.8 million euros) for the Group.

The second quarter brought a sales revival to several of Baltika's retail markets, improvements to the Group's gross margins and consolidation of the Group's financial position.

Baltika ended the second quarter with the smallest sales decrease since the beginning of the crisis – revenue dropped by 8% year-over-year. The shortfall in sales has been diminishing on a quarterly basis: Q3 2009 -33%, Q4 2009 -28%, Q1 2010 -20% and Q2 2010 -8%. Moreover, since May several of Baltika's retail markets have shown signs of recovery. Within the last two months of the quarter, the Group's Estonian (domestic) and Russian sales grew by 9.5% and 10% respectively (on a cumulative basis) while in Latvia and Ukraine the level of the previous year was achieved.

Baltika ended the second quarter of 2010 with revenue of 197.0 million kroons (12.6 million euros), an 8% decrease year-over-year. Second quarter retail sales dropped by 6.6% year-over-year. The gross margin for the second quarter was 56% (Q2 2009: 49%) against 46% for the first quarter. Profitability has improved thanks to better inventory management, more favourable purchasing margins and smaller discounts in all markets.

Since the beginning of the year, the Group has closed nine and opened four stores. The retail space operated by the Group is, on average, 5% smaller than in the first half of 2009.

In terms of brands, Monton continued to be the main source of retail revenue throughout the first half of 2010. The only brand that has been able to post growth during the economic crisis is Ivo Nikkolo whose retail sales for the first half of 2010 grew by 14% year-over-year.

Compared with the first half of 2009, the Group's six-month operating expenses decreased by 40.5 million kroons (2.6 million euros) – distribution expenses dropping by 39.9 million kroons (2.6 million euros) and administrative expenses by 0.6 million kroons (0.04 million euros). The corresponding downshifts for the second quarter were 17.2 million kroons (1.1 million euros) and 0.3 million kroons (0.02 million euros). In the second quarter, the average retail space operated by Baltika was 8% smaller than in the same period in 2009.

The Group's net loss for the second quarter was 13.8 million kroons (0.9 million euros), which is 21.0 million kroons (1.4 million euros) less than the loss incurred in the second quarter of 2009 and 18.1 million kroons (1.1 million euros) less than the loss for the first quarter. For the first time over the past two years, the Group's quarterly EBITDA was positive at 4.1 million kroons (0.3 million euros).

In the first six months of 2010, headcount decreased by 177 - from 1697 to 1520 people. Downsizing was the most extensive in manufacturing and retailing where the Group was forced to release 95 and 81 people respectively.

In conclusion, we believe that we have put our most challenging season behind us. We are confident that the decisions required for adapting have been made and their implementation will succeed. In the new season, we shall again focus on our core business – creating strong collections, enhancing customer service and streamlining our business processes.

To improve our business model, we involved in the strategic planning process the international strategy consultancy Roland Berger. According to Baltika's corporate strategy for 2010-2014, developed in cooperation with the consultants, the Group's average annual growth rate until 2014 will be 9% and by 2014 revenue should rise to 1.13 billion kroons. In addition to the customers' increasing purchasing power and growth in consumer spending, sales growth will be underpinned by our brands' increasing focus on the needs of their target customers. In order to improve profitability, Baltika will continue controlling its market and store portfolios and brand development.

REVENUE

Revenue by business segment

EEK million	**Q2 2010**	**Q2 2009**	+/-	**6m 2010**	**6m 2009**	+/-
Retail	187.6	207.5	-9.6%	342.9	401.0	-14.5%
Wholesale	7.2	6.3	14.3%	23.3	33.6	-30.7%
Other	2.2	0.3	633.3%	3.7	0.4	825%
Total	**197.0**	**214.1**	**-8.0%**	**369.9**	**435.0**	**-15.0%**

EUR 1 = EEK 15.6466

RETAIL

Owing to the economic downturn and the ensuing shrinkage in consumption, in the first half of 2010 the Group's Baltic and Eastern European retail revenues decreased by 15% and 7% year-over-year respectively. However, in quarterly terms the situation has improved – in the second quarter the downward trend decelerated in both regions. In Eastern Europe, recovery was reinforced by the strengthening of the rouble and the hryvna, particularly in the second quarter.

Retail sales by market

EEK million	**6m 2010**	**6m 2009**	**+/-**	**Percentage, 6m 2010**
Estonia	89.0	90.4	-2%	26%
Russia	75.5	75.3	0%	22%
Lithuania	70.9	95.7	-26%	21%
Ukraine	52.5	63.0	-17%	15%
Latvia	43.9	53.3	-18%	13%
Poland	11.1	15.5	-28%	3%
Czech Republic	0.0	7.8	-100%	0%
Total	**342.9**	**401.0**	**-14%**	**100%**

EUR 1 = EEK 15.6466

BRANDS

In terms of brands, the main retail revenue contributor was Monton whose sales for the first six months of 2010 accounted for 52% i.e. 179 million kroons (11.4 million euros) of the Group's total retail revenue, a 17% decrease year-over-year. Mosaic contributed 34% of retail revenue with sales of 116 million kroons (7.4 million euros), a 16% decrease year-over-year. The performance of both brands was influenced by the closure of loss-generating stores, which is why the decline in sales efficiency (sales/sq m) was considerably smaller: Monton -7% and Mosaic -9%.

The sales of Baltman dropped by 7% to 25 million kroons (1.6 million euros). The only brand that was able to achieve year-over-year sales growth in the first half-year was Ivo Nikkolo (+14%) whose contribution was 22 million kroons (1.4 million euros).

STORES AND SALES AREA

At the end of June 2010, Baltika Group had 128 stores with a total sales area of 25,730 square metres. In the first half-year, the Group closed nine stores - four in Russia, three in Ukraine, one in Lithuania, and one in Estonia, and opened four stores - one in Russia, one in Latvia, and two in Estonia. Compared with the same period in 2009, the number of stores operated by Baltika Group decreased by 16 and the average sales area shrank by 5%. Baltika will continue closing non-profitable stores also in the second half of 2010.

Stores by market

	30.06.2010	**30.06.2009**
Lithuania	35	35
Estonia	31	33
Russia	22	30
Ukraine	20	22
Latvia	15	16
Poland	5	6
Czech Republic	0	2
Total stores	**128**	**144**
Total sales area, sqm	**25 730**	**29 041**

WHOLESALE

Wholesale revenue for the first half of 2010 amounted to 23.3 million kroons (1.5 million euros), a 31% decrease compared with the same period in 2009. In the second quarter, wholesale revenue grew by 14%.

Cooperation with Peek & Cloppenburg, one of the leading European department store chains, continues successfully. In the first half of the year our Mosaic collection was carried by 30 department stores and in the second half of the year the number of department stores carrying Mosaic products will rise to 44. The volume of additional orders placed is approximately twice as large as in the first half-year.

EARNINGS AND MARGINS

Although the Group's performance in the second quarter of 2010 continued to be influenced by the economic downturn that has weakened the consumers' purchasing power and sentiment, some of the Group's retail markets showed the first signs of recovery. Compared with the same period in 2009, the Group's revenue for the second quarter of 2010 decreased by 17.1 million kroons (1.1 million euros) i.e. 8%. In the first quarter, the year-over-year revenue decline was 48.2 million kroons (3.1 million euros) i.e. 22%.

The Group's gross margins improved thanks to better discount planning and inventory management. In the second quarter, against the backdrop of smaller sales Baltika was able to increase its gross profit by 5.1 million kroons (0.3 million euros) year-over-year. Gross margin for the first six months was 51.4% against 46% for the same period in 2009.

The Group's performance in the first six months of 2010 was positively influenced by exchange rate fluctuations that were favourable for the Group. According to the rates of the Bank of Estonia, compared with 2009 the average exchange rates for the first six months strengthened as follows: the Russian rouble 11%, the Polish zloty 8% and the Ukrainian hryvna 6%. The fluctuations affected both revenue and operating expenses. The positive impact on revenue was 8.6 million kroons (0.6 million euros). However, this was lessened by a 6.8 million kroon (0.4 million euro) increase in operating expenses.

The Group's distribution and administrative expenses for the first six months decreased by 40.5 million kroons (1.1 million euros) i.e. 14.4% year-over-year while the average sales area declined by 5%. Average store operating expenses per square metre decreased by 7% year-over-year – rental expenses declining by 13% and personnel expenses by 4%. The Group continues negotiations with a view to achieving more favourable rental terms from shopping malls. Although in the first quarter the retail system (at the level of stores) incurred a moderate loss, the strong second-quarter results in the Baltic region and Ukraine allowed the retail system to post a profit of 3.2 million kroons (0.2 million euros).The Group's retail system ended the second quarter with a profit of 16 million kroons (1.0 million euros) (Q2 2009: a loss of 5.0 million kroons/0.31 million euros).In the first six months of 2009, the retail system incurred a loss of 40.5 million kroons (2.6 million euros).

The personnel expenses of the Group's Estonian production entities decreased by 35% i.e. 12.6 million kroons (0.8 million euros) year-over-year. The decline is attributable to downsizing and a decrease in the workload.

Baltika ended the second quarter of 2010 with an operating loss of 8.0 million kroons (0.5 million euros), which is 25.4 million kroons (1.6 million euros) less than in the same period in 2009. For the first time during the past two years, the quarterly EBITDA was again positive at 4.1 million kroons (0.3 million euros).

Although the Group's interest-bearing liabilities have decreased, interest expense for the first six months of 2010 grew by 59% year-over-year to 9.3 million kroons (0.6 million euros) on account of a rise in loan margins and the average loan balance.

The Group's net loss for the second quarter was 13.8 million kroons (0.9 million euros), which was 21.0 million kroons (1.3 million euros) less than in the same period in 2009 and 18.1 million kroons (1.2 million euros) less than in the first quarter of 2010.

Altogether, Baltika's net loss for the first six months of 2010 (after tax and the non-controlling interest) amounted to 45.8 million kroons (2.9 million euros). In the same period in 2009, the Group incurred a net loss of 97.4 million kroons (6.2 million euros).

FINANCIAL POSITION

One of the main targets of 2010 is to strengthen the Group's financial position and liquidity.

The package for strengthening the Group's financial position consists of four components:

- disposing of assets not directly related to the core business (in Q1 the Group divested an industrial property at Ahtme, at the end of March the Group sold the coat manufacturing operation in Rakvere and in Q2 the Group divested a manufacturing property in Rakvere and the MasCara and Herold brands);
- negotiating better settlement terms and price concessions from the suppliers;
- restructuring the existing loan portfolio through negotiations with banks (in progress);
- increasing the share capital through a share issue. In June, the annual general meeting approved an additional share issue that increased share capital by 8,850,000 shares, raising 106.2 million kroons (6.8 million euros) for the Group.

Management believes that the implementation of the above package will ensure the sustainability of Baltika's financial position until the end of the economic crisis.

As at 30 June 2010, Baltika's consolidated assets totalled 685.7 million kroons (43.8 million euros), a 16.3 million kroon (1.0 million euro) decrease compared with the end of the previous year.

Compared with 31 December 2009, trade and other receivables increased by 17.0 million kroons (1.1 million euros) to 71.9 million kroons (4.6 million euros). At 30 June, inventories totalled 168.9 million kroons (10.8 million euros), 10.3% (19.3 million kroons/1.2 million euros) down from the beginning of the year. At the same time, the average retail space declined by 5%. For the most part, the funds raised through the additional share issue were and will be used for settling trade payables and securing timely delivery of goods for the autumn season. Compared with the beginning of the year, trade and other payables decreased by 46.6 million kroons (3.0 million euros) to 112.8 million kroons (7.2 million euros).

At the end of the first half-year, the Group's borrowings totalled 327.2 million kroons (20.9 million euros), including bank loans of 312.2 million kroons (20.0 million euros) and finance lease liabilities of 7.9 million kroons (0.5 million euros). Compared with the beginning of the year, the debt burden has decreased by 11.1 million kroons (0.7 million euros).

The Group's net debt (interest-bearing liabilities less cash and bank balances) to equity ratio has improved thanks to the additional funds raised through the share issue and the disposal of some non-core assets. At 30 June 2010, the ratio was 117.8% (31 December 2009: 183.1%).

INVESTMENT

In the first six months of 2010, the Group made capital investments of 1.8 million kroons (0.12 million euros) (6 months 2009: 86.4 million kroons/5.5 million euros). Investments in the retail system totalled 1.5 million kroons (0.1 million euros) and other investments amounted to 0.3 million kroons (0.02 million euros). The main investments of the second half-year will be directed at the upgrade of the Group's IT processes and the implementation of the euro.

PEOPLE

At the end of June 2010, Baltika Group employed 1,520 (30 June 2009: 1,816) people, 848 (979) of them in the retail system, 485 (645) in manufacturing and 187 (192) at the head office. People employed outside Estonia accounted for 649 (768) i.e. 42% of the total number of staff. Compared with the beginning of the year, the headcount has decreased by 177. The period's average number of staff was 1,602 (6 months 2009: 1,873).

ANNUAL GENERAL MEETING

The annual general meeting of Baltika's shareholders that convened on 21 June 2010 approved the company's annual report for 2009 as well as management's proposal for covering the loss. The general meeting resolved that the company's net loss for the year ended 31 December 2009 of 159,104 thousand kroons (10,169 thousand euros) should be covered with retained earnings. In addition, the general meeting resolved that the holders of preferred shares should be paid a dividend from retailed earnings in accordance with the terms and conditions provided in the articles of association.

The annual general meeting appointed AS PricewaterhouseCoopers as the auditor of the company's financial statements for 2010 and Edoardo Miroglio and Jaakko Sakari Mikael Salmelini as new members of the company's management board.

The annual general meeting also resolved to increase the share capital of AS Baltika by issuing 8,850,000 additional registered ordinary shares with a par value of 10 kroons each at a premium of 2 kroons per share.

It was decided that the shares would be issued for the following investors in conformity with Section 12 Subsection 2 Clause 3 of the Securities Market Act:

DCF Fund (II) Baltic states	3,250,000 ordinary shares
E.Miroglio S.A.	3,000,000 ordinary shares
East Capital Baltic Fund	2,600,000 ordinary shares
TOTAL	8,850,000 ordinary shares

The share capital of AS Baltika was increased by 88,500,000 kroons (5,656,181 euros) to 314,948,500 kroons (20,128,878 euros). The shares were subscribed for on 21 June 2010. The shares were paid for with monetary contributions of 70,200,000 kroons (4,486,598 euros). E.Miroglio S.A. paid for 3,000,000 ordinary shares with a non-monetary contribution consisting of a receivable of 36,000,000 kroons (2,300,819 euros) arising from a loan agreement signed between E.Miroglio S.A. and the company on 3 May 2010. E.Miroglio S.A. paid for 3,000,000 ordinary shares by offsetting a loan receivable of 36,000,000 (2,300,819 euros) on 21 June 2010. The company's management board measured the value of the non-monetary contribution in accordance with Article 4.4.3 of the articles of association and the valuation was checked by the company's auditors from AS PricewaterhouseCoopers.

The shareholders waived their pre-emptive right to subscribe for the new shares.

The new shares entitle the holder to a dividend from the financial year in which the share capital was increased.

KEY FIGURES OF THE GROUP (6 MONTHS 2010)

	30.06.2010	**30.06.2009**	**+/-**
Revenue (EEK million)	369,9	435,0	-15,0%
Retail sales (EEK million)	342,9	401,0	-14,5%
Share of retail sales in revenue	93%	92%	
Number of stores	128	144	-11,1%
Sales area (sqm)	25 730	29 041	-11,4%
Number of employees (end of period)	1 520	1 816	-16,3%
Gross margin	51,0%	46,0%	
Operating margin	-10,6%	-20,3%	
EBT margin	-12,2%	-22,4%	
Net margin	-12,3%	-22,4%	
Current ratio	1,1	0,9	22,2%
Inventory turnover	4,25	3,95	7,6%
Debt to equity ratio	130,5%	186,6%	
Return on equity	-60,8%	-54,7%	
Return on assets	-15,3%	-20,1%	

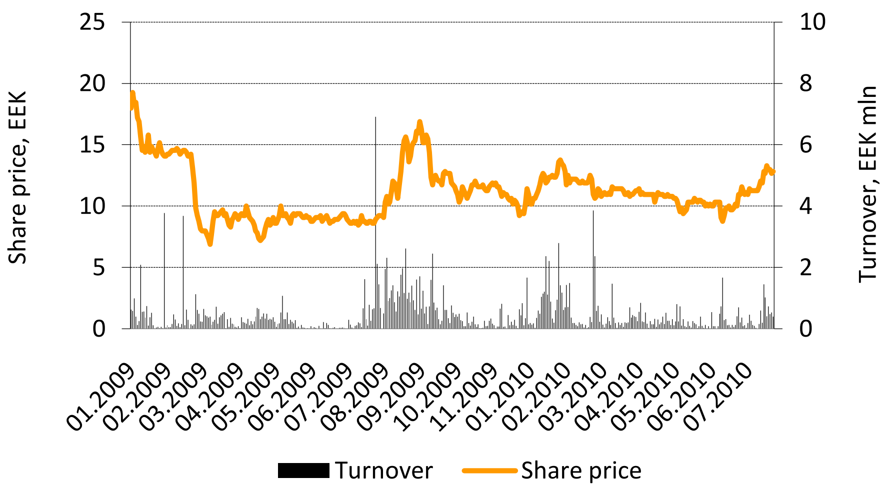
EUR 1 = EEK 15.6466

Definitions of key ratios

Gross margin = (Revenue-Cost of goods sold)/Revenue
Operating margin = Operating profit/Revenue
EBT margin = Profit before income tax/Revenue
Net margin = Net profit (attributable to parent)/Revenue
Current ratio = Current assets/Current liabilities
Inventory turnover = Revenue/Average inventories*
Debt to equity ratio = Interest-bearing liabilities/Equity
Return on equity (ROE) = Net profit (attributable to parent)/Average equity*
Return on assets (ROA) = Net profit (attributable to parent)/Average total assets*

*Based on 12-month average

SHARE PRICE AND TURNOVER



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
27 August 2010

Ülle Järv
Member of the management board
27 August 2010

Boriss Loifenfeld
Member of the management board
27 August 2010

Maire Milder
Member of the management board
27 August 2010

Andrew Paterson
Member of the management board
27 August 2010

INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The management board confirms the correctness and completeness of AS Baltika's consolidated interim report for the second quarter and six months of 2010 as presented on pages 12-35.

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
27 August 2010

Ülle Järv
Member of the management board
27 August 2010

Boriss Loifenfeld
Member of the management board
27 August 2010

Maire Milder
Member of the management board
27 August 2010

Andrew Paterson
Member of the management board
27 August 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in EEK thousand)

	Note	30.06.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	31,208	6,024
Trade and other receivables	4	71,899	54,932
Inventories	5,13	168,854	188,181
Total current assets		**271,961**	**249,137**
Non-current assets			
Deferred income tax assets		16,488	16,488
Other non-current asset	6	7,479	7,728
Investment property	7	103,294	103,294
Property, plant and equipment	8	223,401	263,165
Intangible assets	9	63,056	62,133
Total non-current assets		**413,718**	**452,808**
TOTAL ASSETS		**685,679**	**701,945**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	126,955	122,942
Trade and other payables	11	112,768	159,375
Total current liabilities		**239,723**	**282,317**
Non-current liabilities			
Borrowings	10	200,252	232,942
Other liabilities	11	411	114
Total non-current liabilities		**200,663**	**233,056**
TOTAL LIABILITIES		**440,386**	**515,373**
EQUITY			
Share capital at par value	12	314,949	226,449
Share premium		18,748	1,049
Reserves	12	43,567	43,567
Retained earnings		-77,617	81,487
Net profit (loss) for the period		-45,770	-159,104
Currency translation reserve		-11,320	-9,410
Total equity attributable to equity holders of the parent		**242,557**	**184,038**
Non-controlling interest		2,736	2,534
TOTAL EQUITY		**245,293**	**186,572**
TOTAL LIABILITIES AND EQUITY		**685,679**	**701,945**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	30.06.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	1,995	385
Trade and other receivables	4	4,595	3,511
Inventories	5,13	10,792	12,027
Total current assets		**17,381**	**15,923**
Non-current assets			
Deferred income tax assets		1,054	1,054
Other non-current asset	6	478	494
Investment property	7	6,602	6,602
Property, plant and equipment	8	14,278	16,819
Intangible assets	9	4,030	3,971
Total non-current assets		**26,441**	**28,940**
TOTAL ASSETS		**43,823**	**44,862**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	8,114	7,857
Trade and other payables	11	7,207	10,186
Total current liabilities		**15,321**	**18,043**
Non-current liabilities			
Borrowings	10	12,798	14,888
Other liabilities	11	26	7
Total non-current liabilities		**12,825**	**14,895**
TOTAL LIABILITIES		**28,146**	**32,938**
EQUITY			
Share capital at par value	12	20,129	14,473
Share premium		1,198	67
Reserves	12	2,784	2,784
Retained earnings		-4,961	5,208
Net profit (loss) for the period		-2,925	-10,169
Currency translation reserve		-723	-601
Total equity attributable to equity holders of the parent		**15,502**	**11,762**
Non-controlling interest		175	162
TOTAL EQUITY		**15,677**	**11,924**
TOTAL LIABILITIES AND EQUITY		**43,823**	**44,862**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EEK thousand)

	Note	Q2 2010	Q2 2009	6m 2010	6m 2009
Revenue	13,14	197,004	214,032	369,854	435,049
Cost of goods sold	15	-87,056	-109,153	-179,729	-235,244
Gross profit		**109,948**	**104,879**	**190,125**	**199,805**
Distribution costs	16	-111,135	-128,353	-219,856	-259,735
Administrative and general expenses	17	-9,924	-10,227	-20,977	-21,561
Other operating income	18	4,665	24	13,842	35
Other operating expenses	19	-1,543	267	-2,475	-7,052
Operating profit (loss)	13	**-7,989**	**-33,410**	**-39,341**	**-88,508**
Finance income	20	342	10	3,633	16
Finance costs	20	-5,767	-1,579	-9,367	-8,878
Profit (loss) before income tax		**-13,414**	**-34,979**	**-45,075**	**-97,370**
Income tax		-441	-81	-493	-232
Net profit (loss)		**-13,855**	**-35,060**	**-45,568**	**-97,602**
Profit (loss) attributable to:					
Equity holders of the parent company		-13,815	-34,821	-45,770	-97,384
Non-controlling interests		-40	-239	202	-218
Other comprehensive income (loss)					
Currency translation differences		-2,364	1,150	-1,910	-5,995
Total comprehensive income (loss)		**-16,219**	**-33,910**	**-47,478**	**-103,597**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-16,179	-33,670	-47,680	-102,167
Non-controlling interests		-40	-240	202	-1,430
Basic earnings per share, EEK	21	-0.70	-1.87	-2.39	-5.22
Diluted earnings per share, EEK	21	-0.70	-1.87	-2.39	-5.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EUR thousand)

	Note	Q2 2010	Q2 2009	6m 2010	6m 2009
Revenue	13,14	12,591	13,679	23,638	27,805
Cost of goods sold	15	-5,564	-6,976	-11,487	-15,035
Gross profit		**7,027**	**6,703**	**12,151**	**12,770**
Distribution costs	16	-7,103	-8,203	-14,051	-16,600
Administrative and general expenses	17	-634	-654	-1,341	-1,378
Other operating income	18	298	2	885	2
Other operating expenses	19	-99	17	-158	-451
Operating profit (loss)	13	**-511**	**-2,135**	**-2,514**	**-5,657**
Finance income	20	22	1	232	1
Finance costs	20	-369	-101	-599	-567
Profit (loss) before income tax		**-857**	**-2,236**	**-2,881**	**-6,223**
Income tax		-28	-5	-32	-15
Net profit (loss)		**-885**	**-2,241**	**-2,912**	**-6,238**
Profit (loss) attributable to:					
Equity holders of the parent company		-883	-2,225	-2,925	-6,224
Non-controlling interests		-3	-15	13	-14
Other comprehensive income (loss)					
Currency translation differences		-151	73	-122	-383
Total comprehensive income (loss)		**-1,037**	**-2,167**	**-3,034**	**-6,621**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-1,034	-2,152	-3,047	-6,530
Non-controlling interests		-3	-15	13	-91
Basic earnings per share, EUR	21	-0.05	-0.12	-0.15	-0.33
Diluted earnings per share, EUR	21	-0.05	-0.12	-0.15	-0,33

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	6m 2010	6m 2009
Operating activities			
Operating profit (loss)		-39,341	-88,508
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	23,953	24,026
Loss (gain) from disposal of PPE and investment property		182	755
Other non-monetary expenses		-9,975	-2,870
Changes in working capital:			
Change in trade and other receivables	4	-14,419	20,298
Change in inventories	5	19,327	62,507
Change in trade and other payables	11	-45,268	-17,655
Interest paid		-9,524	-5,909
Income tax paid		-3,281	1,388
Net cash generated from operating activities		**-78,346**	**-5,968**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-1,819	-86,390
Under the finance lease terms		674	0
Proceeds from disposal of property, plant and equipment		24,592	227
Investments in subsidiaries		0	-2
Interest received		4	12
Net cash used in investing activities		**23,451**	**-86,153**
Financing activities			
Received borrowings	10	10,000	102,809
Repayments of borrowings	10	-23,786	-12,527
Change in bank overdraft	10	-12,517	3,230
Repayments of finance lease and other liabilities		-1,997	-1,552
Receipts from share issue		106,200	0
Dividend paid for preference shares		-1,446	0
Dividend paid		-3	0
Net cash generated from financing activities		**76,451**	**91,960**
Effect of exchange gains (losses) on cash and cash equivalents		3,628	-3,009
Total cash flows		**25,184**	**-3,170**
Cash and cash equivalents at the beginning of the period	3	**6,024**	**8,671**
Cash and cash equivalents at the end of the period	3	**31,208**	**5,501**
Change in cash and cash equivalents		**25,184**	**-3,170**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR thousand)

	Note	6m 2010	6m 2009
Operating activities			
Operating profit (loss)		-2,514	-5,657
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	1,531	1,536
Loss (gain) from disposal of PPE and investment property		12	48
Other non-monetary expenses		-638	-183
Changes in working capital:			
Change in trade and other receivables	4	-922	1,297
Change in inventories	5	1,235	3,995
Change in trade and other payables	11	-2,893	-1,128
Interest paid		-609	-378
Income tax paid		-210	89
Net cash generated from operating activities		**-5,007**	**-381**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-116	-5,521
Under the finance lease terms		43	0
Proceeds from disposal of property, plant and equipment		1,572	15
Investments in subsidiaries		0	-0,1
Interest received		0	1
Net cash used in investing activities		**1,499**	**-5,506**
Financing activities			
Received borrowings	10	639	6,571
Repayments of borrowings	10	-1,520	-801
Change in bank overdraft	10	-800	206
Repayments of finance lease and other liabilities		-128	-99
Receipts from share issue		6,787	0
Dividend paid for preference shares		-92	0
Dividend paid		-0,2	0
Net cash generated from financing activities		**4,886**	**5,877**
Effect of exchange gains (losses) on cash and cash equivalents		232	-192
Total cash flows		**1,610**	**-203**
Cash and cash equivalents at the beginning of the period	3	**385**	**554**
Cash and cash equivalents at the end of the period	3	**1,995**	**352**
Change in cash and cash equivalents		**1,610**	**-203**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Non-controlling interest	Total
Balance at 31.12.2008	**186,449**	**0**	**26,133**	**89,775**	**-7,165**	**295,192**	**3,714**	**298,906**
Total comprehensive income (loss)	0	0	0	-97,384	-4,783	-102,167	-1,430	-103,597
Acquisition of non-controlling interest	0	0	0	0	0	0	-2	-2
Balance at 30.06.2009	**186,449**	**0**	**26,133**	**-7,609**	**-11,948**	**193,025**	**2,282**	**195,307**
Balance at 31.12.2009	**226,449**	**1,049**	**43,567**	**-77,617**	**-9,410**	**184,038**	**2,534**	**186,572**
Total comprehensive income (loss)	0	0	0	-45,770	-1,910	-47,680	202	-47,478
Increase of share capital	88,500	17,699	0	0	0	106,199	0	106,199
Balance at 30.06.2010	**314,949**	**18,748**	**43,567**	**-123,387**	**-11,320**	**242,557**	**2,736**	**245,293**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Non-controlling interest	Total
Balance at 31.12.2008	**11,916**	**0**	**1,670**	**5,738**	**-458**	**18,866**	**237**	**19,104**
Total comprehensive income (loss)	0	0	0	-6,224	-306	-6,530	-91	-6,621
Acquisition of non-controlling interest	0	0	0	0	0	0	-0.1	0
Balance at 30.06.2009	**11,916**	**0**	**1,670**	**-486**	**-764**	**12,337**	**146**	**12,482**
Balance at 31.12.2009	**14,473**	**67**	**2,784**	**-4,961**	**-601**	**11,762**	**162**	**11,924**
Total comprehensive income (loss)	0	0	0	-2,925	-122	-3,047	13	-3,034
Increase of share capital	5,656	1,131	0	0	0	6,787	0	6,787
Balance at 30.06.2010	**20,129**	**1,198**	**2,784**	**-7,886**	**-723**	**15,502**	**175**	**15,677**

NOTES TO CONSOLIDATED INTERIM REPORT

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

The Baltika Group, with in the Republic of Estonia registered parent company AS Baltika, is an international fashion retailer operating four concepts: Monton, Mosaic, Baltman and Ivo Nikkolo. AS Baltika's shares are listed on the Tallinn Stock Exchange. The largest shareholder of AS Baltika is OÜ BMIG controlled by the members of the management board of the company.

The Group's condensed consolidated interim report for the six months ended 30 June 2010 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. The interim report should be read in conjunction with the Group's latest consolidated annual financial statements for the year ended 31 December 2009, which has been prepared in accordance with International Financial Reporting Standards. 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 the year ended 31 December 2009. The Group has adopted from 1 January 2010 revised standard IAS 27 *Consolidated and Separate Financial Statements.* New and revised standards effective from 1 January 2010 do not have a significant impact on the Group's financial statements.

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 and does not include all of the information required for full annual financial statements.

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.

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), 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: Polish zloty +11.26% (2009: -21.46%), Russian rouble +10.47% (2009: -16.85%), Latvian lat -0.27% (2009: -1.14%) and Ukrainian hryvnia +0.37% (2009: -29.04. The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +0.42% (2009: +14.87%).

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

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

No instruments were used to hedge foreign currency risks in 2010 and 2009. 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. Additionally the Group uses the option to regulate retail prices, reduces expenses and if necessary restructures the Group's internal transactions.

Interest rate risk

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

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

All non-current borrowings at 30 June 2010 and 31 December 2009 were subject to a floating interest rate based on Euribor, which is fixed every one, three or six months. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

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

Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

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

At 30 June 2010 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 25,192 thousand kroons (1,610 thousand euros) (31 December 2009: 29,183 thousand kroons/1,865 thousand euros) on a net basis after the allowances. The trade receivables from Eastern European clients amounted to 18,739 thousand kroons (1,198 thousand euros) (31 December 2009: 20,775 thousand kroons/1,328 thousand euros), including balances with the Eastern European wholesale partners of 17,991 thousand kroons (1,150 thousand euros) (31 December 2009: 19,020 thousand kroons/1,216 thousand euros) and balances with retail customers for bank card payments of 748 thousand kroons (48 thousand euros) (31 December 2009: 1,755 thousand kroons/112 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 risk that the Group has limited or insufficient financial (cash) resources to meet the obligations arising from the Group's activities. The volume of financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Management monitors the sufficiency of cash and cash equivalents to settle the liabilities and finance the Group's strategic goals on a regular basis using rolling cash forecasts.

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

Financial liabilities by maturity at 30 June 2010

EEK '000	Carrying amount	6-12 months[1]	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	312,159	74,452	169,647	127,211	371,310
Finance lease liabilities (Note 10)	7,931	2,800	5,587	0	8,387
Trade payables (Note 11)	64,568	64,568	0	0	64,568
Other financial liabilities (Note 11)	7,928	5,928	2,000	0	7,928
Total	**392,586**	**147,748**	**177,234**	**127,211**	**452,193**

EUR '000	Carrying amount	6-12 months[1]	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	19,950	4,758	10,842	8,130	23,730
Finance lease liabilities (Note 10)	507	179	357	0	536
Trade payables (Note 11)	4,127	4,127	0	0	4,127
Other financial liabilities (Note 11)	507	379	128	0	2,996
Total	**25,091**	**9,443**	**11,327**	**8,130**	**28,900**

[1]Financial liabilities due in current financial year.

Financial liabilities by maturity at 31 December 2009

EEK '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	338,462	124,503	142,707	123,695	390,905
Finance lease liabilities (Note 10)	9,113	4,186	5,594	0	9,780
Trade payables (Note 11)	111,161	111,161	0	0	111,161
Other financial liabilities (Note 11)	9,377	8,064	2,000	0	10,064
Total	**468,113**	**247,914**	**150,301**	**123,695**	**521,910**

EUR '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	21,632	7,957	9,121	7,906	24,984
Finance lease liabilities (Note 10)	582	267	358	0	625
Trade payables (Note 11)	7,104	7,104	0	0	7,104
Other financial liabilities (Note 11)	599	516	128	0	647
Total	**29,917**	**15,844**	**9,607**	**7,906**	**33,357**

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. The gearing ratio has improved thanks to the additional funds raised through the share issue and the disposal of some non-core assets. At 30 June 2010 the gearing ratio was 54%.

Gearing ratios of the Group

	EEK '000		**EUR '000**	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Total borrowings (Note 10)	320,090	347,575	20,457	22,214
Cash and bank (Note 3)	-31,208	-6,024	-1,995	-385
Net debt	288,882	341,551	18,462	21,829
Total equity	245,293	186,572	15,677	11,924
Total capital	534,175	528,123	34,139	33,753
Gearing ratio	**54%**	**65%**	**54%**	**65%**

Fair value

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet at 30 June 2010 and 31 December 2009. As the Group's long-term borrowings have a floating interest rate that changes along with the changes in market interest rates, the discount rates used in the discounted cash flow model are applied to calculate the fair value of borrowings. Therefore, management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 Cash and bank

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Cash in hand	2,605	2,892	166	185
Cash at bank	28,603	3,132	1,829	200
Total	**31,208**	**6,024**	**1,995**	**385**

Cash and bank by currency

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
EUR (euro)	14,358	258	918	16
EEK (Estonian kroon)	10,459	967	668	62
UAH (Ukrainian hryvnia)	2,048	508	132	32
LTL (Lithuanian lit)	1,664	1,554	106	99
RUB (Russian rouble)	1,614	1,629	103	104
PLN (Polish zloty)	686	221	44	14
LVL (Latvian lat)	329	588	21	38
USD (US dollar)	35	0	2	0
CZK (Czech koruna)	15	299	1	19
Total	**31,208**	**6,024**	**1,995**	**385**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Trade receivables, net	25,192	29,183	1,610	1,865
Other prepaid expenses	19,343	10,464	1,236	669
Tax prepayments and tax reclaims, thereof	13,483	13,694	862	875
Value added tax	10,011	12,735	640	814
Prepaid income tax	3,129	493	200	32
Other taxes	343	466	22	30
Other current receivables	13,881	1,591	887	102
Total	**71,899**	**54,932**	**4,595**	**3,511**

Trade receivables

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Trade receivables, gross	25,577	30,785	1,635	1,968
Allowance for impairment of trade receivables	-385	-1,602	-25	-102
Trade receivables, net	**25,192**	**29,183**	**1,610**	**1,865**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Not due	6,268	15,595	401	997
Up to 1 month past due	1,896	2,202	121	141

1-3 months past due	4,828	3,915	309	250
3-6 months past due	3,228	1,121	206	72
Over 6 months past due	8,972	6,350	573	406
Total	**25,192**	**29,183**	**1,610**	**1,865**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
EUR (euro)	19,104	21,260	1,221	1,359
EEK (Estonian kroon)	4,165	4,618	266	295
RUB (Russian rouble)	701	762	45	49
LVL (Latvian lat)	607	707	39	45
LTL (Lithuanian lit)	488	697	31	45
PLN (Polish zloty)	80	141	5	9
UAH (Ukrainian hryvnia)	47	993	3	63
CZK (Czech koruna)	0	5	0	0
Total	**25,192**	**29,183**	**1,610**	**1,865**

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Fabrics and accessories	23,290	27,967	1,489	1,787
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,109	1,137	71	73
Finished goods and goods purchased for resale	138,980	162,946	8,882	10,415
Allowance for impairment of finished goods and goods purchased for resale	0	-5,000	0	-320
Prepayments to suppliers	5,675	1,331	363	85
Total	**168,854**	**188,181**	**10,792**	**12,027**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Non-current lease prepayments	7,479	7,728	478	494

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2008	**134,098**	**8,570**
Additions	73,293	4,684
Balance at 30 June 2009	**207,391**	**13,255**
Balance at 31 December 2009	**103,294**	**6,602**
Balance at 30 June 2010	**103,294**	**6,602**

Investment property consists of 4,500 square metres of land and former production building that was renovated and turned into office building and old office building, located at 24 Veerenni in Tallinn, Estonia. Construction of new office was finished in June 2009. Real estate properties that are occupied by Group are recorded under fixed assets.

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 2008							
Acquisition cost	**2,113**	**123,096**	**106,998**	**117,239**	**2,361**	**174**	**351,981**
Accumulated depreciation	0	-41,897	-73,922	-55,582	0	0	-171,401
Net book amount	**2,113**	**81,199**	**33,076**	**61,657**	**2,361**	**174**	**180,580**
Additions	0	4,216	295	7,284	475	5	12,275
Disposals	0	-654	-94	-224	0	0	-972
Reclassification	0	0	6,143	-3,956	-2,187	0	0
Depreciation	0	-8,387	-4,221	-8,873	0	0	-21,481
Currency translation differences[1]	0	-262	-479	-995	-134	3	-1,867
At 30 June 2009							
Acquisition cost	**2,113**	**124,920**	**106,890**	**120,252**	**515**	**182**	**354,872**
Accumulated depreciation	0	-48,808	-72,170	-65,359	0	0	-186,337
Net book amount	**2,113**	**76,112**	**34,720**	**54,893**	**515**	**182**	**168,535**
At 31 December 2009							
Acquisition cost	**171**	**227,253**	**99,745**	**120,917**	**113**	**167**	**448,366**
Accumulated depreciation	0	-43,553	-70,308	-71,340	0	0	-185,201
Net book amount	**171**	**183,700**	**29,437**	**49,577**	**113**	**167**	**263,165**
Additions	0	296	219	1,056	104	0	1,675
Disposals	-171	-22,716	-999	-709	0	0	-24,595
Reclassification	0	461	174	-578	-57	0	0
Depreciation	0	-8,308	-4,017	-9,186	0	0	-21,511
Currency translation differences[1]	0	1,477	717	2,428	12	33	4,667
At 30 June 2010							
Acquisition cost	**0**	**202,083**	**92,535**	**123,095**	**172**	**200**	**418,085**
Accumulated depreciation	0	-47,173	-67,004	-80,507	0	0	-194,684
Net book amount	**0**	**154,910**	**25,531**	**42,588**	**172**	**200**	**223,401**

EUR '000	Land and construc-tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion in progress	Pre-pay-ments	Total
At 31 December 2008							
Acquisition cost	**135**	**7,867**	**6,839**	**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**	**2,115**	**3,941**	**151**	**11**	**11,541**
Additions	0	269	19	466	30	0	785
Disposals	0	-42	-6	-14	0	0	-62
Reclassification	0	0	393	-253	-140	0	0
Depreciation	0	-536	-270	-567	0	0	-1,373
Currency translation differences[1]	0	-17	-31	-64	-9	0	-119
At 30 June 2009							
Acquisition cost	**135**	**7,984**	**6,832**	**7,686**	**33**	**12**	**22,680**
Accumulated depreciation	0	-3,119	-4,613	-4,177	0	0	-11,909
Net book amount	**135**	**4,864**	**2,219**	**3,508**	**33**	**12**	**10,771**
At 31 December 2009							
Acquisition cost	**11**	**14,524**	**6,375**	**7,728**	**7**	**11**	**28,656**
Accumulated depreciation	0	-2,784	-4,494	-4,559	0	0	-11,837
Net book amount	**11**	**11,741**	**1,881**	**3,169**	**7**	**11**	**16,819**
Additions	0	19	14	67	7	0	107
Disposals	-11	-1,452	-64	-45	0	0	-1,572
Reclassification	0	29	11	-37	-4	0	0
Depreciation	0	-531	-257	-587	0	0	-1,375
Currency translation differences[1]	0	94	46	155	1	2	298
At 30 June 2010							
Acquisition cost	**0**	**12,915**	**5,914**	**7,867**	**11**	**13**	**26,721**
Accumulated depreciation	0	-3,015	-4,282	-5,145	0	0	-12,443
Net book amount	**0**	**9,901**	**1,632**	**2,722**	**11**	**13**	**14,278**

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

NOTE 9 Intangible assets

EEK '000	Licenses, software and other	Trade-marks	Advances	Goodwill	Total
At 31 December 2008					
Acquisition cost	**40,245**	**10,060**	**2,145**	**22,665**	**75,115**
Accumulated amortisation	-14,337	-1,174	0	0	-15,511
Net book amount	**25,908**	**8,886**	**2,145**	**22,665**	**59,604**
Additions	796	0	26	5,523	6,345
Disposals	-10	0	0	0	-10
Reclassification	1,306	0	-1,306	0	0
Amortisation	-2,403	-251	0	0	-2,654
Currency translation differences[1]	-2	0	-133	-945	-1,080
At 30 June 2009					
Acquisition cost	**42,867**	**10,060**	**732**	**27,243**	**80,902**
Accumulated amortisation	-17,272	-1,425	0	0	-18,697
Net book amount	**25,595**	**8,635**	**732**	**27,243**	**62,205**
At 31 December 2009					
Acquisition cost	**42,247**	**10,060**	**0**	**29,648**	**81,955**
Accumulated amortisation	-18,145	-1,677	0	0	-19,822
Net book amount	**24,102**	**8,383**	**0**	**29,648**	**62,133**
Additions	36	0	108	0	144
Disposals	-179	0	0	0	-179
Amortisation	-2,191	-251	0	0	-2,442
Currency translation differences[1]	284	0	0	3,116	3,400
At 30 June 2010					
Acquisition cost	**42,406**	**10,060**	**108**	**32,764**	**85,338**
Accumulated amortisation	-20,354	-1,928	0	0	-22,282
Net book amount	**22,052**	**8,132**	**108**	**32,764**	**63,056**

EUR '000	Licenses, software and other	Trade-marks	Advances	Goodwill	Total
At 31 December 2008					
Acquisition cost	**2,572**	**643**	**137**	**1,449**	**4,801**
Accumulated amortisation	-916	-75	0	0	-991
Net book amount	**1,656**	**568**	**137**	**1,449**	**3,809**
Additions	51	0	2	353	406
Disposals	-1	0	0	0	-1
Reclassification	83	0	-83	0	0
Amortisation	-154	-16	0	0	-170
Currency translation differences[1]	0	0	-9	-60	-69
At 30 June 2009					
Acquisition cost	**2,740**	**643**	**47**	**1,741**	**5,171**
Accumulated amortisation	-1,104	-91	0	0	-1,195
Net book amount	**1,636**	**552**	**47**	**1,741**	**3,976**
At 31 December 2009					
Acquisition cost	**2,700**	**643**	**0**	**1,895**	**5,238**
Accumulated amortisation	-1,160	-107	0	0	-1,267
Net book amount	**1,540**	**536**	**0**	**1,895**	**3,971**
Additions	2	0	7	0	9
Disposals	-11	0	0	0	-11
Amortisation	-140	-16	0	0	-156
Currency translation differences[1]	18	0	0	199	217
At 30 June 2010					
Acquisition cost	**2,710**	**643**	**7**	**2,094**	**5,454**
Accumulated amortisation	-1,301	-123	0	0	-1,424
Net book amount	**1,409**	**520**	**7**	**2,094**	**4,030**

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

NOTE 10 Borrowings

	EEK '000		EUR '000	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**
Current borrowings				
Current portion of non-current bank loans	48,195	34,864	3,080	2,228
Current bank loans	69,810	78,795	4,462	5,036
Current finance lease liabilities	2,910	3,804	186	243
Liability component of preference shares	6,040	5,479	386	350
Total	**126,955**	**122,942**	**8,114**	**7,857**
Non-current borrowings				
Non-current bank loans	194,154	224,803	12,408	14,368
Non-current finance lease liabilities	5,021	5,309	321	339
Convertible bonds and liability component of preference shares	1,077	2,830	69	181
Total	**200,252**	**232,942**	**12,798**	**14,888**
Total borrowings	**327,207**	**355,884**	**20,912**	**22,745**

During the reporting period, the Group made loan repayments in the amount of 23,786 thousand kroons (1,520 thousand euros) (2009: 12,527 thousand kroons/801 thousand euros). Interest expense of the reporting periods amounted to 9.524 thousand kroons (609 thousand euros) (2009: 5,909 thousand kroons/378 thousand euros).

Bank loans of the Group at 30 June 2010

	Carrying amount		Average risk
	EEK '000	EUR '000	premium
Borrowings at floating interest rate (based on 1-month Euribor)	5,319	340	3.00%
Borrowings at floating interest rate (based on 3-month Euribor)	20,013	1,279	5.75%
Borrowings at floating interest rate (based on 6-month Euribor)	255,426	16,325	4.08%
Borrowings at fixed interest rate (incl. overdraft)	31,401	2,007	7.57%
Total	**312,159**	**19,951**	

Bank loans of the Group at 31 December 2009

	Carrying amount		Average risk
	EEK '000	EUR '000	premium
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)	3,755	240	1.00%
Borrowings at floating interest rate (based on 6-month Euribor)	282,965	18,085	3.48%
Borrowings at fixed interest rate (incl. overdraft)	43,919	2,807	7.55%
Total	**338,462**	**21,632**	

NOTE 11 Trade and other payables

	EEK '000		EUR '000	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Trade payables	64,568	111,161	4,127	7,104
Tax liabilities, thereof	29,199	27,857	1,866	1,780
Personal income tax	3,518	3,669	225	234
Social security taxes	9,127	9,641	583	616
Value added tax	15,244	13,411	974	857
Corporate income tax liability	58	210	4	13
Other taxes	1,252	926	80	59
Payables to employees and other accrued expenses	17,676	18,411	1,129	1,178
Customer prepayments	1,323	1,800	85	115
Other current payables	2	146	0	9
Total	**112,768**	**159,375**	**7,207**	**10,186**
Non-current liabilities				
Other liabilities	411	114	26	7

[1]Other non-current liabilities consist of deferred income.

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
EEK (Estonian kroon)	24,386	33,470	1,559	2,139
USD (US dollar)	16,990	29,418	1,086	1,880
EUR (euro)	12,205	38,800	780	2,480
RUB (Russian rouble)	4,079	3,038	261	194
LTL (Lithuanian lit)	2,504	2,802	160	179
PLN (Polish zloty)	1,312	815	84	52
CZK (Czech koruna)	1,194	1,461	76	93
LVL (Latvian lat)	923	613	59	39
Other currencies	975	744	62	48
Total	**64,568**	**111,161**	**4,127**	**7,104**

NOTE 12 Equity

Share capital

EEK '000	30.06.2010	31.12.2009
Share capital	314,949	226,449
Number of shares[1]	31,494,850	22,644,850
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	18,645	18,645
Revaluation surplus	24,922	24,922

EUR '000	30.06.2010	31.12.2009
Share capital	20,129	14,473
Number of shares[1]	31,494,850	22,644,850
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	1,192
Revaluation surplus	1,592	1,592

[1]Shares comprise ordinary shares and preference shares of 27,494,850 pieces and 4,000 thousand pieces respectively. The 18,644,850 ordinary shares are listed on the Tallinn Stock Exchange, the 8,644,850 ordinary shares are unregistered and unlisted at balance sheet date. The preference shares are unlisted.

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.

The preference 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 as stated in the Articles of Association. In 2010, dividends paid to the preference shareholders amounted to 0.36 kroons (0.02 euros) per share equalling a total of 1,441 thousand kroons (992 thousand euros). Corporate income tax expense on dividends amounted to 383 thousand kroons (24 thousand euros). Dividends on preference shares are recognised in the balance sheet as liabilities, the interest expense of preference shares amounted to 173 thousand kroons (11 thousand euros).

Change in the number of shares

	Issue	Number of shares
Number of shares on 31.12.2009, thereof		**22,644,850**
Ordinary shares		18,644,850
Preference shares		4,000,000
Issued 21.06.2010	Issue of ordinary shares	8,850,000
Number of shares on 30.06.2010, thereof		**31,494,850**
Ordinary shares		27,494,850
Preference shares		4,000,000

Shareholders at 30 June 2010 (ordinary listed shares)

	Number of shares	Holding
BMIG OÜ	4,624,860	24.81%
Svenska Handelsbanken Clients	1,912,000	10.25%
Members of management and supervisory boards; persons and entities related to them		
Meelis Milder	726,336	3.90%
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	10,803,605	57.94%
Total	**18,644,850**	**100.00%**

Shareholders at 30 June 2010 (all ordinary shares)

	Number of shares	Holding
BMIG OÜ	4,624,860	16.82%
DCF Fund (II) Baltic States	3,250,000	11.82%
E.Miroglio S.A.	3,000,000	10.91%
East Capital Baltic Fund	2,966,694	10.79%
Svenska Handelsbanken Clients	1,952,000	7.10%
Members of management and supervisory boards and persons related to them		
Meelis Milder	726,336	2.64%
Maire Milder	316,083	1.15%
Boriss Loifenfeld	200,366	0.73%
Ülle Järv	50,600	0.18%
Andrew Paterson	11,000	0.04%
Other shareholders	10,396,911	37.81%
Total	**27,494,850**	**100.00%**

Shareholders at 31 December 2009 (ordinary shares)

	Number of shares	Holding
BMIG OÜ	4,624,860	24.81%
Svenska Handelsbanken Clients	1,912,000	10.25%
Members of management and supervisory boards; persons and entities related to them		
Meelis Milder	726,336	3.90%
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	10,803,605	57.94%
Total	**18,644,850**	**100.00%**

The 18,644,850 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 13 Segments

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

Parent company's management board assesses the performance from operations area perspective i.e. the performance of retail, wholesale and real estate management is assessed. Retail is further evaluated on a geographic basis. The retail segments are countries which have been aggregated to reportable segments by regions which share similar economic characteristics and meet other aggregation criteria provided in IFRS 8:

- 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 segment profit. External revenue amounts provided to management board are measured in a manner consistent with that of the financial statements. The segment profit is an internal measure used in the internally generated reports to assess the performance of the segments and comprises segment's gross profit less operating expenses directly attributable to the segment, except for other operating income and expenses. The amounts provided to management board with respect to inventories are measured in a manner consistent with that of the financial statements. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment based on the operations of the segment and the physical location of the inventories.

The segment information provided to the management board for the reportable segments for the period ended at 30 June 2010 and at 30 June 2009 is as follows:

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
6m 2010 and at 30 June 2010						
Revenue (from external customers)	203,850	127,977	11,042	24,287	2,698	369,854
Segment profit (loss) [2]	14,901	1,448	-4,039	4,323	1,704	18,337
Incl. depreciation and amortisation	-9,795	-6,806	-1,129	-271	0	-18,001
Inventories of segments	47,853	33,616	2,642	0	0	84,111
6m 2009 and at 30 June 2009						
Revenue (from external customers)	239,535	138,208	23,265	33,690	351	435,049
Segment profit (loss) [2]	4,675	-18,818	-12,384	7,918	101	-18,508
Incl. depreciation and amortisation	-9,631	-6,617	-2,340	-516	0	-19,104
Inventories of segments	61,479	45,963	4,115	9,751	0	121,308

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
6m 2010 and at 30 June 2010						
Revenue (from external customers)	13,028	8,179	706	1,552	172	23,638
Segment profit (loss)[2]						
Incl. depreciation and amortisation	-626	-435	-72	-17	0	-1,150
Inventories of segments	3,058	2,148	169	0	0	5,376
6m 2009 and at 30 June 2009						
Revenue (from external customers)	15,309	8,833	1,487	2,153	22	27,805
Segment profit (loss) [2]	299	-1,203	-791	506	6	-1,183
Incl. depreciation and amortisation	-616	-423	-150	-33	0	-1,221
Inventories of segments	3,929	2,938	263	623	0	7,753

[1]The wholesale revenue includes the sale of goods, materials and sewing services.
[2]The segment profit is the segment operating profit, excluding other operating expenses and income.

Reconciliation of segment profit to consolidated operating profit

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Total profit for reportable segments	18,337	-18,508	1,172	-1,183
Unallocated expenses:				
Distribution costs	-48,068	-41,422	-3,072	-2,647
Administrative and general expenses	-20,977	-21,561	-1,341	-1,378
Other operating income (expenses), net	11,367	-7,017	726	-448
Operating profit (loss)	**-39,341**	**-88,508**	**-2,514**	**-5,657**

[1]Unallocated expenses include the expenses of the parent company and production companies which are not allocated to the reportable segments in internal reporting.

Reconciliation of segment inventories to consolidated inventories

	EEK '000			EUR '000		
	30.06.2010	**31.12.2009**	**30.06.2009**	**30.06.2010**	**31.12.2009**	**30.06.2009**
Total inventories of segments	84,111	100,222	121,308	5,376	6,405	7,753
Inventories in Parent company and production companies	84,743	87,959	104,616	5,416	5,622	6,686
Inventories on balance sheet	**168,854**	**188,181**	**225,924**	**10,792**	**12,027**	**14,439**

NOTE 14 Revenue

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Sale of goods	366,190	434,365	23,404	27,761
Sale of sewing services	545	0	35	0
Lease revenue	2,698	351	172	22
Other	421	333	27	21
Total	**369,854**	**435,049**	**23,638**	**27,805**

NOTE 15 Cost of goods sold

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Materials and supplies	149,959	195,190	9,585	12,475
Payroll costs in production	22,859	35,503	1,461	2,269
Operating lease expenses	5,099	4,890	326	313
Other production costs	3,133	3,900	200	249
Depreciation of assets used in production	2,026	2,238	129	143
Change in inventories	1,653	-1,177	106	-75
Change in allowance for inventories	-5,000	-5,300	-320	-339
Total	**179,729**	**235,244**	**11,487**	**15,035**

NOTE 16 Distribution costs

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Operating lease expenses	85,308	101,160	5,452	6,465
Payroll costs	78,415	89,383	5,012	5,713
Depreciation and amortisation	19,000	20,507	1,214	1,311
Advertising expenses	8,667	13,047	554	834
Fuel, heating and electricity costs	4,835	4,936	309	315
Municipal services and security expenses	3,553	4,297	227	275
Fees for card payments	2,611	2,935	167	187
Financial and management fees	1,992	2,190	127	140
Freight costs	1,868	1,668	119	107
Communication expenses	1,406	1,716	90	110
Information technology expenses	1,324	1,879	85	120
Travel expenses	1,225	1,312	78	84
Bank fees	991	1,161	63	74
Packaging costs	696	1,041	44	66
Renovation expenses of retail outlets	681	499	44	32
Training expenses	355	380	23	24
Expenses for uniforms	347	669	22	43

Impairment of trade receivables	-30	0	-2	0
Other sales expenses	6,612	10,955	423	700
Total	**219,856**	**259,735**	**14,051**	**16,600**

NOTE 17 Administrative and general expenses

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Payroll costs	9,535	11,421	610	730
Depreciation and amortisation	2,844	1,281	182	82
Information technology expenses	2,025	2,481	129	158
Bank fees	1,576	1,045	101	67
Fuel, heating and electricity expenses	689	719	44	46
Operating lease expenses	513	1,280	33	82
Communication expenses	378	394	24	25
Sponsorship	205	165	13	11
Municipal services and security expenses	202	259	13	16
Training expenses	71	168	5	11
Travel expenses	6	17	0.4	1
Other administrative expenses	2,933	2,331	187	149
Total	**20,977**	**21,561**	**1,341**	**1,378**

NOTE 18 Other operating income

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Gain from sale of non-current assets	286	0	18	0
Foreign exchange income	9,515	0	609	0
Other operating income[1]	4,041	35	258	2
Total	**13,842**	**35**	**885**	**2**

[1]In 2010, the sale of the MasCara and Herold brands of AS Virulane in the amount of 4,000 thousand kroons (256 thousand euros) was recognised under other operating income.

NOTE 19 Other operating expenses

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Foreign exchange losses	0	4,925	0	316
Loss from sale and writing off of non-current assets	262	25	17	2
Fines, penalties and tax interest	870	522	55	33
Representation costs	31	48	2	3
Other operating expenses	1,312	1,532	84	98
Total	**2,475**	**7,052**	**158**	**451**

NOTE 20 Finance income and costs

	EEK '000		EUR '000	
	6m 2010	**6m 2009**	**6m 2010**	**6m 2009**
Interest income	4	12	0	1
Interest costs	-9,367	-5,860	-598	-375
Foreign exchange income (losses)	3,629	-3,009	232	-192
Other finance costs	0	-5	0	-0.3
Total	**-5,734**	**-8,862**	**-366**	**-566**

NOTE 21 Earnings per share

Basic earnings per share

		6m 2010	6m 2009
Weighted average number of shares	pcs	19,131,600	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-45,770	-97,384
	EUR '000	-2,925	-6,224
Basic earnings per share	**EEK**	**-2.39**	**-5.22**
	EUR	**-0.15**	**-0.33**

Diluted earnings per share

		6m 2010	6m 2009
Weighted average number of shares	pcs	19,131,600	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-45,770	-97,384
	EUR '000	-2,925	-6,224
Diluted earnings per share	**EEK**	**-2.39**	**-5.22**
	EUR	**-0.15**	**-0.33**

In view of the fact that the Group does not have dilutive potential ordinary shares or dilutive adjustments to earnings as at 30 June 2010 and 30 June 2009, diluted earnings per share equal basic earnings per share.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in first 6 months of 2010 was 11.14 kroons (0.71 euros) (2009: 10.87 kroons/0.69 euros).

NOTE 22 Related parties

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

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

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

Convertible bonds

The annual general meeting held on 18 June 2009 decided that 1,850,000 convertible bonds (G-bonds) with a par value of 0.10 kroons (0.0064 euros) should be issued within the framework of the Group’s management incentive program. 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). Totally were subscribed 1,842 500 bonds.

	Issue date	Bond conversion period	Number of convertible bonds 30.06.2010	Number of convertible bonds 31.12.2009
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,842,500	1,842,500