AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months of 2010

Commercial name	AS Baltika
Commercial registry number	10144415
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E-mail	baltika@baltikagroup.com
Web page	www.baltikagroup.com
Main activities	Design, development, production and sales arrangement of the fashion brands of clothing
Auditor	AS PricewaterhouseCoopers
Financial year	01.01.2010 – 31.12.2010
Reporting period	01.01.2010 – 31.12.2010

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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 31 December 2010, the Group employed 1,419 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:

Subsidiary	Location	Activity	Holding at 31.12.2010	Holding at 31.12.2009
OÜ Baltika Retail	Estonia	Holding	100%	-
OÜ Baltman	Estonia	Retail	-	100%
SIA Baltika Latvija	Latvia	Retail	-	100%
UAB Baltika Lietuva	Lithuania	Retail	-	100%
Baltika Ukraina Ltd	Ukraine	Retail	1%	99%
OOO Kompania “Baltman RUS”	Russia	Retail	-	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	-	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	93,8%	93,3%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

BALTIKA'S FINANCIAL RESULTS, Q 4 AND 2010

Q4 RESULTS

The fourth quarter was the most successful one for Baltika in 2010. The decisions made during the year for improving the efficiency and profitability of its retail system allowed the Group earn quarterly profit on its core operations. The fourth quarter 7% retail revenue growth was achieved on a sales area that was 11% smaller on average. A stronger financial position made it possible to maintain an optimal level of inventory and to secure planned financing for the goods of the beginning of the new season. Among other factors, sales recovery was supported by the stabilisation of the economic environment and the successful seasonal collections of Baltika's brands. Consolidation of the financial position by debt restructuring ensured the availability of sufficient working capital.

Baltika Group ended the fourth quarter of 2010 with revenue of 236 million kroons (15.1 million euros), a 7% increase year-over-year. Retail revenues totalled 224.2 million kroons (14.3 million euros), also 7% up year-over-year. Sales grew in all markets except Lithuania that posted a 5% sales decline. The largest, 18%, sales growth was achieved in Latvia. In Estonia sales grew by 14%, in Russia by 9%, in Ukraine by 7% and in Poland by 3%. Efficiency indicators improved in all markets. Sales per square metre (sales efficiency) rose by 21%. Comparable store sales grew by a total of 14% and results improved in all markets: in Russia by 25%, in Ukraine by 20%, in Estonia by 13%, in Latvia by 12%, in Lithuania by 6% and in Poland by 4%. In the fourth quarter the Group opened one and closed four stores.

Wholesale revenue for the fourth quarter was 9 million kroons (0.6 million euros), a 2% increase year-over-year.

REVENUE

EEK, million	**Q4 2010**	**Q4 2009**	+/-
Retail	224.2	209.8	6.9%
Wholesale	9.0	8.8	2.3%
Rental	1.8	0.8	125.0%
Subcontracting	0.8	0.1	700.0%
Other	0.2	0.5	-60.0%
Total	**236.0**	**220.0**	**7.3%**

Baltika ended the fourth quarter with a gross profit of 130.1 million kroons (8.3 million euros) earned on a sales area that was 11% smaller on average and a significantly higher gross margin. Fourth quarter gross margin was 55% (2009: 51%) and gross profit for the quarter was 15% (17.4 million kroons/1.1 million euros) larger than in the comparative period.

The retail system ended the fourth quarter with a profit of 27.5 million kroons (1.8 million euros), an improvement of 9 million kroons (0.6 million euros) year-over-year. Excluding the impact of the Czech market that was exited in 2009, comparable profit was 29.7 million kroons (1.9 million euros), i.e. 9.6 million kroons (0.61 million euros) larger than in the comparative period.

In the fourth quarter the Group's management adopted a number of decisions aimed at achieving the strategic objectives of subsequent years. To restore the retail system's efficiency to its pre-crisis level and sustain its profitable growth, the Group will continue restructuring the existing system. It was decided that in the first half of 2011 five additional stores would be closed. Four of them were closed in the first two months of 2011. In addition, in the next six months management will decide the possibilities and need for continuing operations in the Polish market. The effects of all those activities were provided for in the fourth quarter and are reflected in the fourth quarter results.

The Group's fourth quarter operating profit from the core operations amounted to 9.1 million kroons (0.6 million euros). For comparison, in the fourth quarter of 2009 the Group incurred a loss of 25.5 million kroons (1.6 million euros). After all the provisions made in 2010 for 2011 the quarter ended in a loss of 20 million kroons (1.3 million euros) (Q4 2009: -34.25 million kroons/-2.2 million euros). Fourth quarter earnings before interest, tax, depreciation and amortisation (EBITDA) were 10.3 million kroons (0.7 million euros) compared with -29.9 million kroons/-1.91 million euros for the fourth quarter of 2009.

EEK million	4Q 2010	4Q 2009
Operating loss from the core operations before non-recurring expenses and effects of movements in exchange rates	**9.1**	**-12.4**
Non-recurring expenses	**20.8**	**30.7**
Store closure expenses	11.2	17.1
Inventory write-down allowances and inventory write-off expenses	6.2	3.7
Impairment allowances for receivables and interest expense on discounted receivables	3.8	3.0
Revaluation of real estate	0.0	6.2
Termination benefits provisions/expense	0.7	0.7
Other expenses	-1.1	0.0
Currency translation differences	**-1.3**	**-2.0**
Financial expenses (income)	**4.3**	**6.2**
of which interest expense	4.9	4.2
Loss before income tax	**-14.8**	**-47.3**
Income tax expense	5.2	-13.0
Net loss	**-20.0**	**-34.3**

RESULTS FOR 2010

The Group's objectives for 2010 were to adapt to the impacts of the global economic crisis, to stabilise its weakened financial position and, in the second half of the year, to achieve positive growth trends, particularly in revenue and gross profit. In addition, in 2010 the Group began designing strategic projects for subsequent years. Costs were lowered to a level appropriate for a crisis, the retail system was strengthened by closing loss-generating stores and the Group implemented a financial package for improving its liquidity.

RETAIL

The overall economic downturn that began stabilising in the last months of 2010 influenced Baltika's retail sales throughout the year. However, year-over-year decline in retail revenue decreased on a monthly basis (Q1 -20%, Q2 -10%, Q3 -2%) and for the first time in the past two years the fourth quarter ended with year-over-year sales growth that amounted to 7%. Retail revenue for 2010 totalled 761.1 million kroons (48.6 million euros), 6% down from 2009.

Retail sales by market

EEK, million	2010	2009	+/-	Proportion, 2010
Estonia	204.0	192.4	6%	27%
Lithuania	154.2	187.6	-18%	20%
Russia	166.4	161.8	3%	22%
Ukraine	112.0	119.9	-7%	15%
Latvia	100.9	104.3	-3%	13%
Poland	23.6	30.0	-21%	3%
Czech Republic	0.0	13.1	100%	0%
Total	**761.1**	**809.1**	**-6%**	**100%**

EUR 1 = EEK 15.6466

In 2010 the Group achieved retail sales growth in two markets: Estonia, where sales grew by 6%, and Russia, where sales rose by 13%. Retail revenue was also influenced by the ongoing contraction of the retail system that resulted from the closure of inefficient stores. The entire revenue was earned on a sales area that was 9% smaller on average.

If in the first half of the year sales figures were still following a downward trend, in the second half of the year, along with economic recovery, they began rising slowly in all of Baltika's retail markets. Comparable store sales for the full year grew only in Russia and Poland – by 16% and 5% respectively. Other markets posted strong sales growth in the second half-year.

Comparable store sales dynamics by market

	Q1	Q2	Q3	Q4	2010
Estonia	-26%	-13%	11%	13%	**-4%**
Lithuania	-33%	-23%	-8%	6%	**-14%**
Latvia	-24%	-8%	5%	12%	**-3%**
Russia	-5%	20%	25%	26%	**16%**
Ukraine	-20%	-7%	8%	20%	**-2%**
Poland	10%	0%	8%	4%	**5%**
Total	**-23%**	**-9%**	**8%**	**14%**	**-2%**

BRANDS

In terms of brands, most of Baltika's retail revenue is contributed by Monton whose sales for 2010 accounted for 53% of the Group's total retail revenue. Mosaic contributed 33% and Baltman and Ivo Nikkolo 7% each.

Monton

In 2010 retail sales of Monton totalled 404 million kroons (25.8 million euros). Compared with 2009, sales declined by 5% while the retail area decreased by 8%.

In 2010 Monton succeeded in improving its efficiency indicators considerably, which confirms that the crisis is over and a new and more stable growth phase has started. Annual retail sales were achieved with inventories that were almost a third smaller, substantially smaller discounts and a higher sales margin. In 2010 the process of creating the collection was simplified and streamlined, which strengthened the composition of the whole collection and was well received by the consumers.

Sales revenue increased in all of Monton's markets except for Lithuania where sales decreased compared with 2009. Monton's largest market continues to be Russia, which accounts for 30% of retail sales of the brand. In November 2010 a new store was opened in one of St Petersburg's smartest shopping malls, Galeria, which has the potential of becoming the best-selling Monton store in the Group's retail system.

Mosaic

Mosaic's retail sales for 2010 amounted to 249 million kroons (15.9 million euros), a 9% decrease compared with 2009. The sales result continues to be undermined by the economic situation in the Group's retail markets – the purchasing decisions of Mosaic's customers are carefully considered and often customers refrain from buying new clothes. The decline in Mosaic's retail sales is also attributable to the shrinkage in sales area – in 2010 the brand's sales area decreased by 12%.

In 2010 one of Mosaic's main goals was to improve retail sales efficiency, which rose by 4% compared with 2009. This was mainly achieved through a significant improvement in the sales efficiency of the brand's Ukrainian and Russian stores. It should also be noted that the improvement was achieved in the context of 5% smaller inventory per square metre.

Development of the supply base and strong supplier relations continued. The products' purchase margins were kept stable or, in some product groups, even lowered, which helped improve profitability compared with 2009. Ongoing analysis of competitors' activities including price analyses and focus group surveys allowed the brand to obtain valuable information for maintaining success in an environment of increasing competition.

Mosaic plays an important role in Baltika's wholesale business. In 2010 the brand accounted for 62% of the Group's wholesale revenue. In 2010 the brand continued successful cooperation with Peek & Cloppenburg, a leading European department store chain. During the year Mosaic was launched at another 12 department stores and by the year-end the Mosaic ladies wear collection was carried by 42 Peek & Cloppenburg department stores.

Baltman

Retail sales of Baltman totalled 52 million kroons (3.4 million euros), a 5% decrease compared with 2009. As the sales area decreased by 7% in the same period, sales efficiency improved slightly. In addition, in 2010 discounts were smaller and sales were achieved with inventories that were almost a third smaller than in 2009. At the year-end, Baltman operated on 12 separate retail areas in the Baltic countries and, in addition, in two of the Group's multi-brand stores.

In 2010 the brand focused on modernising the collection and adjusting it to the needs of the target customer. The changes that have been made including modernization of the fit of the suits and their simpler delivery to the customer, alignment of the suits' internal details to sub-brand will reach the customers in 2011.

In 2010 Baltman launched its special order service, which allows the customer to acquire a suit sewn of specially ordered fabric. With this, Baltman entered a new market segment. In subsequent years the brand expects to expand the special order service from the Fashion Street store of the Estonian market to its other Baltic markets. In delivering the special order service, the brand cooperates with the Italian quality fabric producer Loro Piana, which allows offering the customers an excellent quality-price ratio.

Ivo Nikkolo

Despite the prevailing economic downturn, Ivo Nikkolo sustained strong growth also in 2010. The brand's sales for 2010 totalled 54 million kroons (3.5 million euros), 35% up on 2009. Sales area increased in the same period by 26%.

During the year, Ivo Nikkolo further expanded and strengthened its position in the Baltics: in March its second brand store was opened in Riga, in the Galerija Centrs located in the old city of the Latvian capital, and an additional sales area was opened in Klaipeda in Lithuania. In addition, Ivo Nikkolo penetrated a new geographic region, Ukraine, where an Ivo Nikkolo shop-in-shop was opened in the Group's Monton store in Odessa.

In 2010 development of the collection continued. In the past years, the relative importance of outdoor clothing in the brand's winder collections has increased considerably. In addition, the brand has strengthened its positions as a provider of office and formal/party attire and has extended its offering of summer wear.

STORES AND SALES AREA

At the end of 2010, Baltika had 120 stores in six countries with a total sales area of 24,424 sq metres, 13 stores and 2,476 sq metres less than at the end of 2009. During the year, the Group resolutely streamlined its store portfolio so as to have a more efficient sales area in the final phase of the recession. The economic downturn affected also many shopping malls whose store visits and customer purchasing power dropped to a level where extension of the stores' rental agreements was no longer expedient. During the year the Group opened five stores, took over a store from its Russian business partner, and closed 19 stores. In the first two months of 2011 the Group closed four more stores whose closure expenses were recognised already in the expenses of 2010.

Stores by market

	31 Dec 2010	31 Dec 2009
Lithuania	31	36
Estonia	30	30
Russia	23	25
Ukraine	17	23
Latvia	15	14
Poland	4	5
Total number of stores	**120**	**133**
Total sales area, m^2	**24,424**	**26,900**

WHOLESALE

The Group's wholesale revenue for 2010 amounted to 47 million kroons (3.0 million euros), 31% down from 2009. Comparable wholesale revenue from Baltika's own brands only decreased by 6% year-over-year.

The successful test period of the wholesale contract signed with Peek & Cloppenburg that lasted through 2009 was followed by Mosaic's vigorous expansion across the chain in 2010. If at the end of 2009 Mosaic was represented at 30 department stores, then in 2010 the brand penetrated another 12 department stores and two new markets, the Netherlands and Romania. Previously Mosaic was already represented at selected Peek & Cloppenburg department stores in Germany, Austria, Poland, Slovakia, Slovenia, Hungary, the Czech Republic and Croatia. In the Austrian and Polish markets the brand is represented in most of the chain's department stores. Peek & Cloppenburg is one of the leading European department store chains that has more than 80 department stores in Germany and over 100 department stores across Europe.

EARNINGS AND MARGINS

In 2010, Baltika Group's performance was influenced the most by recession-induced changes in consumer behaviour, changes in the Group's retail system and the speed of exiting the crisis.

Better inventory management and discount planning helped improve the gross margins. The Group's gross margin for 2010 was 51.8% (2009: 48%). Gross profit for the year was 423.0 million kroons (27.0 million euros); in light of a 7% decrease in sales gross profit remained roughly at the level of the previous year.

In 2010 Baltika's retail markets generated a profit of 35.6 million kroons (2.3 million euros), 79.5 million kroons (5.1 million euros) up on 2009. The retail markets ended 2009 with a loss of 43.8 million kroons (2.8 million euros).

In 2010 the Group continued to focus on cutting operating expenses throughout the system. Cutbacks were made in personnel expenses and the number of staff and a lot of effort was put in lowering rental charges in all markets. Distribution expenses decreased during the year by 57.5 million kroons (3.7 million kroons) to 443.2 million kroons (28.3 million euros). In the retail system, the stores' rental expenses per square metre dropped by 4% on average while personnel expenses remained on the level of 2009.

In manufacturing, production volumes were reduced, which resulted in a decline in headcount. During the year, the Group paid the production staff that had been laid off termination benefits of 1.2 million kroons (0.1 million euros). Altogether, in manufacturing personnel expenses declined by 26% year-over-year.

Administrative expenses grew by 1.4 million kroons (0.1 million euros) to 45.9 million kroons(2.9 million euros). Growth is mainly attributable to the costs of designing a new strategy for subsequent years.

In 2010 Baltika's operating loss from the core business amounted to 62.7 million kroons (4.0 million euros) compared with a core business operating loss of 113.7 million kroons (7.3 million euros) for 2009. After all the provisions made in 2010 for 2011 the year ended in a loss of 90.3 million kroons (5.8 million euros) (2009: -160.3 million kroons/-10.3 million euros). Earnings before interest, tax, depreciation and amortisation (EBITDA) were negative at -17.4 million kroons (-1.1 million euros) (2009: -87.1 million kroons/-5.6 million euros).

EEK million	**2010**	**2009**
Operating loss from the core operations before non-recurring expenses and effects of movements in exchange rates	**-62.5**	**-113.7**
Non-recurring expenses	**17.8**	**33.3**
Store closure expenses	12.6	18.7
Inventory write-down allowances and inventory write-off expenses	1.2	0.0
Impairment allowances for receivables and interest expense on discounted receivables	3.8	3.0
Revaluation of real estate	0.0	6.2
Termination benefits provisions/expense	1.3	3.9
Other expenses	-1.1	1.5
Currency translation differences	**-5.7**	**12.3**
Financial expenses (including interest expense)	**18.1**	**13.6**
of which interest expense	18.1	14.3
Loss before income tax	**-92.7**	**-172.9**
Income tax expense	6.4	-12.7
Net loss	**-99.1**	**-160.3**

Baltika Group's operating loss for 2010 amounted to 73.8 million kroons (4.7 million euros). Operating loss for 2009 was 160,2 million kroons (10,2 million euros).

The Group's operating loss for 2010 includes various store closure expenses (including write-off of investments) of 12.6 million kroons (0.8 million euros) in aggregate.

The Group's financial expenses for 2010 totalled 22.0 million kroons (1.4 million euros), 24% up on 2009. Interest expense on loans totalled 18.0 million kroons (1.2 million euros), an 26% increase on 2009. The average annual interest rate of loans was 5.79% (2009: 4.45%).

Baltika ended 2010 with a net loss of 99.3 million kroons (6.3 million euros) compared with a net loss of 160.3 million kroons (10.2 million euros) incurred in 2009.

FINANCIAL POSITION

In 2010 the Group focused on adapting to the impacts of the global economic crisis and strengthening its weakened financial position.

At 31 December 2010, Baltika's consolidated balance sheet stood at 617.3 million kroons (39.5 million euros), a 12% decrease year-over-year.

The greatest changes that improved the financial position resulted from the restructuring of the loan portfolio in November 2010. As the last step in the package implemented for strengthening its financial position, in November AS Baltika signed loan refinancing agreements of 17.1 million euros and guarantee limit agreements of 2.9 million euros maturing on 31 December 2014 with AS Swedbank and Nordea Bank Finland Plc Estonian Branch. The transaction involved consolidation of a number of different short- and long-term loans and adjustment of the loans' repayment schedules with the Group's actual cash flow capabilities in the next few years. The margin of the new loan was fixed at 6 month EURIBOR plus 4.8%. Thanks to the transaction, at the year-end current assets exceeded current liabilities by 88.3 million kroons (5.6 million euros). At the end of 2009 working capital was negative at -33.2 million kroons (-2.1 million euros).

Another measure implemented for strengthening the financial position was a share issue conducted in June 2010 by which the Group increased share capital by 8,850,000 shares, raising 106.2 million kroons (6.8 million euros).

Trade receivables decreased in 2010 by 9.2 million kroons (0.6 million euros) to 19.8 million kroons (1.3 million euros). The net amount of trade receivables includes the allowance for doubtful receivables of 0.3 million kroons (0.02 million euros) and interest expense from discounting long-term receivables of 3.3 million kroons (0.2 million euros).

At the year-end inventories totalled 169.1 million kroons (10.8 million euros), a decrease of 18.0 million kroons (1.2 million euros), i.e. 10% compared with the previous year-end. At the year-end, the retail system was 8% smaller than at the beginning of the year.

Thanks to effective negotiations with suppliers, the Group has achieved more favourable settlement terms which allow ensuring timely delivery while lowering tensions in liquidity management. At the year-end, trade payables totalled 64.3 million kroons (4.1 million euros), a 38% decrease compared with the end of 2009.

The Group's net debt (interest-bearing liabilities less cash and bank balances) decreased in 2010 to 297.3 million kroons (19.0 million euros). The year-end net debt to equity ratio was 153.8% (31 December 2009: 183.1%).

In 2010 the Group's equity grew by 5.5 million kroons (0.4 million euros) to 202.0 million kroons (12.9 million euros).

CASH FLOWS

Thanks to the measures adopted for improving financial position, the Group's cash flows for 2010 increased by 6.9 million kroons (0.4 million euros). In 2009 the Group's cash flows decreased by 2.7 million kroons (0.2 million euros).

Operating activities resulted in a net cash outflow of 78.2 million kroons (5.0 million euros). Operating cash flow was strongly influenced by a sales decline in the first half-year which in the second half-year was replaced by a rise; settlement of trade payables with the funds raised through the additional share issue and decreases in inventory levels. The main working capital changes were related to decreases in inventories, receivables and trade payables and an increase in the cash balance.

Cash flows from investing activities were influenced by the sale of the Group's properties in Rakvere and Ahtme in April 2010 that generated proceeds of 23.1 million kroons (1.5 million euros). Capital investments totalled 6.3 million kroons (0.4 million euros). Net cash inflow from investing activities amounted to 18.6 million kroons (1.9 million euros).

Net cash inflow from financing activities was 63.4 million kroons (4.1 million euros). Proceeds from bank loans totalled 29.5 million kroons (1.9 million euros) while loan repayments totalled 63.7 million kroons (4.1 million euros). Proceeds from the share issue totalled 106.2 million kroons (6.8 million euros).

INVESTMENT

In 2010 the Group's capital investments totalled 6.3 million kroons (0.4 million euros) against 103.1 million kroons (6.9 million euros) in 2009. Investments in the retail system totalled 4.4 million kroons (0.28 million euros), investments in information technology and IT systems amounted to 1.8 million kroons (0.12 million euros) and other investments totalled 0.1 million kroons (0.01 million euros).

PEOPLE

At the end of 2010 Baltika Group employed a total of 1,419 people (31 December 2009: 1,696): 799 (2009: 928) in the retail system, 442 (2009: 580) in manufacturing and 178 (2009: 188) at the head office. The proportion of staff employed outside Estonia was 43%, i.e. 614 people (2009: 43%, 727). During the year, the number of employees decreased by 277. The Group's annual average number of staff was 1,527 (2009: 1,832).

Employee remuneration expenses for 2010 totalled 166 million kroons / 10.6 million euros (2009: 197.8 million kroons / 12.6 million euros), a 16% decrease year-over-year. The remuneration of the members of the supervisory council and the management board totalled 4.8 million kroons /0.3 million euros (2009: 4.9 million kroons/0.3 million euros). During the year, the number of members of the supervisory council increased by two.

KEY FIGURES OF THE GROUP 2010

	31 Dec 2010	**31 Dec 2009**	**+/-**
Revenue (EEK, million)	816.9	880.2	-7.2%
Retail sales (EEK, million)	761.1	809.1	-5.9%
Contribution of retail sales to total revenue	93%	92%	
Number of stores	120	135	-11.1%
Sales area (m2)	24,424	26,900	-9.2%
Number of employees (at end of period)	1,419	1,697	-16.4%
Gross margin	51.8%	48.0%	
Operating margin	-9.0%	-17.6%	
EBT margin	-11.3%	-19.6%	
Net margin	-12.2%	-18.1%	
Current ratio	0.4	0.9	-51.9%
Inventory turnover ratio	4.74	3.77	25.8%
Debt to equity ratio	160.4%	186.3%	
Return on equity	-52.6%	-73.8%	
Return on assets	-14.9%	-21.2%	

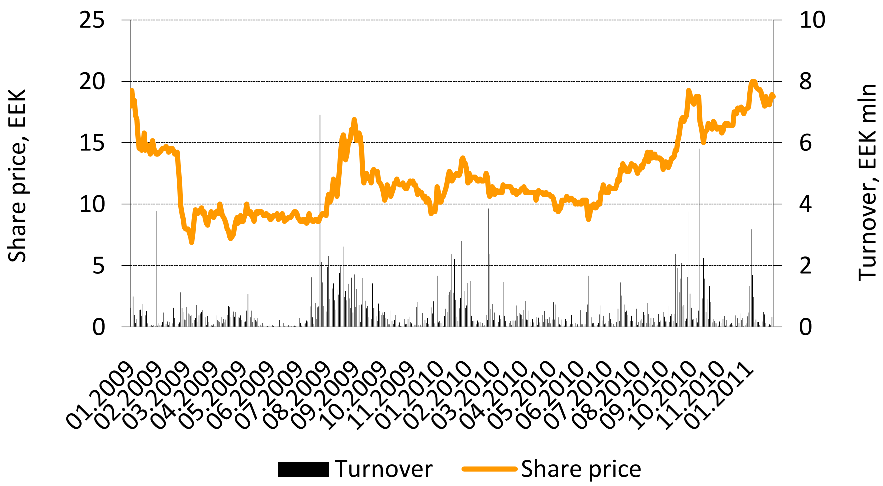
EUR 1 = EEK 15.6466

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
28 February 2011

Ülle Järv
Member of the management board
28 February 2011

Boriss Loifenfeld
Member of the management board
28 February 2011

Maire Milder
Member of the management board
28 February 2011

Andrew Paterson
Member of the management board
28 February 2011

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 fourth quarter and twelve months of 2010 as presented on pages 14-39.

The management board confirms that:

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

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

3. all group companies are going concerns.

Meelis Milder
Chairman of the management board
28 February 2011

Ülle Järv
Member of the management board
28 February 2011

Boriss Loifenfeld
Member of the management board
28 February 2011

Maire Milder
Member of the management board
28 February 2011

Andrew Paterson
Member of the management board
28 February 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in EEK thousand)

	Note	31.12.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	12,877	6,024
Trade and other receivables	4	48,805	54,932
Inventories	5,13	169,046	188,181
Total current assets		**230,728**	**249,137**
Non-current assets			
Deferred income tax assets		13,119	16,488
Other non-current asset	6	12,203	7,728
Investment property	7	110,609	103,294
Property, plant and equipment	8	189,647	263,165
Intangible assets	9	60,985	62,133
Total non-current assets		**386,563**	**452,808**
TOTAL ASSETS		**617,291**	**701,945**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	33,256	122,942
Trade and other payables	11	109,232	159,375
Total current liabilities		**142,488**	**282,317**
Non-current liabilities			
Borrowings	10	280,904	232,942
Other liabilities	11	574	114
Total non-current liabilities		**281,478**	**233,056**
TOTAL LIABILITIES		**423,966**	**515,373**
EQUITY			
Share capital at par value	12	314,949	226,449
Share premium		20,846	1,049
Reserves	12	43,567	43,567
Retained earnings		-77,617	81,487
Net profit (loss) for the period		-99,268	-159,104
Currency translation reserve		-11,684	-9,410
Total equity attributable to equity holders of the parent		**190,793**	**184,038**
Non-controlling interest		2,532	2,534
TOTAL EQUITY		**193,325**	**186,572**
TOTAL LIABILITIES AND EQUITY		**617,291**	**701,945**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in EUR thousand)

	Note	31.12.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	823	385
Trade and other receivables	4	3,119	3,511
Inventories	5,13	10,804	12,027
Total current assets		**14,746**	**15,923**
Non-current assets			
Deferred income tax assets		838	1,054
Other non-current asset	6	780	494
Investment property	7	7,069	6,602
Property, plant and equipment	8	12,121	16,819
Intangible assets	9	3,898	3,971
Total non-current assets		**24,706**	**28,940**
TOTAL ASSETS		**39,452**	**44,862**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	2,125	7,857
Trade and other payables	11	6,981	10,186
Total current liabilities		**9,107**	**18,043**
Non-current liabilities			
Borrowings	10	17,953	14,888
Other liabilities	11	37	7
Total non-current liabilities		**17,990**	**14,895**
TOTAL LIABILITIES		**27,096**	**32,938**
EQUITY			
Share capital at par value	12	20,129	14,473
Share premium		1,332	67
Reserves	12	2,784	2,784
Retained earnings		-4,961	5,208
Net profit (loss) for the period		-6,344	-10,169
Currency translation reserve		-747	-601
Total equity attributable to equity holders of the parent		**12,194**	**11,762**
Non-controlling interest		162	162
TOTAL EQUITY		**12,356**	**11,924**
TOTAL LIABILITIES AND EQUITY		**39,452**	**44,862**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EEK thousand)

	Note	Q4 2010	Q4 2009	12m 2010	12m 2009
Revenue	13,14	236,012	219,989	816,869	880,170
Cost of goods sold	15	-105,925	-107,285	-393,845	-457,425
Gross profit		**130,087**	**112,704**	**423,024**	**422,745**
Distribution costs	16	-116,179	-123,899	-445,085	-500,659
Administrative and general expenses	17	-12,969	-12,771	-45,812	-44,467
Other operating income	18	3,883	-93	10,107	549
Other operating expenses	19	-12,041	-18,874	-16,073	-33,478
Operating profit (loss)	13	**-7,219**	**-42,933**	**-73,839**	**-155,310**
Finance income	20	620	40	3,139	66
Finance costs	20	-8,216	-4,362	-22,003	-17,697
Profit (loss) before income tax		**-14,815**	**-47,255**	**-92,703**	**-172,941**
Income tax		-5,198	13,004	-6,373	12,660
Net profit (loss)		**-20,013**	**-34,251**	**-99,076**	**-160,281**
Profit (loss) attributable to:					
Equity holders of the parent company		-20,011	-32,942	-99,268	-159,104
Non-controlling interests		-2	-1,309	192	-1,177
Other comprehensive income (loss)					
Currency translation differences		477	-61	-2,274	-2,245
Revaluation of investment property		0	17,434	0	17,434
Total comprehensive income (loss)		**-19,536**	**-16,878**	**-101,350**	**-145,092**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-19,536	-16,784	-101,544	-143,918
Non-controlling interests		0	-94	194	-1,174
Basic earnings per share, EEK	21	-0.73	-1.77	-4.25	-8.53
Diluted earnings per share, EEK	21	-0.73	-1.77	-4.25	-8.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EUR thousand)

	Note	Q4 2010	Q4 2009	12m 2010	12m 2009
Revenue	13,14	15,084	14,060	52,207	56,253
Cost of goods sold	15	-6,770	-6,857	-25,171	-29,235
Gross profit		**8,314**	**7,203**	**27,036**	**27,018**
Distribution costs	16	-7,425	-7,919	-28,446	-31,998
Administrative and general expenses	17	-829	-816	-2,928	-2,842
Other operating income	18	248	-6	646	35
Other operating expenses	19	-770	-1,206	-1,027	-2,140
Operating profit (loss)	13	**-461**	**-2,744**	**-4,719**	**-9,926**
Finance income	20	40	3	201	4
Finance costs	20	-525	-279	-1,406	-1,131
Profit (loss) before income tax		**-947**	**-3,020**	**-5,925**	**-11,053**
Income tax		-332	831	-407	809
Net profit (loss)		**-1,279**	**-2,189**	**-6,332**	**-10,244**
Profit (loss) attributable to:					
Equity holders of the parent company		-1,279	-2,105	-6,344	-10,169
Non-controlling interests		0	-84	12	-75
Other comprehensive income (loss)					
Currency translation differences		30	-4	-145	-143
Revaluation of investment property		0	1,114	0	1,114
Total comprehensive income (loss)		**-1,249**	**-1,079**	**-6,477**	**-9,273**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-1,249	-1,073	-6,490	-9,198
Non-controlling interests		0	-6	12	-75
Basic earnings per share, EUR	21	-0.05	-0.11	-0.27	-0.55
Diluted earnings per share, EUR	21	-0.05	-0.11	-0.27	-0.55

CONSOLIDATED CASH FLOW STATEMENT
(in EEK thousand)

	Note	2010	2009
Operating activities			
Operating profit (loss)		-73,839	-155,310
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	46,666	49,547
Loss (gain) from disposal of PPE and investment property		8,107	13,119
Loss (gain) from revaluation of investment property	7	0	4,789
Other non-monetary expenses		-4,587	4,732
Changes in working capital:			
Change in trade and other receivables	4	-953	36,727
Change in inventories	5	19,135	100,250
Change in trade and other payables	11	-50,086	-50,420
Interest paid		-21,769	-16,419
Income tax paid		-895	-860
Net cash generated from operating activities		**-78,221**	**-13,845**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-6,288	-101,278
Under the finance lease terms		674	3,775
Proceeds from disposal of property, plant and equipment		24,215	1,567
Investments in subsidiaries		0	-2,380
Interest received		16	15
Net cash used in investing activities		**18,617**	**-98,301**
Financing activities			
Received borrowings	10	29,479	131,715
Repayments of borrowings	10	-43,766	-29,289
Change in bank overdraft	10	-19,946	-26,179
Repayments of finance lease and other liabilities		-3,877	-4,675
Receipts from share issue		106,200	40,000
Transaction costs of issuing preference shares		0	-865
Dividend paid for preference shares		-4,557	-337
Dividend paid		-3	0
Treasury stock transactions		-86	0
Bonds transactions		0	126
Net cash generated from financing activities		**63,444**	**110,496**
Effect of exchange gains (losses) on cash and cash equivalents		3,013	-997
Total cash flows		**6,853**	**-2,647**
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	**12,877**	**6,024**
Change in cash and cash equivalents		**6,853**	**-2,647**

CONSOLIDATED CASH FLOW STATEMENT
(in EUR thousand)

	Note	2010	2009
Operating activities			
Operating profit (loss)		-4,719	-9,926
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	2,983	3,167
Loss (gain) from disposal of PPE and investment property		518	838
Loss (gain) from revaluation of investment property	7	0	306
Other non-monetary expenses		-293	302
Changes in working capital:			
Change in trade and other receivables	4	-61	2,347
Change in inventories	5	1,223	6,407
Change in trade and other payables	11	-3,201	-3,222
Interest paid		-1,391	-1,049
Income tax paid		-57	-55
Net cash generated from operating activities		**-4,999**	**-885**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-402	-6,473
Under the finance lease terms		43	241
Proceeds from disposal of property, plant and equipment		1,548	100
Investments in subsidiaries		0	-152
Interest received		1	1
Net cash used in investing activities		**1,190**	**-6,282**
Financing activities			
Received borrowings	10	1,884	8,418
Repayments of borrowings	10	-2,797	-1,872
Change in bank overdraft	10	-1,275	-1,673
Repayments of finance lease and other liabilities		-248	-299
Receipts from share issue		6,787	2,556
Transaction costs of issuing preference shares		0	-55
Dividend paid for preference shares		-291	-22
Dividend paid		-0.2	0
Treasury stock transactions		-5	0
Bonds transactions		0	8
Net cash generated from financing activities		**4,055**	**7,062**
Effect of exchange gains (losses) on cash and cash equivalents		193	-64
Total cash flows		**438**	**-169**
Cash and cash equivalents at the beginning of the period	3	**385**	**554**
Cash and cash equivalents at the end of the period	3	**823**	**385**
Change in cash and cash equivalents		**438**	**-169**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EEK thousand)

	Share capital	Share pre-mium	Reser-ves	Re-tained ear-nings	Cur-rency transla-tion reserve	Total attribu-table to parent	Non-cont-rolling 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	17,434	-159,104	-2,245	-143,915	-1,177	-145,092
Issue of preference shares	0	0	0	-8,288	0	-8,288	0	-8,288
Equity-settled share-based transactions	0	1,049	0	0	0	1,049	0	1,049
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	-3	-3
Balance at 31.12.2009	**226,449**	**1,049**	**43,567**	**-77,617**	**-9,410**	**184,038**	**2,534**	**186,572**
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	-99,268	-2,274	-101,542	192	-101,350
Equity-settled share-based transactions	0	2,097	0	0	0	2,097	0	2,097
Increase of share capital	88,500	17,700	0	0	0	106,200	0	106,200
Change in minority interest	0	0	0	0	0	0	-194	-194
Balance at 31.12.2010	**314,949**	**20,846**	**43,567**	**-176,885**	**-11,684**	**190,793**	**2,532**	**193,325**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EUR thousand)

	Share capital	Share pre-mium	Reser-ves	Re-tained ear-nings	Cur-rency transla-tion reserve	Total attribu-table to parent	Non-cont-rolling 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	1,114	-10,169	-143	-9,198	-75	-9,273
Issue of preference shares	0	0	0	-530	0	-530	0	-530
Equity-settled share-based transactions	0	67	0	0	0	67	0	67
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	-0.2	-0.2
Balance at 31.12.2009	**14,473**	**67**	**2,784**	**-4,961**	**-601**	**11,762**	**162**	**11,924**
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	-6,344	-145	-6,490	12	-6,477
Equity-settled share-based transactions	0	134	0	0	0	134	0	134
Increase of share capital	5,656	1,131	0	0	0	6,787	0	6,787
Change in minority interest	0	0	0	0	0	0	-12	-12
Balance at 31.12.2010	**20,129**	**1,332**	**2,784**	**-11,305**	**-747**	**12,194**	**162**	**12,356**

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 twelve months ended 31 December 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 +9.60% (2009: -17.51%), Polish zloty +7.95% (2009: -18.92%), Ukrainian hryvnia +6.26% (2009: -32.21%) and Latvian lat -0.41% (2009: -0.46%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +5.00% (2009: +5.19%).

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

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

Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

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

At 31 December 2010 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 19,604 thousand kroons (1,253 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 13,809 thousand kroons (883 thousand euros) (31 December 2009: 20,775 thousand kroons/1,328 thousand euros), including balances with the Eastern European wholesale partners of 13,296 thousand kroons (850 thousand euros) (31 December 2009: 19,020 thousand kroons/1,216 thousand euros) and balances with retail customers for bank card payments of 513 thousand kroons (33 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 31 December 2010

EEK '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	304,229	43,778	315,259	0	359,037
Finance lease liabilities (Note 10)	5,909	3,929	2,375	0	6,304
Trade payables (Note 11)	68,135	68,135	0	0	68,135
Other financial liabilities (Note 11)[1]	4,690	4,690	0	0	4,690
Total	**382,963**	**120,532**	**317,634**	**0**	**438,166**

EUR '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	19,444	2,798	20,149	0	22,947
Finance lease liabilities (Note 10)	377	251	152	0	403
Trade payables (Note 11)	4,355	4,355	0	0	4,355
Other financial liabilities (Note 11)[1]	300	300	0	0	300
Total	**24,476**	**7,704**	**20,301**	**0**	**28,005**

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	644
Total	**29,917**	**15,844**	**9,607**	**7,906**	**33,357**

[1]Other financial liabilities include accrued expenses in amount of 1,639 thousand kroons (105 thousand euros) (2009: 2,064 thousand kroons/132 thousand euros) and dividends liabilities of preference shares in amount of 3,051 thousand kroons (195 thousand euros) (2009: 7,313 thousand kroons/467 thousand euros).

Overdraft facilities are shown under bank borrowings payable within 1-5 years in the amount of used exposure available for the Group (at 31 December 2009 within 1-12 months). 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 Group's strategy is to maintain the gearing ratio within the range of 30% to 35% but due to the global economical crisis it was not achieved in 2010 and 2009. The Groups's net debt increased in 2009 due to the loan taken to finance construction of a new office building and due to the earned comprehensive loss during the same period. In 2010, the gearing ratio was influenced by the earned comprehensive loss in the amount of 101,350 thousand kroons and additional funds raised through the share issue.

Gearing ratios of the Group

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Total borrowings (Note 10)	310,138	347,575	19,821	22,214
Cash and bank (Note 3)	-12,877	-6,024	-823	-385
Net debt	297,261	341,551	18,998	21,829
Total equity	193,325	186,572	12,356	11,924
Total capital	490,586	528,123	31,354	33,753
Gearing ratio	**61%**	**65%**	**61%**	**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 31 December 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	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Cash in hand	4,703	2,892	301	185
Cash at bank	7,073	3,132	452	200
Short-term deposits	1,101	0	70	0
Total	**12,877**	**6,024**	**823**	**385**

Cash and bank by currency

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
UAH (Ukrainian hryvnia)	2,569	508	164	33
EEK (Estonian kroon)	2,427	967	155	62
PLN (Polish zloty)	2,286	221	146	14
RUB (Russian rouble)	1,781	1,629	114	104
EUR (euro)	1,512	258	97	16
LTL (Lithuanian lit)	1,477	1,554	94	99
LVL (Latvian lat)	825	588	53	38
CZK (Czech koruna)	0	299	0	19
Total	**12,877**	**6,024**	**823**	**385**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Trade receivables, net	19,604	29,183	1,253	1,865
Other prepaid expenses	13,895	10,464	888	669
Tax prepayments and tax reclaims, thereof	10,708	13,694	684	875
Value added tax	10,356	12,735	662	814
Prepaid income tax	0	493	0	32
Other taxes	352	466	22	30
Other current receivables	4,598	1,591	294	102
Total	**48,805**	**54,932**	**3,119**	**3,511**

Trade receivables

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Trade receivables, gross	20,131	30,785	1,287	1,968
Allowance for impairment of trade receivables	-527	-1,602	-34	-102
Trade receivables, net	**19,604**	**29,183**	**1,253**	**1,865**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Not due	18,868	15,595	1,206	997
Up to 1 month past due	635	2,202	41	141
1-3 months past due	39	3,915	2	250
3-6 months past due	1	1,121	0.06	72
Over 6 months past due	61	6,350	4	406
Total	**19,604**	**29,183**	**1,253**	**1,865**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
EUR (euro)	14,104	21,260	901	1,359
EEK (Estonian kroon)	3,440	4,618	220	295
LVL (Latvian lat)	886	707	57	45
LTL (Lithuanian lit)	570	697	36	45
RUB (Russian rouble)	442	762	28	49
PLN (Polish zloty)	91	141	6	9
UAH (Ukrainian hryvnia)	71	993	5	63
CZK (Czech koruna)	0	5	0	0.3
Total	**19,604**	**29,183**	**1,253**	**1,865**

NOTE 5 Inventories

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Fabrics and accessories	21,024	27,967	1,344	1,787
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,126	1,137	72	73
Finished goods and goods purchased for resale	147,221	162,946	9,409	10,415
Allowance for impairment of finished goods and goods purchased for resale	-5,000	-5,000	-320	-320
Prepayments to suppliers	4,875	1,331	312	85
Total	**169,046**	**188,181**	**10,804**	**12,027**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Non-current lease prepayments	6,103	7,728	390	494
Other long-term receivables	6,100	0	390	0
Total	**12,203**	**7,728**	**780**	**494**

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2008	**134,098**	**8,570**
Reclassification from fixed assets	8,049	514
Reclassification to fixed assets	-124,764	-7,974
Additions	73,266	4,683
Revaluation	12,645	808
Balance at 31 December 2009	**103,294**	**6,602**
Balance at 31 December 2009	**103,294**	**6,602**
Reclassification from fixed assets	7,315	468
Balance at 31 December 2010	**110,609**	**7,069**

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	11,170	1,636	13,757	76	0	26,639
Reclassifications from investment property	0	124,764	0	0	0	0	124,764
Disposals	0	-9,313	-2,721	-1,736	0	0	-13,770
Reclassifications to investment property	-1,942	-6,107	0	0	0	0	-8,049
Reclassification	0	195	6,145	-4,154	-2,186	0	0
Impairment	0	0	0	-461	0	0	-461
Depreciation	0	-17,620	-8,347	-18,330	0	0	-44,297
Currency translation differences[1]	0	-588	-352	-1,156	-138	-7	-2,241
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	362	2,253	1,870	175	14	4,674
Disposals	-171	-25,470	-1,264	-1,315	0	0	-28,220
Reclassifications to investment property	0	-7,315	0	0	0	0	-7,315
Impairment	0	-1,797	-976	-1,055	0	0	-3,828
Depreciation	0	-15,797	-7,723	-18,079	0	0	-41,599
Currency translation differences[1]	0	910	433	1,407	5	15	2,770
At 31 December 2010							
Acquisition cost	**0**	**181,604**	**91,703**	**109,203**	**293**	**196**	**382,999**
Accumulated depreciation	0	-47,011	-69,543	-76,798	0	0	-193,352
Net book amount	**0**	**134,593**	**22,160**	**32,405**	**293**	**196**	**189,647**

EUR '000	Land and construc-tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion in progress	Pre-payments	Total
At 31 December 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	714	105	879	5	0	1,703
Reclassifications from investment property	0	7,974	0	0	0	0	7,974
Disposals	0	-595	-174	-111	0	0	-880
Reclassifications to investment property	-124	-390	0	0	0	0	-514
Reclassification	0	12	393	-265	-140	0	0
Impairment	0	0	0	-29	0	0	-29
Depreciation	0	-1,126	-533	-1,172	0	0	-2,831
Currency translation differences[1]	0	-38	-22	-74	-9	-0.4	-143
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	23	144	120	11	1	299
Disposals	-11	-1,628	-81	-84	0	0	-1,804
Reclassifications to investment property	0	-468	0	0	0	0	-468
Impairment	0	-115	-62	-67	0	0	-245
Depreciation	0	-1,010	-494	-1,155	0	0	-2,659
Currency translation differences[1]	0	58	28	90	0	1	177
At 31 December 2010							
Acquisition cost	**0**	**11,607**	**5,861**	**6,979**	**19**	**13**	**24,478**
Accumulated depreciation	0	-3,005	-4,445	-4,908	0	0	-12,357
Net book amount	**0**	**8,602**	**1,416**	**2,071**	**19**	**13**	**12,121**

[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	1,345	0	27	7,867	9,239
Disposals	-453	0	0	0	-453
Reclassification	2,061	0	-2,061	0	0
Amortisation	-4,790	-503	0	0	-5,293
Currency translation differences[1]	31	0	-111	-884	-964
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	1,259	0	355	931	2,545
Disposals	-274	0	0	0	-274
Amortisation	-4,564	-503	0	0	-5,067
Currency translation differences[1]	176	0	0	1,472	1,648
At 31 December 2010					
Acquisition cost	**43,400**	**10,060**	**355**	**32,051**	**85,866**
Accumulated amortisation	-22,701	-2,180	0	0	-24,881
Net book amount	**20,699**	**7,880**	**355**	**32,051**	**60,985**

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	86	0	2	503	590
Disposals	-29	0	0	0	-29
Reclassification	132	0	-132	0	0
Amortisation	-306	-32	0	0	-338
Currency translation differences[1]	2	0	-7	-56	-62
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	80	0	23	60	163
Disposals	-18	0	0	0	-18
Amortisation	-292	-32	0	0	-324
Currency translation differences[1]	11	0	0	94	105
At 31 December 2010					
Acquisition cost	**2,774**	**643**	**23**	**2,048**	**5,488**
Accumulated amortisation	-1,451	-139	0	0	-1,590
Net book amount	**1,323**	**504**	**23**	**2,048**	**3,898**

[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**	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Current borrowings				
Current portion of non-current bank loans	26,553	34,864	1,697	2,228
Current bank loans	0	78,795	0	5,036
Current finance lease liabilities	3,652	3,804	233	243
Liability component of preference shares	3,051	5,479	195	350
Total	**33,256**	**122,942**	**2,125**	**7,857**
Non-current borrowings				
Non-current bank loans	277,676	224,803	17,747	14,368
Non-current finance lease liabilities	2,257	5,309	144	339
Convertible bonds and liability component of preference shares	971	2,830	62	181
Total	**280,904**	**232,942**	**17,953**	**14,888**
Total borrowings	**314,160**	**355,884**	**20,078**	**22,745**

During the reporting period, the Group made loan repayments in the amount of 43,766 thousand kroons (2,797 thousand euros) (2009: 29,289 thousand kroons/1,872 thousand euros). Loan interest expense of the reporting periods amounted to 18,047 thousand kroons (1,153 thousand euros) (2009: 14,326 thousand kroons/915 thousand euros).

Bank loans of the Group at 31 December 2010

	Carrying amount EEK '000	Carrying amount EUR '000	Average risk premium
Borrowings at floating interest rate (based on 6-month Euribor)	304,229	19,444	4.57%

Bank loans of the Group at 31 December 2009

	Carrying amount EEK '000	Carrying amount EUR '000	Average risk 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	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Current liabilities				
Trade payables	68,135	111,161	4,355	7,104
Tax liabilities, thereof	25,195	27,857	1,610	1,780
Personal income tax	2,479	3,669	158	234
Social security taxes	6,712	9,641	429	616
Value added tax	13,142	13,411	840	857
Corporate income tax liability	1,825	210	117	13
Other taxes	1,037	926	66	59
Payables to employees	12,008	16,347	768	1,045
Other accrued expenses	1,639	2,064	105	132
Customer prepayments	621	1,800	40	115
Other current payables	1,634	146	104	9
Total	**109,232**	**159,375**	**6,982**	**10,185**
Non-current liabilities				
Other liabilities[1]	574	114	37	7

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

Trade payables by denominating currency

	EEK '000		EUR '000	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
USD (US dollar)	26,660	29,418	1,704	1,880
EEK (Estonian kroon)	20,025	33,470	1,280	2,139
EUR (euro)	14,606	38,800	933	2,480
PLN (Polish zloty)	2,563	815	164	52
RUB (Russian rouble)	1,954	3,038	125	194
LTL (Lithuanian lit)	1,284	2,802	82	179
LVL (Latvian lat)	691	613	44	39
CZK (Czech koruna)	4	1,461	0.3	93
Other currencies	348	744	22	48
Total	**68,135**	**111,161**	**4,355**	**7,104**

NOTE 12 Equity

Share capital

EEK '000	31.12.2010	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	31.12.2010	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 4,000,000 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 1.14 kroons (0.07 euros) per share equalling a total of 4,552 thousand kroons (291 thousand euros). Corporate income tax expense on dividends amounted to 1,210 thousand kroons (77 thousand euros). Dividends on preference shares are recognised in the balance sheet as liabilities, the interest expense of preference shares amounted to 290 thousand kroons (19 thousand euros).

Change in the number of shares

	Issue	Number of shares
Number of shares on 31.12.2008		**18,644,850**
Issued 10.07.2009	Issue of preference shares	4,000,000
Number of shares on 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 31.12.2010, thereof		**31,494,850**
Ordinary shares		27,494,850
Preference shares		4,000,000

Shareholders at 31 December 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	1,965,000	7.15%
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	13,850	0.05%
Andrew Paterson	11,000	0.04%
Other shareholders	10,420,008	37.90%
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 (in 2009, in the Czech Republic as well).

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 31 December 2010 and at 31 December 2009 is as follows:

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
2010 and at 31 December 2010						
Revenue (from external customers)	459,087	278,418	23,602	49,742	6,020	816,869
Segment profit (loss)[2]	60,442	14,212	-8,623	11,049	4,889	81,969
Incl. depreciation and amortisation	-19,256	-13,346	-1,912	-287	0	-34,801
Inventories of segments	46,267	30,216	2,421	0	0	78,904
2009 and at 31 December 2009						
Revenue (from external customers)	484,370	281,623	43,092	68,926	2,159	880,170
Segment profit (loss)[2]	33,587	-18,722	-21,649	10,093	1,156	4,465
Incl. depreciation and amortisation	-19,852	-13,860	-4,282	-994	0	-38,988
Inventories of segments	55,100	38,567	2,911	3,644	0	100,222

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
2010 and at 31 December 2010						
Revenue (from external customers)	29,341	17,794	1,508	3,179	385	52,207
Segment profit (loss)[2]						
Incl. depreciation and amortisation	-1,231	-853	-122	-18	0	-2,224
Inventories of segments	2,957	1,931	155	0	0	5,043
2009 and at 31 December 2009						
Revenue (from external customers)	30,957	17,999	2,754	4,405	138	56,253
Segment profit (loss)[2]	2,147	-1,197	-1,384	645	74	285
Incl. depreciation and amortisation	-1,269	-886	-274	-64	0	-2,492
Inventories of segments	3,522	2,465	186	233	0	6,405

[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	
	2010	**2009**	**2010**	**2009**
Total profit for reportable segments	81,969	4,465	5,239	285
Unallocated expenses:				
Distribution costs	-104,030	-82,864	-6,649	-5,296
Administrative and general expenses	-45,812	-44,467	-2,928	-2,842
Other operating income (expenses), net	-5,966	-32,444	-381	-2,074
Operating profit (loss)	**-73,839**	**-155,310**	**-4,719**	**-9,926**

[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	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Total inventories of segments	78,904	100,222	5,043	6,405
Inventories in Parent company and production companies	90,142	87,959	5,761	5,622
Inventories on balance sheet	**169,046**	**188,181**	**10,804**	**12,027**

NOTE 14 Revenue

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Sale of goods	808,152	877,269	51,650	56,068
Sale of sewing services	1,993	433	127	28
Lease revenue	6,020	2,159	385	138
Other	704	309	45	20
Total	**816,869**	**880,170**	**52,207**	**56,253**

NOTE 15 Cost of goods sold

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Materials and supplies	325,051	367,947	20,775	23,516
Payroll costs in production	47,277	63,791	3,022	4,077
Operating lease expenses	10,030	9,635	641	616
Other production costs	5,957	6,851	381	438
Depreciation of assets used in production (Note 8,9)	3,900	4,372	249	279
Change in inventories	1,630	6,889	104	440
Change in allowance for inventories	0	-1,600	0	-102
Total	**393,845**	**457,885**	**25,171**	**29,264**

NOTE 16 Distribution costs

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Operating lease expenses	171,707	191,450	10,974	12,237
Payroll costs	155,760	173,092	9,955	11,063
Depreciation and amortisation (Note 8,9)	37,171	42,466	2,376	2,714
Advertising expenses	18,658	25,518	1,192	1,631
Fuel, heating and electricity costs	10,768	9,983	688	638
Municipal services and security expenses	5,851	8,906	374	569
Fees for card payments	5,788	5,950	370	380
Financial and management fees	4,160	4,397	266	281
Freight costs	3,664	3,625	234	232
Information technology expenses	3,257	3,518	208	225
Communication expenses	2,772	3,404	177	218
Travel expenses	2,712	2,828	173	181
Bank fees	1,973	2,256	126	144
Packaging costs	1,658	1,828	106	117
Renovation expenses of retail outlets	1,308	1,068	84	68
Expenses for uniforms	807	1,319	52	84
Training expenses	743	758	47	48
Impairment of trade receivables	354	1,506	23	96
Other sales expenses[1]	15,974	16,812	1,021	1,074
Total	**445,085**	**500,684**	**28,446**	**32,000**

[1]Other sales expenses consist of insurance and customs expenses and service fees connected to administration of market organisations.

NOTE 17 Administrative and general expenses

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Payroll costs[1]	20,848	22,312	1,332	1,426
Depreciation and amortisation (Note 8,9)	5,751	2,709	368	173
Information technology expenses	4,171	4,558	267	291
Bank fees	3,490	2,608	223	167
Fuel, heating and electricity expenses	1,359	1,367	87	87
Operating lease expenses	985	2,434	63	156
Communication expenses	704	783	45	50
Training expenses	410	282	26	18
Municipal services and security expenses	396	510	25	33
Sponsorship	341	928	22	59
Travel expenses	69	42	4	3
Other administrative expenses[2]	7,288	5,934	466	379
Total	**45,812**	**44,467**	**2,928**	**2,842**

[1]Payroll costs of 2010 include payroll expenses for employee services received under the share options programme in amount of 2,098 thousand kroons (134 thousand euros), (2009: 1,049 thousand kroons/67 thousand euros).

[2]Other administrative expenses consist of insurance and office expenses and fees connected to auditing, accounting, management, consulting and other services.

NOTE 18 Other operating income

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Foreign exchange income	2,616	0	167	0
Gain from sale of non-current assets	309	0	20	0
Other operating income[1]	7,182	549	459	35
Total	**10,107**	**549**	**646**	**35**

[1]In 2010, the sale of the MasCara and Herold trademarks 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	
	2010	**2009**	**2010**	**2009**
Foreign exchange losses	0	11,332	0	724
Loss from sale and writing off of non-current assets	7,580	10,999	484	703
Loss from revaluations of investment property	0	4,789	0	306
Fines, penalties and tax interest	1,572	2,791	101	179
Representation costs	92	103	6	7
Other operating expenses	6,829	2,979	436	190
Total	**16,073**	**32,993**	**1,027**	**2,109**

NOTE 20 Finance income and costs

	EEK '000		EUR '000	
	2010	**2009**	**2010**	**2009**
Interest income	15	15	1	1
Interest costs	-22,003	-16,684	-1,407	-1,066
Foreign exchange income (losses)	3,014	-994	193	-64
Other finance income	110	51	7	3
Other finance costs	0	-19	0	-1
Total	**-18,864**	**-17,631**	**-1,206**	**-1,127**

NOTE 21 Earnings per share

Basic earnings per share

		2010	**2009**
Weighted average number of shares	pcs	23,348,686	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-99,268	159,104
	EUR '000	-6,344	10,169
Basic earnings per share	**EEK**	**-4.25**	**8.53**
	EUR	**-0.27**	**0.55**

Diluted earnings per share

		2010	**2009**
Weighted average number of shares	pcs	23,348,686	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-99,268	159,104
	EUR '000	-6,344	10,169
Diluted earnings per share	**EEK**	**-4.25**	**8.53**
	EUR	**-0.27**	**0.55**

In view of the fact that the Group does not have dilutive potential ordinary shares or dilutive adjustments to earnings as at 31 December 2010 and 31 December 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 2010 was 12.86 kroons (0.82 euros) (2009: 11.02 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 31.12.2010	Number of convertible bonds 31.12.2009
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,842,500	1,842,500