AS BALTIKA

Consolidated interim report for the third quarter and nine 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 – 30.09.2010

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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 September 2010, the Group employed 1,456 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 30.09.2010	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, Q 3 AND 9 MONTHS 2010

Baltika Group has successfully adapted to the changed economic environment. Thanks to a strengthened financial position, the Group has been able to direct its main resources at improving the efficiency of its core activity and implementing its strategic development plans. The past two quarters' upward trends in sales and efficiency indicators were maintained through October and management expects them to persist also throughout the fourth quarter.

In the third quarter, sales in Baltika's retail markets continued reviving, gross margins continued improving and the Group's financial position continued strengthening. The largest sales growth was achieved in the Estonian market where third quarter sales improved by 12% year-over-year. Compared with the previous year, sales grew also in the Latvian, Russian and Ukrainian markets. Sales recovery is best reflected in the comparable store sales figures (sales per square metre). In the third quarter, the Group's comparable store sales improved by a total of 8%, the Estonian and Russian markets posting a rise of 11% and 25% (in local currency: 11%) respectively. Better comparable store sales (on a year-over-year basis) were achieved also in the Latvian, Ukrainian and Polish markets. In the third quarter, total sales efficiency (total sales per square metre) increased 14%.

Strong sales results in the Group's retail markets are attributable to the brands' successful autumn collections. In terms of brands, comparable sales for the third quarter grew as follows: Mosaic, Ivo Nikkolo and Monton 10%. In terms of sales volume, the best performer was Ivo Nikkolo whose third quarter sales expanded by 36%.

Baltika ended the third quarter of 2010 with revenue of 211.0 million kroons (13.5 million euros), a 6% decrease year-over-year. The third quarter decline in retail sales was the smallest of recent quarters – in the third quarter retail sales dropped by 2% year-over-year in a situation where the average sales area shrunk by 14% owing to the closure of loss-generating stores. Since the beginning of the year, the Group has closed 11 and opened four stores. The closure of loss-generating stores will continue also in the fourth quarter.

The Group's retail markets generated a profit for the second consecutive quarter. Baltika's retail system ended the third quarter with a profit of 5.5 million kroons (0.35 million euros) while the third quarter of 2009 ended in a loss of 12.4 million kroons (0.8 million euros).

Compared with the first nine months of 2009, the Group's operating expenses have decreased by 46.7 million kroons (3.0 million euros)- distribution expenses have dropped by 47.9 million kroons (3.1 million euros) and administrative expenses by 1.1 million kroons (0.1 million euros).

The Group's net loss for the third quarter, excluding the effect of exchange differences, was 24.1 million kroons (1.5 million euros). Third-quarter results were adversely affected by a book exchange loss of 8.8 million kroons (0.6 million euros) triggered by fluctuations in the exchange rates of the Russian rouble and the Ukrainian hryvna that occurred in July and September.

During the first nine months of the year, the Group's workforce decreased by 241 - from 1,697 to 1,456. Downsizing was the most extensive in retailing and manufacturing where the Group was forced to release 133 and 102 people respectively.

REVENUE

Revenue by business segment

EEK, million	**Q3 2010**	**Q3 2009**	+/-	**9m 2010**	**9m 2009**	+/-
Retail	194.0	198.3	-2.2%	536.9	599.3	-10.4%
Wholesale	14.8	25.8	-42.6%	38.1	59.4	-35.9%
Other	2.2	1.0	120.0%	5.9	1.5	293.0%
Total	**211.0**	**225.1**	**-6.3%**	**580.9**	**660.2**	**-12.0%**

EUR 1 = EEK 15.6466

RETAIL

In the third quarter, the sales decline that had been slowing in the second quarter was replaced by a rise. Strong results were achieved in the Baltic region and Eastern Europe where sales grew by 0.5% and 2% respectively.

Retail sales by market

EEK million	Q3 2010	Q3 2009	+/-	9m 2010	9m 2009	+/-
Estonia	51.6	46.2	12%	140.6	136.6	3%
Russia	42.7	42.4	1%	118.2	117.7	0%
Lithuania	39.7	46.0	-14%	110.6	141.7	-22%
Ukraine	28.6	27.8	3%	81.1	90.8	-11%
Latvia	25.8	24.5	5%	69.7	77.8	-10%
Poland	5.6	7.8	-28%	16.7	23.3	-28%
Czech Republic	0.0	3.6	-100%	0.0	11.4	-100%
Total	**194.0**	**198,3**	**-2%**	**536.9**	**599.3**	**-10%**

EUR 1 = EEK 15.6466

BRANDS

In terms of brands, the largest revenue contributor was Monton that accounted for 52.5% i.e. 101.9 million kroons (6.5 million euros) of the Group's total third quarter retail revenue. Although this is 6% less than in the previous year, in terms of comparable store sales the brand achieved growth of 10%. Mosaic's third quarter sales rose to the level of the previous year, amounting to 64.4 million kroons (4.1 million euros) i.e. 33% of the Group's total retail revenue. Comparable store sales for the third quarter grew by 10% year-over-year. In terms of revenue contribution, the third position was claimed by Ivo Nikkolo with 15.5 million kroons (1.0 million euros). In the third quarter, total sales of Ivo Nikkolo grew by 36% and comparable store sales improved by 10%. Ivo Nikkolo was the only brand that posted sales growth also for the first nine months of the year. Sales of Baltman decreased in the third quarter by 15% to 12.2 million kroons (0.8 million euros).

STORES AND SALES AREA

At the end of September 2010, Baltika Group had 123 stores with a total sales area of 24,794 square metres, 15.3% down from a year ago. In the first nine months, the Group closed 11 stores – five in Ukraine, four in Russia, 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 decreased by 18 and the average sales area shrank by 8%. Baltika will continue closing non-profitable stores also in the fourth quarter of 2010.

Stores by market

	30 Sept 2010	30 Sept 2009
Lithuania	32	36
Estonia	31	32
Russia	22	30
Ukraine	18	21
Latvia	15	15
Poland	5	5
Czech Republic	0	2
Total number of stores	**123**	**141**
Total sales area, m^2	**24,794**	**29,277**

WHOLESALE

Wholesale revenues for the first nine months of 2010 totalled 38.1 million kroons (2.4 million euros), a 36% decrease year-over-year. The period's wholesale figures were influenced mainly by the divestment of the manufacture and operation of the MasCara and Herold in brands in April 2010; the impact of the transaction on the third quarter sales decrease was in the region of 13.0 million kroons (0.8 million euros). Comparable wholesale revenues remained at the level of the previous year.

EARNINGS AND MARGINS

The Group's performance in the third quarter of 2010 continued to be influenced by the crisis-induced weakening in the consumers' purchasing power that began showing the first signs of recovery, store closure expenses and the additional effect of exchange rate fluctuations. Thanks to better discount planning and inventory management, nine-month gross profit per square metre grew by 18% year-over-year. The gross margin for the first nine months was 50.4% against 47% for the same period in 2009.

The third quarter gross margin was influenced by growth in delivery charges. In order to ensure a quality beginning for the new season and respond timely to consumer needs, the Group increased the frequency of its scheduled deliveries.

The Group's nine-month distribution and administrative expenses decreased by 46.7 million kroons (3.0 million euros) i.e. 12.9% year-over-year while the average sales area shrank by 8%. Average store operating expenses per square metre decreased by 2% compared with the first nine months of 2009 – rental expenses declined by 6% and personnel expenses remained stable.

The nine-month personnel expenses of the Group's Estonian production entities decreased by 27% i.e. 13.5 million kroons (0.9 million euros) year-over-year. Production expenses have decreased on account of downsizing and an ensuing decline in personnel expenses.

If in the first six months exchange rate fluctuations had a positive impact on the Group's performance, then in the third quarter movements in the exchange rates of the rouble and the hryvna had an adverse effect on the Group's results. In the third quarter, reporting-date exchange rates weakened as follows: the Russian rouble -6.3% and the Ukrainian hryvna -7.5%. As a result, the total negative non-monetary impact of movements in exchange rates on the results for the third quarter was 8.8 million kroons (0.6 million euros). Since the average exchange rates for the third quarter did not change significantly, the impact on sales and operating expenses was minimal - a total of 0.5 million kroons (0.03 million euros).

The Group's retail operations posted a profit for the second consecutive quarter. In the third quarter, Baltika's retail system generated a profit of 5.5 million kroons (0.35 million euros) compared with a loss of 12.4 million kroons (0.8 million euros) in the third quarter of 2009.

The Group's operating loss for the third quarter of 2010 was 27.3 million kroons (1.7 million euros), a 3.4 million kroon (0.2 million euro) increase year-over-year.

Although the Group's interest-bearing liabilities have decreased, interest expense for the first nine months grew by 31% year-over-year to 13.8 million kroons (0.9 million euros) because of a rise in loan margins and growth in the average loan balance. Interest expense for the third quarter decreased by 4% year-over-year.

The Group's net loss for the third quarter amounted to 33.4 million kroons (2.1 million euros), an increase of 5.0 million kroons (0.3 million euros) on the same period in 2009. Third quarter net loss before the effect of exchange rate fluctuations was 24.1 million kroons (1.5 million euros). Baltika's net loss for the first nine months of 2010 (after tax and the non-controlling interest) amounted to 77.8 million kroons (5.0 million euros). In the same period in 2009, the Group incurred a net loss of 125.7 million kroons (8.0 million euros).

FINANCIAL POSITION

In 2010 the Group has put a lot of effort in strengthening its financial position and improving its liquidity.

As at 30 September 2010, Baltika's consolidated assets stood at 653.8 million kroons (41.8 million euros), a 48.1 million kroon (3.1 million euro) decrease compared with the end of the previous year.

At the end of September, inventories totalled 174.5 million kroons (11.2 million euros), 7.3% (13.7 million kroons/0.9 million euros) down from the beginning of the year. During the same period, the average retail space decreased by 8%. For the most part, the funds raised through the additional share issue were 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 38.7 million kroons (2.5 million euros) to 120.7 million kroons (7.7 million euros). Through better management of its financial position and liquidity, the Group has been able to secure better settlement terms from the suppliers. This in combination with better management of the purchasing policy has allowed achieving a more optimal structure and volume of inventories.

At the end of September, the Group's borrowings totalled 320.5 million kroons (20.5 million euros), having decreased in the third quarter by 6.7 million kroons (0.4 million euros). Bank loans totalled 308.9 million kroons (19.7 million euros) and finance lease liabilities amounted to 6.8 million kroons (0.4 million euros). Compared with the beginning of the year, the debt burden has decreased by 35.5 million kroons (2.3 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 assets not required for the core activity. At 30 September 2010, the ratio was 149% (31 December 2009: 183.1%).

CASH FLOWS

The Group has used the funds raised through investing and financing activities for improving its financial position in order to ensure sustainable development of its operating activities in a period of economic downturn.

Net cash flow for the first nine months was positive at 1.8 million kroons (0.12 million euro), including cash outflows from operating activities of -92.4 million kroons (-5.9 million euros) and cash inflows from investing and financing activities of 21.8 million kroons (1.4 million euros) and 69.9 million kroons(4.5 million euros) respectively. The Group's financial position was strengthened by the 106.2 million kroons (6.8 million euros) raised through an additional share issue, 24.6 million kroons (1.6 million euros) raised by the sale of real estate and a decrease in operating loss. In the first nine months, loan repayments to banks totalled 40.0 million kroons (2.6 million euros) (9 months 2009: 53.4 million kroons/3.4 million euros).

INVESTMENT

In the first nine months of 2010 the Group made capital investments of 3.2 million kroons (0.2 million euros) (9 months 2009: 94.4 million kroons/6.0 million euros). Investments in the retail system totalled 1.7 million kroons (0.1 million euros) and other investments amounted to 1.5 million kroons (0.1 million euros). In the second half-year, the main investments have been directed at upgrading the Group's IT processes and adopting the euro.

PEOPLE

At the end of September 2010, Baltika Group employed 1,456 (30 September 2009: 1,757) people, 796 (966) of them in the retail system, 478 (603) in manufacturing and 182 (188) at the head office. People employed outside Estonia numbered 610 (768), accounting for 42% of the total workforce. Compared with the beginning of the year, the headcount has decreased by 241. The period's average number of staff was 1,560 (9 months 2009: 1,840).

The Group's employee remuneration expenses for the first nine months of 2010 totalled 124.8 million kroons/8.0 million euros (9 months 2009: 150.4 million kroons/9.6 million euros), a 17% decrease year-over-year. Payroll expenses have declined on account of a decrease in the number of staff and the average salary. The remuneration of the members of the supervisory council and management board amounted to 4.4 million kroons/0.3 million euros (9 months 2009: 3.0 million kroons/0.2 million euros). The figure has grown because the membership of the supervisory council has increased.

LISTING OF ADDITIONAL SHARES

The annual general meeting that convened on 21 June 2010 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 at a premium of 2 kroons per share. The 8,850,000 ordinary shares were listed in the main list of the NASDAQ OMX Tallinn Stock Exchange on 20 September 2010.

KEY FIGURES OF THE GROUP (9 MONTHS 2010)

	30.09.2010	**30.09.2009**	+/-
Revenue (EEK million)	580.9	660.2	-12.0%
Retail sales (EEK million)	536.9	599.3	-10.4%
Share of retail sales in revenue	92%	91%	
Number of stores	123	141	-12.8%
Sales area (sqm)	24,794	29,277	-15.3%
Number of employees (end of period)	1,456	1,757	-17.1%
Gross margin	50.0%	47.0%	
Operating margin	-11.5%	-17.0%	
EBT margin	-13.4%	-19.0%	
Net margin	-13.6%	-19.1%	
Current ratio	1.1	1.0	10.0%
Inventory turnover	4.48	3.76	19.1%
Debt to equity ratio	149.0%	178.9%	
Return on equity	-61.7%	-78.7%	
Return on assets	-16.5%	-25.7%	

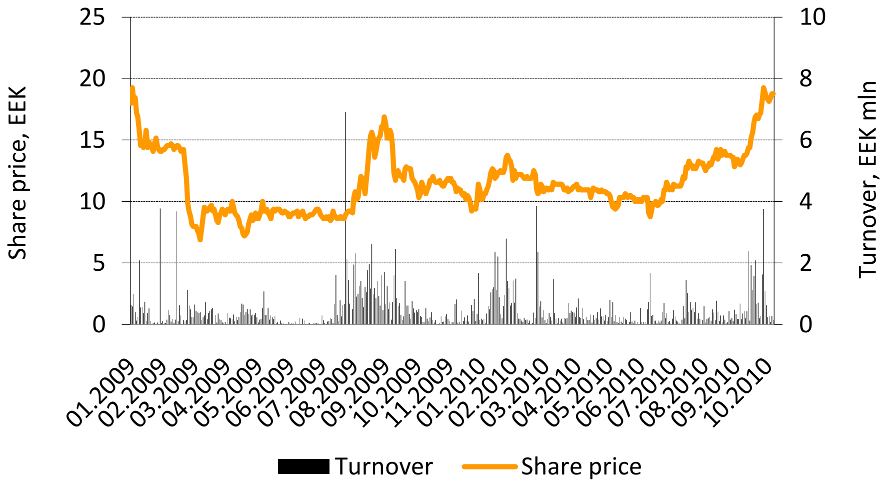
EUR 1 = EEK 15.6466

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
10 November 2010

Ülle Järv
Member of the management board
10 November 2010

Boriss Loifenfeld
Member of the management board
10 November 2010

Maire Milder
Member of the management board
10 November 2010

Andrew Paterson
Member of the management board
10 November 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 third quarter and nine months of 2010 as presented on pages 11-34.

The management board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;

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

3. all group companies are going concerns.

Meelis Milder
Chairman of the management board
10 November 2010

Ülle Järv
Member of the management board
10 November 2010

Boriss Loifenfeld
Member of the management board
10 November 2010

Maire Milder
Member of the management board
10 November 2010

Andrew Paterson
Member of the management board
10 November 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EEK thousand)

	Note	30.09.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	7,838	6,024
Trade and other receivables	4	65,047	54,932
Inventories	5,13	174,522	188,181
Total current assets		**247,407**	**249,137**
Non-current assets			
Deferred income tax assets		16,488	16,488
Other non-current asset	6	15,079	7,728
Investment property	7	103,294	103,294
Property, plant and equipment	8	209,863	263,165
Intangible assets	9	61,623	62,133
Total non-current assets		**406,347**	**452,808**
TOTAL ASSETS		**653,754**	**701,945**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	128,861	122,942
Trade and other payables	11	120,660	159,375
Total current liabilities		**249,521**	**282,317**
Non-current liabilities			
Borrowings	10	191,636	232,942
Other liabilities	11	590	114
Total non-current liabilities		**192,226**	**233,056**
TOTAL LIABILITIES		**441,747**	**515,373**
EQUITY			
Share capital at par value	12	314,949	226,449
Share premium		19,798	1,049
Reserves	12	43,567	43,567
Retained earnings		-77,617	81,487
Net profit (loss) for the period		-79,257	-159,104
Currency translation reserve		-12,161	-9,410
Total equity attributable to equity holders of the parent		**209,279**	**184,038**
Non-controlling interest		2,728	2,534
TOTAL EQUITY		**212,007**	**186,572**
TOTAL LIABILITIES AND EQUITY		**653,754**	**701,945**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	30.09.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	501	385
Trade and other receivables	4	4,157	3,511
Inventories	5,13	11,154	12,027
Total current assets		**15,812**	**15,923**
Non-current assets			
Deferred income tax assets		1,054	1,054
Other non-current asset	6	964	494
Investment property	7	6,602	6,602
Property, plant and equipment	8	13,413	16,819
Intangible assets	9	3,938	3,971
Total non-current assets		**25,970**	**28,940**
TOTAL ASSETS		**41,782**	**44,862**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	8,236	7,857
Trade and other payables	11	7,712	10,186
Total current liabilities		**15,947**	**18,043**
Non-current liabilities			
Borrowings	10	12,248	14,888
Other liabilities	11	38	7
Total non-current liabilities		**12,285**	**14,895**
TOTAL LIABILITIES		**28,233**	**32,938**
EQUITY			
Share capital at par value	12	20,129	14,473
Share premium		1,265	67
Reserves	12	2,784	2,784
Retained earnings		-4,961	5,208
Net profit (loss) for the period		-5,065	-10,169
Currency translation reserve		-777	-601
Total equity attributable to equity holders of the parent		**13,375**	**11,762**
Non-controlling interest		174	162
TOTAL EQUITY		**13,550**	**11,924**
TOTAL LIABILITIES AND EQUITY		**41,782**	**44,862**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EEK thousand)

	Note	Q3 2010	Q3 2009	9m 2010	9m 2009
Revenue	13,14	211,003	225,132	580,857	660,181
Cost of goods sold	15	-108,191	-111,460	-287,920	-350,140
Gross profit		**102,812**	**113,672**	**292,937**	**310,041**
Distribution costs	16	-109,050	-120,461	-328,906	-376,760
Administrative and general expenses	17	-11,866	-10,135	-32,843	-31,696
Other operating income	18	57	607	6,224	642
Other operating expenses	19	-9,232	-7,552	-4,032	-14,604
Operating profit (loss)	13	**-27,279**	**-23,869**	**-66,620**	**-112,377**
Finance income	20	4	10	2,519	26
Finance costs	20	-5,538	-4,457	-13,787	-13,335
Profit (loss) before income tax		**-32,813**	**-28,316**	**-77,888**	**-125,686**
Income tax		-682	-112	-1,175	-344
Net profit (loss)		**-33,495**	**-28,428**	**-79,063**	**-126,030**
Profit (loss) attributable to:					
Equity holders of the parent company		-33,435	-28,778	-79,205	-126,162
Non-controlling interests		-8	350	194	132
Other comprehensive income (loss)					
Currency translation differences		-841	3,811	-2,751	-2,184
Total comprehensive income (loss)		**-34,336**	**-24,617**	**-81,814**	**-128,214**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-34,328	-24,967	-82,008	-127,134
Non-controlling interests		-8	350	194	-1,080
Basic earnings per share, EEK	21	-1.22	-1.54	-3.62	-6.77
Diluted earnings per share, EEK	21	-1.22	-1.54	-3.62	-6.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EUR thousand)

	Note	Q3 2010	Q3 2009	9m 2010	9m 2009
Revenue	13,14	13,486	14,389	37,124	42,193
Cost of goods sold	15	-6,915	-7,124	-18,401	-22,378
Gross profit		**6,571**	**7,265**	**18,722**	**19,815**
Distribution costs	16	-6,970	-7,699	-21,021	-24,079
Administrative and general expenses	17	-758	-648	-2,099	-2,026
Other operating income	18	4	39	398	41
Other operating expenses	19	-590	-483	-258	-933
Operating profit (loss)	13	**-1,743**	**-1,526**	**-4,258**	**-7,182**
Finance income	20	0,3	1	161	2
Finance costs	20	-354	-285	-881	-852
Profit (loss) before income tax		**-2,097**	**-1,810**	**-4,978**	**-8,033**
Income tax		-44	-7	-75	-22
Net profit (loss)		**-2,141**	**-1,817**	**-5,053**	**-8,055**
Profit (loss) attributable to:					
Equity holders of the parent company		-2,137	-1,839	-5,062	-8,063
Non-controlling interests		-1	22	12	8
Other comprehensive income (loss)					
Currency translation differences		-54	244	-176	-140
Total comprehensive income (loss)		**-2,194**	**-1,573**	**-5,229**	**-8,194**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-2,194	-1,596	-5,241	-8,125
Non-controlling interests		-1	22	12	-69
Basic earnings per share, EUR	21	-0.08	-0.10	-0.23	-0.43
Diluted earnings per share, EUR	21	-0.08	-0.10	-0.23	-0.43

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	9m 2010	9m 2009
Operating activities			
Operating profit (loss)		-66,620	-112,377
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	35,873	36,529
Loss (gain) from disposal of PPE and investment property		1,147	717
Other non-monetary expenses		-5,122	1,474
Changes in working capital:			
Change in trade and other receivables	4	-19,826	13,656
Change in inventories	5	13,659	73,282
Change in trade and other payables	11	-36,736	-32,167
Interest paid		-13,937	-10,577
Income tax paid		-840	1,276
Net cash generated from operating activities		**-92,402**	**-28,187**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-3,447	-94,378
Under the finance lease terms		674	3,775
Proceeds from disposal of property, plant and equipment		24,592	713
Investments in subsidiaries		0	-2
Interest received		8	14
Net cash used in investing activities		**21,827**	**-89,878**
Financing activities			
Received borrowings	10	10,508	135,266
Repayments of borrowings	10	-39,399	-26,705
Change in bank overdraft	10	-639	-26,778
Repayments of finance lease and other liabilities		-2,996	-3,374
Receipts from share issue		106,200	40,000
Transaction costs of issuing preference shares		0	-865
Dividend paid for preference shares		-3,793	0
Dividend paid		-3	0
Bonds transactions		0	185
Net cash generated from financing activities		**69,878**	**117,729**
Effect of exchange gains (losses) on cash and cash equivalents		2,511	-2,837
Total cash flows		**1,814**	**-3,173**
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	**7,838**	**5,498**
Change in cash and cash equivalents		**1,814**	**-3,173**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR thousand)

	Note	9m 2010	9m 2009
Operating activities			
Operating profit (loss)		-4,258	-7,182
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	2,293	2,335
Loss (gain) from disposal of PPE and investment property		73	46
Other non-monetary expenses		-327	94
Changes in working capital:			
Change in trade and other receivables	4	-1,267	873
Change in inventories	5	873	4,684
Change in trade and other payables	11	-2,348	-2,056
Interest paid		-891	-676
Income tax paid		-54	82
Net cash generated from operating activities		**-5,906**	**-1,801**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-220	-6,032
Under the finance lease terms		43	241
Proceeds from disposal of property, plant and equipment		1,572	46
Investments in subsidiaries		0	-0.1
Interest received		1	1
Net cash used in investing activities		**1,395**	**-5,743**
Financing activities			
Received borrowings	10	672	8,645
Repayments of borrowings	10	-2,518	-1,707
Change in bank overdraft	10	-41	-1,711
Repayments of finance lease and other liabilities		-191	-216
Receipts from share issue		6,787	2,556
Transaction costs of issuing preference shares		0	-55
Dividend paid for preference shares		-242	0
Dividend paid		-0.2	0
Bonds transactions		0	12
Net cash generated from financing activities		**4,466**	**7,524**
Effect of exchange gains (losses) on cash and cash equivalents		160	-181
Total cash flows		**116**	**-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	**501**	**351**
Change in cash and cash equivalents		**116**	**-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	-126,162	-972	-127,134	-1,080	-128,214
Issue of preference shares	0	0	0	-8,288	0	-8,288	0	-8,288
Increase of share capital	40,000	0	0	0	0	40,000	0	40,000
Acquisition of non-controlling interest	0	0	0	0	0	0	-2	-2
Balance at 30.09.2009	**226,449**	**0**	**26,133**	**-44,675**	**-8,137**	**199,770**	**2,632**	**202,402**
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	-79,257	-2,751	-82,008	194	-81,814
Equity-settled share-based transactions	0	1,049	0	0	0	1,049	0	1,049
Increase of share capital	88,500	17,700	0	0	0	106,200	0	106,200
Balance at 30.09.2010	**314,949**	**19,798**	**43,567**	**-156,874**	**-12,161**	**209,279**	**2,728**	**212,007**

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	-8,063	-62	-8,125	-69	-8,194
Issue of preference shares	0	0	0	-530	0	-530	0	-530
Increase of share capital	2,556	0	0	0	0	2,556	0	2,556
Acquisition of non-controlling interest	0	0	0	0	0	0	0.1	0.1
Balance at 30.09.2009	**14,473**	**0**	**1,670**	**-2,855**	**-520**	**12,768**	**168**	**12,936**
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	-5,065	-176	-5,241	12	-5,229
Equity-settled share-based transactions	0	67	0	0	0	67	0	67
Increase of share capital	5,656	1,131	0	0	0	6,787	0.0	6,787
Balance at 30.09.2010	**20,129**	**1,265**	**2,784**	**-10,026**	**-777**	**13,375**	**174**	**13,550**

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 nine months ended 30 September 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 73% 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: Russian rouble +11.42% (2009: -17.41%), Polish zloty +9.22% (2009: -21.58%), Ukrainian hryvnia +4.82% (2009: -32.68) and Latvian lat -0.51% (2009: -0.63%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +3.81% (2009: +11.48%).

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 September 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 September 2010 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 26,253 thousand kroons (1,678 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 17,414 thousand kroons (1,113 thousand euros) (31 December 2009: 20,775 thousand kroons/1,328 thousand euros), including balances with the Eastern European wholesale partners of 16,843 thousand kroons (1,076 thousand euros) (31 December 2009: 19,020 thousand kroons/1,216 thousand euros) and balances with retail customers for bank card payments of 571 thousand kroons (37 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 September 2010

EEK '000	Carrying amount	9-12 months[1]	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	308,932	72,932	163,775	127,506	364,213
Finance lease liabilities (Note 10)	6,790	1,220	6,177	0	7,397
Trade payables (Note 11)	76,873	76,873	0	0	76,873
Other financial liabilities (Note 11)[2]	6,081	6,081	0	0	6,081
Total	**398,676**	**157,106**	**169,952**	**127,506**	**454,564**

EUR '000	Carrying amount	9-12 months[1]	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	19,744	4,661	10,467	8,149	23,277
Finance lease liabilities (Note 10)	433	78	395	0	473
Trade payables (Note 11)	4,913	4,913	0	0	4,913
Other financial liabilities (Note 11)[2]	389	389	0	0	389
Total	**25,479**	**10,041**	**10,862**	**8,149**	**29,052**

[1]Financial liabilities due in current financial year.
[2]Other financial liabilities include accrued expenses in amount of 2,329 thousand kroons (149 thousand euros) and dividends liabilities of preference shares in amount of 3,752 thousand kroons (240 thousand euros).

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)[1]	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)[1]	599	516	128	0	647
Total	**29,917**	**15,844**	**9,607**	**7,906**	**33,357**

[1]Other financial liabilities include accrued expenses in amount of 2,064 thousand kroons (132 thousand euros) and dividends liabilities of preference shares in amount of 7,313 thousand kroons (467 thousand euros).

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 September 2010 the gearing ratio was 59%.

Gearing ratios of the Group

	EEK '000		**EUR '000**	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Total borrowings (Note 10)	315,722	347,575	20,177	22,214
Cash and bank (Note 3)	-7,838	-6,024	-501	-385
Net debt	307,884	341,551	19,676	21,829
Total equity	212,059	186,572	13,553	11,924
Total capital	519,943	528,123	33,229	33,753
Gearing ratio	**59%**	**65%**	**59%**	**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 September 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	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Cash in hand	3,159	2,892	202	185
Cash at bank	4,679	3,132	299	200
Total	**7,838**	**6,024**	**501**	**385**

Cash and bank by currency

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
RUB (Russian rouble)	1,859	1,629	119	105
PLN (Polish zloty)	1,545	221	99	14
EUR (euro)	1,418	258	90	16
LTL (Lithuanian lit)	1,091	1,554	70	99
UAH (Ukrainian hryvnia)	822	508	53	32
EEK (Estonian kroon)	802	967	51	62
LVL (Latvian lat)	286	588	18	38
CZK (Czech koruna)	15	299	1	19
Total	**7,838**	**6,024**	**501**	**385**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Trade receivables, net	26,253	29,183	1,678	1,865
Other prepaid expenses	18,761	10,464	1,199	669
Tax prepayments and tax reclaims, thereof	13,122	13,694	839	875
Value added tax	12,872	12,735	823	814
Prepaid income tax	0	493	0	32
Other taxes	250	466	16	30
Other current receivables	6,911	1,591	442	102
Total	**65,047**	**54,932**	**4,157**	**3,511**

Trade receivables

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Trade receivables, gross	26,638	30,785	1,703	1,968
Allowance for impairment of trade receivables	-385	-1,602	-25	-102
Trade receivables, net	**26,253**	**29,183**	**1,678**	**1,865**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Not due	10,309	15,595	659	997
Up to 1 month past due	700	2,202	45	141
1-3 months past due	1,133	3,915	72	250
3-6 months past due	5,474	1,121	350	72
Over 6 months past due	8,637	6,350	552	406
Total	**26,253**	**29,183**	**1,678**	**1,865**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
EUR (euro)	18,593	21,260	1,188	1,359
EEK (Estonian kroon)	6,032	4,618	386	295
LVL (Latvian lat)	548	707	35	45
RUB (Russian rouble)	497	762	32	49
LTL (Lithuanian lit)	439	697	28	45
UAH (Ukrainian hryvnia)	74	993	5	63
PLN (Polish zloty)	70	141	4	9
CZK (Czech koruna)	0	5	0	0
Total	**26,253**	**29,183**	**1,678**	**1,865**

NOTE 5 Inventories

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Fabrics and accessories	23,132	27,967	1,478	1,787
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,072	1,137	69	73
Finished goods and goods purchased for resale	146,439	162,946	9,359	10,415
Allowance for impairment of finished goods and goods purchased for resale	0	-5,000	0	-320
Prepayments to suppliers	4,079	1,331	261	85
Total	**174,522**	**188,181**	**11,154**	**12,027**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Non-current lease prepayments	7,919	7,728	506	494
Other long-term receivables	7,160	0	458	0
Total	**15,079**	**7,728**	**964**	**494**

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2008	**134,098**	**8,570**
Additions	73,266	4,683
Balance at 30 September 2009	**207,364**	**13,253**
Balance at 31 December 2009	**103,294**	**6,602**
Balance at 30 September 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	Prepayments	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	6,559	572	12,124	608	127	19,990
Disposals	0	-637	-213	-560	0	0	-1,410
Reclassification	0	0	6,145	-3,967	-2,178	0	0
Depreciation	0	-12,505	-6,334	-13,695	0	0	-32,534
Currency translation differences[1]	0	-446	-363	-1,378	-196	-22	-2,405
At 30 September 2009							
Acquisition cost	**2,113**	**126,850**	**106,794**	**122,417**	**595**	**279**	**359,048**
Accumulated depreciation	0	-52,680	-73,911	-68,236	0	0	-194,827
Net book amount	**2,113**	**74,170**	**32,883**	**54,181**	**595**	**279**	**164,221**
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	311	242	1,167	117	0	1,837
Disposals	-171	-23,237	-1,007	-1,093	0	0	-25,508
Depreciation	0	-12,329	-5,931	-13,788	0	0	-32,048
Currency translation differences[1]	0	820	385	1,199	1	12	2,417
At 30 September 2010							
Acquisition cost	**0**	**198,812**	**91,700**	**114,748**	**231**	**179**	**405,670**
Accumulated depreciation	0	-49,547	-68,574	-77,686	0	0	-195,807
Net book amount	**0**	**149,265**	**23,126**	**37,062**	**231**	**179**	**209,863**

EUR '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	**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	419	37	775	39	8	1,278
Disposals	0	-41	-14	-36	0	0	-90
Reclassification	0	0	393	-254	-139	0	0
Depreciation	0	-799	-405	-875	0	0	-2,079
Currency translation differences[1]	0	-29	-23	-88	-13	-1	-154
At 30 September 2009							
Acquisition cost	**135**	**8,107**	**6,825**	**7,824**	**38**	**18**	**22,947**
Accumulated depreciation	0	-3,367	-4,724	-4,361	0	0	-12,452
Net book amount	**135**	**4,740**	**2,102**	**3,463**	**38**	**18**	**10,496**
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	20	15	75	7	0	117
Disposals	-11	-1,485	-64	-70	0	0	-1,630
Depreciation	0	-788	-379	-881	0	0	-2,048
Currency translation differences[1]	0	52	25	77	0	1	154
At 30 September 2010							
Acquisition cost	**0**	**12,706**	**5,861**	**7,334**	**15**	**11**	**25,927**
Accumulated depreciation	0	-3,167	-4,383	-4,965	0	0	-12,514
Net book amount	**0**	**9,540**	**1,478**	**2,369**	**15**	**11**	**13,413**

[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	1,096	0	26	5,487	6,609
Disposals	-20	0	0	0	-20
Reclassification	1,298	0	-1,298	0	0
Amortisation	-3,652	-377	0	0	-4,029
Currency translation differences[1]	10	0	-98	-987	-1,075
At 30 September 2009					
Acquisition cost	**42,423**	**10,060**	**775**	**27,165**	**80,423**
Accumulated amortisation	-17,783	-1,551	0	0	-19,334
Net book amount	**24,640**	**8,509**	**775**	**27,165**	**61,089**
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	1,453	0	157	931	2,541
Disposals	-324	0	0	0	-324
Amortisation	-3,448	-377	0	0	-3,825
Currency translation differences[1]	134	0	0	964	1,098
At 30 September 2010					
Acquisition cost	**43,232**	**10,060**	**157**	**31,543**	**84,992**
Accumulated amortisation	-21,315	-2,054	0	0	-23,369
Net book amount	**21,917**	**8,006**	**157**	**31,543**	**61,623**

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	70	0	2	351	422
Disposals	-1	0	0	0	-1
Reclassification	83	0	-83	0	0
Amortisation	-233	-24	0	0	-258
Currency translation differences[1]	1	0	-6	-63	-69
At 30 September 2009					
Acquisition cost	**2,711**	**643**	**50**	**1,736**	**5,140**
Accumulated amortisation	-1,137	-99	0	0	-1,236
Net book amount	**1,575**	**544**	**50**	**1,736**	**3,904**
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	93	0	10	60	162
Disposals	-21	0	0	0	-21
Amortisation	-220	-24	0	0	-244
Currency translation differences[1]	9	0	0	62	70
At 30 September 2010					
Acquisition cost	**2,763**	**643**	**10**	**2,016**	**5,432**
Accumulated amortisation	-1,362	-131	0	0	-1,494
Net book amount	**1,401**	**512**	**10**	**2,016**	**3,938**

[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	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Current borrowings				
Current portion of non-current bank loans	46,786	34,864	2,990	2,228
Current bank loans	76,032	78,795	4,860	5,036
Current finance lease liabilities	2,292	3,804	146	243
Liability component of preference shares	3,751	5,479	240	350
Total	**128,861**	**122,942**	**8,236**	**7,857**
Non-current borrowings				
Non-current bank loans	186,114	224,803	11,894	14,368
Non-current finance lease liabilities	4,498	5,309	287	339
Convertible bonds	1,024	2,830	65	181
Total	**191,636**	**232,942**	**12,248**	**14,888**
Total borrowings	**320,497**	**355,884**	**20,484**	**22,745**

During the reporting period, the Group made loan repayments in the amount of 39,399 thousand kroons (2,518 thousand euros) (2009: 26,705 thousand kroons/1,707 thousand euros). Interest expense of the reporting periods amounted to 13,787 thousand kroons (881 thousand euros) (2009: 10,484 thousand kroons/670 thousand euros).

Bank loans of the Group at 30 September 2010

	Carrying amount		**Average risk**
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	4,694	300	3.00%
Borrowings at floating interest rate (based on 3-month Euribor)	16,680	1,066	5.75%
Borrowings at floating interest rate (based on 6-month Euribor)	243,770	15,579	4.08%
Borrowings at fixed interest rate (incl. overdraft)	43,788	2,799	7.57%
Total	**308,932**	**19,744**	

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**	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
Current liabilities				
Trade payables	76,873	111,161	4,913	7,104
Tax liabilities, thereof	24,850	27,857	1,588	1,780
Personal income tax	3,450	3,669	220	234
Social security taxes	8,899	9,641	569	616
Value added tax	11,184	13,411	715	857
Corporate income tax liability	52	210	3	13
Other taxes	1,265	926	81	59
Payables to employees	15,727	16,347	1,006	1,045
Other accrued expenses	2,329	2,064	149	132
Customer prepayments	867	1,800	55	115
Other current payables	14	146	1	9
Total	**120,660**	**159,375**	**7,712**	**10,185**
Non-current liabilities				
Other liabilities	590	114	38	7

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

Trade payables by denominating currency

	EEK '000		EUR '000	
	30.09.2010	**31.12.2009**	**30.09.2010**	**31.12.2009**
EEK (Estonian kroon)	35,270	33,470	2,254	2,139
USD (US dollar)	22,004	29,418	1,406	1,880
EUR (euro)	12,148	38,800	776	2,480
RUB (Russian rouble)	2,349	3,038	150	194
PLN (Polish zloty)	1,808	815	116	52
CZK (Czech koruna)	1,232	1,461	79	93
LVL (Latvian lat)	694	613	44	39
LTL (Lithuanian lit)	420	2,802	27	179
Other currencies	948	744	61	48
Total	**76,873**	**111,161**	**4,913**	**7,104**

NOTE 12 Equity

Share capital

EEK '000	**30.09.2010**	**31.12.2009**
Share capital	314,949	226,449
Number of shares	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	**30.09.2010**	**31.12.2009**
Share capital	20,129	14,473
Number of shares	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 4,000,000 pieces respectively. The 27,494,850 ordinary shares are listed on the Tallinn Stock Exchange, 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 0.95 kroons (0.06 euros) per share equalling a total of 3,793 thousand kroons (242 thousand euros). Corporate income tax expense on dividends amounted to 1008 thousand kroons (64 thousand euros). Dividends on preference shares are recognised in the balance sheet as liabilities, the interest expense of preference shares amounted to 232 thousand kroons (15 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 30.09.2010, thereof		**31,494,850**
Ordinary shares		27,494,850
Preference shares		4,000,000

Shareholders at 30 September 2010 (ordinary shares)

	Number of shares	Holding
BMIG OÜ	4,624,860	16.82%
ING Luxembourg S.A.	3,250,000	11.82%
E. Miroglio S.A.	3,000,000	10.91%
Skandinaviska Enskilda Banken Ab clients	2,967,347	10.79%
Svenska Handelsbanken clients	1,972,000	7.17%
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	10,376,258	37.74%
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 27,494,850 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 September 2010 and at 30 September 2009 is as follows:

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
9m 2010 and at 30 September 2010						
Revenue (from external customers)	320,902	199,345	16,659	39,703	4,248	580,857
Segment profit (loss)[2]	27,325	3,039	-6,255	8,590	3,189	35,888
Incl. depreciation and amortisation	-14,745	-10,181	-1,691	-274	0	-26,891
Inventories of segments	52,256	31,409	2,958	0	0	86,623
9m 2009 and at 30 September 2009						
Revenue (from external customers)	356,056	208,561	34,657	59,848	1,059	660,181
Segment profit (loss)[2]	9,962	-24,975	-17,183	14,936	370	-16,890
Incl. depreciation and amortisation	-14,772	-10,024	-3,583	-764	0	-29,143
Inventories of segments	75,009	45,405	4,866	2,611	0	127,891

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
9m 2010 and at 30 September 2010						
Revenue (from external customers)	20,509	12,740	1,065	2,537	271	37,124
Segment profit (loss)[2]						
Incl. depreciation and amortisation	-942	-651	-108	-18	0	-1,719
Inventories of segments	3,340	2,007	189	0	0	5,536
9m 2009 and at 30 September 2009						
Revenue (from external customers)	22,756	13,329	2,215	3,825	68	42,193
Segment profit (loss)[2]	637	-1,596	-1,098	955	24	-1,079
Incl. depreciation and amortisation	-944	-641	-229	-49	0	-1,863
Inventories of segments	4,794	2,902	311	167	0	8,174

[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	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Total profit for reportable segments	35,888	-16,890	2,294	-1,079
Unallocated expense[1]s:				
Distribution costs	-71,857	-49,829	-4,592	-3,185
Administrative and general expenses	-32,843	-31,696	-2,099	-2,026
Other operating income (expenses), net	2,192	-13,962	140	-892
Operating profit (loss)	**-66,620**	**-112,377**	**-4,258**	**-7,182**

[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		
	30.09.2010	**31.12.2009**	**30.09.2009**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Total inventories of segments	86,623	100,222	127,891	5,536	6,405	8,174
Inventories in Parent company and production companies	87,899	87,959	87,258	5,618	5,622	5,577
Inventories on balance sheet	**174,522**	**188,181**	**215,149**	**11,154**	**12,027**	**13,751**

NOTE 14 Revenue

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Sale of goods	574,970	658,378	36,748	42,077
Sale of sewing services	1,123	0	72	0
Lease revenue	4,248	1,058	271	68
Other	516	745	33	48
Total	**580,857**	**660,181**	**37,124**	**42,193**

NOTE 15 Cost of goods sold

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Materials and supplies	239,506	281,544	15,308	17,994
Payroll costs in production	36,477	49,964	2,331	3,193
Operating lease expenses	5,099	7,314	326	467
Other production costs	6,954	5,244	444	335
Depreciation of assets used in production	2,973	3,325	190	213
Change in inventories	1,911	8,049	122	514
Change in allowance for inventories	-5,000	-5,300	-320	-339
Total	**287,920**	**350,140**	**18,401**	**22,378**

NOTE 16 Distribution costs

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Operating lease expenses	128,086	147,197	8,185	9,409
Payroll costs	116,998	130,409	7,477	8,335
Depreciation and amortisation	28,365	31,175	1,813	1,992
Advertising expenses	12,729	19,369	814	1,238
Fuel, heating and electricity costs	7,767	7,207	496	461
Fees for card payments	4,078	4,372	261	279
Municipal services and security expenses	3,077	6,687	197	426
Financial and management fees	2,936	3,036	188	194
Freight costs	2,668	2,663	171	170
Information technology expenses	2,365	2,717	151	174
Communication expenses	2,061	2,529	132	162
Travel expenses	1,860	2,067	119	132
Bank fees	1,491	1,701	95	109
Packaging costs	1,102	1,382	70	87
Renovation expenses of retail outlets	853	792	55	51
Training expenses	536	569	34	36
Expenses for uniforms	494	898	32	57
Other sales expenses	11,440	11,990	731	767
Total	**328,906**	**376,760**	**21,021**	**24,079**

NOTE 17 Administrative and general expenses

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Payroll costs[1]	15,378	15,986	984	1,022
Depreciation and amortisation	4,347	2,029	278	130
Information technology expenses	3,059	3,509	196	224
Bank fees	2,321	1,675	148	107
Fuel, heating and electricity expenses	979	1,004	63	64
Operating lease expenses	743	2,040	47	130
Communication expenses	539	610	34	39
Sponsorship	239	368	15	24
Municipal services and security expenses	300	389	19	25
Training expenses	210	223	13	14
Travel expenses	38	30	2.4	2
Other administrative expenses	4,690	3,833	300	245
Total	**32,843**	**31,696**	**2,099**	**2,026**

[1]Payroll costs of 2010 include payroll expenses for employee services received under the share options programme in 2009 in amount of 1,049 thousand kroons.

NOTE 18 Other operating income

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Gain from sale of non-current assets	287	42	18	3
Foreign exchange income	1,840	0	119	0
Other operating income	4,097	600	262	38
Total	**6,224**	**642**	**398**	**41**

[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	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Foreign exchange losses	0	11,553	0	738
Loss from sale and writing off of non-current assets	1,163	0	74	0
Fines, penalties and tax interest	1,153	1,161	74	74
Representation costs	48	73	3	5
Other operating expenses	1,668	1,817	107	116
Total	**4,032**	**14,604**	**258**	**933**

NOTE 20 Finance income and costs

	EEK '000		EUR '000	
	9m 2010	**9m 2009**	**9m 2010**	**9m 2009**
Interest income	8	14	1	1
Interest costs	-13,787	-10,484	-881	-671
Foreign exchange income (losses)	2,511	-2,838	160	-181
Other finance income	0	12	0	1
Other finance costs	0	-13	0	-1
Total	**-11,268**	**-13,309**	**-720**	**-851**

NOTE 21 Earnings per share

Basic earnings per share

		9m 2010	9m 2009
Weighted average number of shares	pcs	21,889,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-79,205	-126,162
	EUR '000	-5,062	-8,063
Basic earnings per share	**EEK**	**-3.62**	**-6.77**
	EUR	**-0.23**	**-0.43**

Diluted earnings per share

		9m 2010	9m 2009
Weighted average number of shares	pcs	21,889,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-79,205	-126,162
	EUR '000	-5,062	-8,063
Diluted earnings per share	**EEK**	**-3.62**	**-6.77**
	EUR	**-0.23**	**-0.43**

In view of the fact that the Group does not have dilutive potential ordinary shares or dilutive adjustments to earnings as at 30 September 2010 and 30 September 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 11.56 kroons (0.74 euros) (2009: 10.90 kroons/0.70 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 30.09.2010	Number of convertible bonds 31.12.2009
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,842,500	1,842,500