AS BALTIKA

Consolidated interim report for the fourth quarter and 12 months of 2009

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+372 630 2731
Fax	+372 630 2814
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	01.01.2009 – 31.12.2009
Reporting period	01.01.2009 – 31.12.2009

CONTENTS

Brief description of Baltika Group ... 3
Management report ... 4
Interim financial statements ... 11
Consolidated statement of financial position ... 12
Consolidated statement of comprehensive income ... 14
Consolidated cash flow statement ... 16
Consolidated statement of changes in equity ... 18
Notes to consolidated interim report ... 19
NOTE 1 Accounting policies and accounting methods used in the preparation of the interim report ... 19
NOTE 2 Financial risks ... 20
NOTE 3 Cash and bank ... 24
NOTE 4 Trade and other receivables ... 24
NOTE 5 Inventories ... 25
NOTE 6 Other non-current assets ... 25
NOTE 7 Investment property ... 25
NOTE 8 Property, plant and equipment ... 26
NOTE 9 Intangible assets ... 27
NOTE 10 Borrowings ... 29
NOTE 11 Convertible bonds ... 29
NOTE 12 Trade and other payables ... 30
NOTE 13 Equity ... 31
NOTE 14 Segments ... 32
NOTE 15 Revenue ... 34
NOTE 16 Cost of goods sold ... 34
NOTE 17 Distribution costs ... 34
NOTE 18 Administrative and general expenses ... 35
NOTE 19 Other operating income ... 35
NOTE 20 Other operating expenses ... 35
NOTE 21 Earnings per share ... 35
NOTE 22 Subsidiaries ... 36

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 December 2009, the Group employed 1,696 people (31 December 2008: 1,988).

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

The Group consists of the following companies:

	Location	Activity	Holding at 31.12.2009	Holding at 31.12.2008
Parent company				
AS Baltika	Estonia			
Subsidiaries				
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija	Latvia	Retail	100%	75%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania “Baltman Rus”	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.34%	93.33%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

BALTIKA'S UNAUDITED CONSOLIDATED FINANCIAL RESULTS, 2009

With the fourth quarter of 2009, Baltika Group completed the adjustment process that had lasted all through the year. The fourth quarter ended with a loss of 34.2 million kroons (2.2 million euros), the figure including planned one-off expenses of 15.5 million kroons (1.0 million euros). Excluding the one-off items, the loss for the quarter was 18.7 million kroons / 1.2 million euros. The net loss in the fourth quarter of 2009 was by 17.4%, i.e. 7.2 million kroons (0.5 million euros) less than in the fourth quarter of 2008, respective figure for fourth quarter 2008 -41.4 million kroons (-2.6 million euros).

By the year-end, the Group's cash flows from ordinary operations had stabilised, the inventory volume and operating expenses had been adjusted to the level of sales in a time of crisis. By the end of the year, Baltika had in general adapted to the economic crisis still prevailing in the markets.

In addition to the recession, at the beginning of the season the third quarter sales were undermined by unusually warm August and September and in the fourth quarter sales were weakened by colder than usual winter months in all the Group's markets. Despite this, Baltika's retail system (at the level of stores) began generating a profit in the third quarter and in the fourth quarter the markets were making a profit already at market level.

Baltika Group ended the fourth quarter of 2009 with revenue of 220.0 million kroons (14.1 million euros), a 28.3% decrease yoy. At constant exchange rates, retail revenue contracted by 18%. Gross margin for the fourth quarter was 51% (2008: 48%). In the fourth quarter, Baltika opened four and closed 12 stores including two in the Czech market that the Group exited.

In terms of brands, the largest retail revenue contributor is Monton (2009: 53%) while Baltika's fastest-growing brand is continuously Ivo Nikkolo that posted sales growth also in 2009.

REVENUE

Revenue by business segment

EEK million	Q4 2009	Q4 2008	+/-	2009	2008	+/-
Retail	209.8	288.5	-27.2%	809.1	1,058.9	-23.6%
Wholesale	8.8	17.6	-50.0%	68.2	133.2	-48.8%
Other	1.4	0.8	75.0%	2.9	2.2	-31.8%
Total	220.0	306.9	-28.3%	880.2	1,194.3	-23.3%

EUR 1 = EEK 15.6466

RETAIL

Due to the overall economic recession and a decline in consumer spending, in 2009 Baltika's retail revenue from the Baltic region, Eastern Europe and Central Europe decreased by 23%, 25% and 17% yoy respectively. At constant exchange rates, sales in Eastern Europe remained at the same level as last year (+0.4%). In the fourth quarter, sales in the Baltic region decreased by 26%, in Eastern Europe by 27% and in Central Europe by 44%. At constant exchange rates, sales in Ukraine and Russia declined by 0.6%.

Retail sales by market

EEK million	2009	2008	+/-	Percentage, 2009
Estonia	192.4	238.6	-19%	24%
Lithuania	187.6	243.1	-23%	23%
Russia	161.8	196.1	-17%	20%
Ukraine	119.9	179.7	-33%	15%
Latvia	104.3	149.7	-30%	13%
Poland	30.0	34.5	-13%	4%
Czech Republic	13.1	17.2	-24%	1%
Total	**809.1**	**1,058.9**	**-24%**	**100%**

EUR 1 = EEK 15.6466

BRANDS

In terms of brands, the largest revenue contributor is Monton that accounted for 53% of the Group's retail sales for 2009. In 2009, retail revenue from Monton totalled 431.6 million kroons (27.6 million euros), a 26% decrease compared with the previous year. In 2009, retail revenue from Mosaic dropped by 17% to 265.0 million kroons (16.9 million euros). Baltman generated retail revenue of 53.0 million kroons (3.4 million euros), a 29% decrease compared with the previous year. For the Ivo Nikkolo brand, 2009 was a year of success despite the economic downturn in the Baltics. The rapid take-off of new stores and continuing sales growth reflect the consumers' sustained interest in unique top-quality designer clothes. Retail sales of the brand grew by 6% to 41.4 million kroons (2.6 million euros), rendering Ivo Nikkolo the Group's fastest growing brand for the second consecutive year and indicating that Baltika's decision to acquire the brand was justified.

STORES AND SALES AREA

At the end of 2009, Baltika had 133 stores across six countries and a total sales area of 26,900 square metres. During the year, a lot of effort was made to improve the stores' efficiency indicators and optimise their costs. In a volatile and fragile trading and economic environment, many shopping centres suffered a fall in customer traffic and sales as the purchasing power of the population slumped. The Group adjusted its portfolio accordingly. In 2009, 23 stores were opened, 24 stores were closed and four stores were relocated.

In the first half of the year, more stores were opened than closed because of binding contracts. However, in the second half of the year the number of loss-generating stores that was closed exceeded store openings. In the second half-year, we closed 16 stores whose shutdown expenses affected mainly the fourth quarter results. Compared with the end of 2008, the Group's retail system remained practically unchanged: the number of stores declined by one and the sales area decreased by 1%.

In terms of markets, the number of new stores increased the most in Russia, where the Group took over seven stores from a wholesale partner, and in Lithuania, where the Group opened six stores. In addition, the Group opened five stores in Estonia, four in Ukraine and one in Poland. Store closures occurred in all the markets and the Group exited one market, the Czech Republic. After the openings and closures, store numbers in the markets remained relatively stable in 2009. However, in Estonia the store area grew by a third and in Lithuania by 15%. In other markets, the sales area decreased somewhat.

Stores by market

	31.12.2009	31.12.2008
Lithuania	36	33
Estonia	30	30
Ukraine	23	24
Russia	25	23
Latvia	14	16
Poland	5	6
Czech Republic	0	2
Total stores	**133**	**134**
Total sales area, sqm	**26,900**	**27,068**

Among the stores opened in 2009, the number of Monton stores was the largest – 12. By the end of the year, Baltika's retail chain comprised 56 Monton, 51 Mosaic, 14 Baltman and 9 Ivo Nikkolo stores. In addition, the Group had two multi-brand stores and one factory outlet.

Retail network by market and brand at 31 December 2009

	Monton	Mosaic	Baltman	Ivo Nikkolo	Other	Total	m2
Lithuania	13	13	7	3		36	6,929
Estonia	6	11	5	5	3	30	5,631
Ukraine	10	12	1			23	4,484
Russia	16	9				25	5,506
Latvia	6	6	1	1		14	3,143
Poland	5					5	1,207
Total	**56**	**51**	**14**	**9**	**3**	**133**	**26,900**

WHOLESALE

Wholesale of Baltika's collections accounted for 7.7% of the Group's consolidated revenue for 2009, generating 68.3 million kroons (4.4 million euros), a 48.7% decrease compared with the previous year. The decline in wholesale revenue is largely attributable to developments in the Russian market where a wholesale partner's seven stores were taken over and integrated into Baltika's retail system. Overall, the Group's sales did not decrease.

The year 2009 was a trial period for the wholesale contract signed with Peek & Cloppenburg. Both Baltika and the Mosaic brand passed the test successfully. By the end of the year, the originally agreed 13 department stores were supplemented by another 17, which raised the number of department stores carrying the Mosaic collection to 30. At the beginning of the project, Mosaic was carried by selected Peek & Cloppenburg department stores in Germany, Austria, Switzerland and Poland. With the addition of more department stores by the year-end, Mosaic had penetrated such new markets as Slovenia, Slovakia, Hungary, the Czech Republic and Croatia. Peek & Cloppenburg is one of the leading European department store chains that has over 80 department stores in Germany and more than 100 department stores throughout Europe.

EARNINGS AND MARGINS

The Group's performance in 2009 was strongly influenced by the economic recession that reduced sales, lowered profit margins, triggered currency devaluations and induced the need for adjusting operating expenses to new sales trends. If in the first half-year the Group concentrated on adjusting inventory levels to the new sales figures and cost cutting, then in the second half-year the focus shifted on maintaining the cost base and financing purchases for the autumn season so as to secure achievement of the sales targets. In the fourth quarter, the Group continued closing loss-generating stores, which included exiting the Czech market. Fourth quarter performance was impacted by store closure expenses and other non-recurring expense items.

In 2009, the Group's performance remained under the adverse influence of the currency devaluations that began in November 2008. According to the exchange rates quoted by the Bank of Estonia, compared with 2008, the average exchange rates for 2009 weakened as follows: the Ukrainian hryvnia -32.2%, the Polish zloty -18.9% and the Russian rouble -17.5%. At the same time, the average exchange rate of the US dollar strengthened by 5.2%.

The Group's gross margin for 2009 was 48.0% (2008: 53.1%). Consolidated gross profit for the year amounted to 422.7 million kroons (27.0 million euros), a decrease of 211.1 million kroons (13.5 million euros) compared with 2008.

In 2009, the Group concentrated on reducing operating expenses throughout the system. Personnel expenses and the number of staff were reduced and a lot of effort was put into lowering the stores' rental charges in all the markets. The effect of many decisions became visible only in the second half-year. Annual distribution costs decreased by 88.0 million kroons (5.6 million euros) to 500.7 million kroons (32 million euros). In the retail system, rental charges per square metre declined by 23% on average, and personnel expenses dropped by 24%. The size of the retail system remained practically the same throughout the year.

In manufacturing, volumes were reduced, which triggered the need for downsizing. Severance payments to the production staff totalled 4.0 million kroons (0.3 million euros). Altogether, in 2009 personnel expenses in manufacturing declined by 30%.

Compared with 2008, administrative and general expenses decreased by 6.0 million kroons (0.4 million euros) to 44.5 million kroons (2.8 million euros).

A crisis requires companies to respond with appropriate decisions. Accordingly, management has carefully reviewed the state of the Group. To ensure positive development of the business and the company's ability to withstand further consequences of the economic recession, in 2009 management adopted a number of extraordinary decisions. The impact of many of them fell in the fourth quarter. In addition, the fourth quarter results include expenditures resulting from the year-end financial accounting procedures and certain non-recurring tax items.

EEK million	**2 009**	**1Q**	**2Q**	**3Q**	**4Q**
Net loss before non-recurring items	-124,1	-51,6	-35,2	-18,6	-18,7
Non-recurring expenses / income					
Store closure expenses	-18,7			-3,1	-15,6
Currency translation differences	-12,3	-10,3	2,4	-6,5	2,1
Redundancy expenses (production)	-3,9	-0,6	-2,0	-0,6	-0,7
Inventory write-down allowances	-3,7				-3,7
Impairment allowances for receivables and interest expense on discounted receivables	-3,0				-3,0
Options (remuneration expense component)	-1,0				-1,0
Penalties for cancellation of contracts	-0,5				-0,5
Expenses from revaluation of investment properties and reclassification of property, plant and equipment and intangible assets	-6,2				-6,2
Deferred income tax income	13,1				13,1
Total	**-36,2**	**-10,9**	**0,4**	**-10,2**	**-15,5**
Group net loss	**-160,3**	**-62,5**	**-34,8**	**-28,8**	**-34,2**

Baltika ended 2009 with an operating loss of 155.3 million kroons (9.9 million euros) compared with an operating loss of 5.7 million kroons (0.4 million euros) in 2008.

The operating loss for 2009 includes investment write-off expenses of 10.2 million kroons (0.7 million euros) incurred in connection with the closure of stores (recognised in other operating expenses). In 2008, the Group was able to report investment revaluation gains of 17.8 million kroons (1.1 million euros) (recognised in other operating income).

The Group's financial expenses for 2009 totalled 17.1 million kroons (1.1 million euros), 21% up on 2008. The largest financial expense item was interest expense (16.7 million kroons/1.1 million euros) that grew by 46.4% compared with 2008. Interest expense has been influenced by a decrease in EURIBOR and an increase in the Group's borrowings.

Baltika ended 2009 with a consolidated net loss of 160.3 million kroons (10.2 million euros) compared with a net loss of 18.9 million kroons (1.2 million euros) for 2008.

FINANCIAL POSITION

At 31 December 2009, Baltika's consolidated assets totalled 701.9 million kroons (44.9 million euros), 10% down from the previous financial year-end.

Compared with the end of 2008, trade and other receivables decreased by 19.7 million kroons (1.3 million euros) to 29.2 million kroons (1.9 million euros). The decline in receivables is attributable to shrinkage in wholesale volumes.

At the year-end, inventories totalled 188.2 million kroons (12.0 million euros), a 100.2 million kroon (6.4 million euro) or 35% decrease year-over-year. At the same time, the size of the retail system remained at the same level as at the end of 2008. The new inventory level corresponds to the level of sales in a time of crisis. During the year, the Group's current assets decreased by 146.3 million kroons (9.4 million euros) to 249.1 million kroons (16.9 million euros). Trade payables decreased by 26.8% to 111.2 million kroons (7.1 million euros); the figure includes letters of credit and bank guarantees of 36.2 million kroons (2.3 million euros) requested by the suppliers that may be settled over an extended period if necessary.

At the end of 2009, the Group's borrowings totalled 355.9 million kroons (22.7 million euros), including bank loans of 338.5 million kroons (21.6 million euros) and finance lease liabilities of 9.1 million kroons (0.6 million euros). During the year, the debt burden increased by 83.5 million kroons (5.3 million euros). Borrowings grew mainly in connection with the construction of the new office building that was financed solely with a bank loan. At the end of 2009, construction-related borrowings totalled 143.6 million kroons (9.2 million euros).

The construction loan has increased the Group's net debt (interest-bearing liabilities less cash and bank balances) which at 31 December 2009 stood at 347.6 million kroons (22.2 million euros). The net debt to equity ratio was 183.1% (31 December 2008: 88.2%).

In 2009, the Group's equity decreased by 112.3 million kroons (7.2 million euros) to 186.6 million kroons (11.9 million euros).

CASH FLOWS

In 2009, the Group's cash and cash equivalents decreased by 2.7 million kroons (0.2 million euros) compared with a decrease of 22.8 million kroons (1.5 million euros) in 2008.

In 2009, Baltika Group's operating activities resulted in a net cash outflow of 13.9 million kroons (0.9 million euros). Operating cash flows were mainly influenced by a steep decline in sales and, in the first half of the year, too high a cost base; however, in the second half of the year the Group succeeded in adjusting the cost base to the level of sales in a time of crisis. The largest changes in working capital were related to a decrease in inventories and trade receivables and payables.

Net cash used in investing activities totalled 98.3 million kroons (6.3 million euros). In 2009, investing cash flows were primarily influenced by the construction of the new office building. In 2008, cash flows from investing activities were also significant, resulting in a net outflow of 147.0 million kroons (9.4 million euros).

Borrowing was a major financing source for both business operations and investing activities. As a result, financing activities generated an inflow of 110.5 million kroons (7.1 million euros). Additional bank loans taken in 2009 totalled 131.7 million kroons (8.4 million euros), while loan repayments amounted to 60.1 million kroons (3.8 million euros). Business operations were also financed with the funds raised through the issuance of preference shares of 39.1 million kroons (2.5 million euros).

INVESTMENT

In 2009, the Group's investments totalled 103.1 million kroons (6.9 million euros). The corresponding figure for 2008 was 148.5 million kroons (9.5 million euros).

Investments in the Baltika Quarter and retail system amounted to 73.3 million kroons (4.7 million euros) and 24.1 million kroons (1.5 million euros) respectively while other investments totalled 5.7 million kroons (0.4 million euros).

PEOPLE

At the end of 2009, Baltika Group employed 1,696 (31 December 2008: 1,988) people, including 928 (2008: 994) in the retail system, 580 (2008: 771) in manufacturing, and 188 (2008: 223) at the head office. Owing to changes in the economic environment and the ensuing need to improve operating efficiency, the number of staff declined by around 300. The largest decrease, around 200 people, occurred in manufacturing. The Group's annual average number of employees was 1,832 (2008: 1,950).

The Group's employee remuneration expenses for 2009 totalled 197.8 million kroons / 12.6 million euros (2008: 238.8 million kroons / 15.3 million euros). The remuneration of the members of the supervisory council and management board amounted to 4.9 million kroons / 0.3 million euros (2008: 4.6 million kroons / 0.3 million euros). In 2009, the management board had one member more than in 2008.

REPORTING CALENDAR IN 2010

In 2010, the consolidated financial results of AS Baltika will be published on the following dates:

2009 unaudited results	February 26
2009 audited annual report	March 31
2010 Q1 results	May 05
2010 Q2 results	August 04
2010 Q3 results	November 03

Additionally, in the beginning of every month the sales results of the preceding month are published.

KEY FIGURES OF THE GROUP (9 MONTHS 2009)

	31.12.2009	31.12.2008	+/-
Revenue (EEK million)	880.2	1,194.3	-26.3%
Retail sales (EEK million)	809.1	1.058.9	-23.6%
Share of retail sales in revenue	92%	89%	
Number of stores	133	134	
Sales area (sqm)	26,900	27,068	-0.6%
Number of employees (end of period)	1,697	1,988	-14.6%
Gross margin	48.0%	53.1%	
Operating margin	-17.6%	-0.5%	
EBT margin	-19.6%	-1.7%	
Net margin	-18.2%	-1.6%	
Current ratio	0.9	1.3	-30.8%
Inventory turnover	3.77	4.55	-17.3%
Debt to equity ratio	186,0%	91.1%	
Return on equity	-74.4%	-5.7%	
Return on assets	-21.3%	-2.6%	

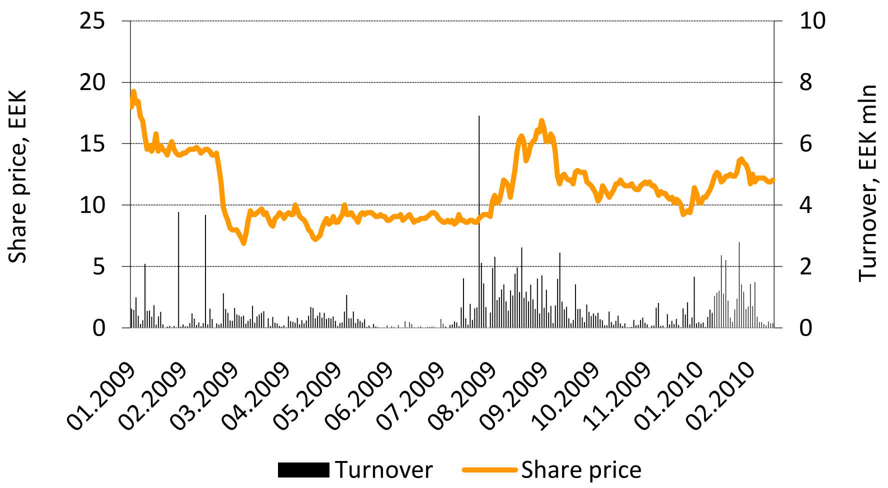
EUR 1 = EEK 15.6466

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



Ülle Järv
CFO, Member of the Management Board
+372 630 2741

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
26 February 2010

Ülle Järv
Member of the management board
26 February 2010

Boriss Loifenfeld
Member of the management board
26 February 2010

Maire Milder
Member of the management board
26 February 2010

Andrew Paterson
Member of the management board
26 February 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 fourth quarter and 12 months of 2009 as presented on pages 12-36.

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
26 February 2010

Ülle Järv
Member of the management board
26 February 2010

Boriss Loifenfeld
Member of the management board
26 February 2010

Maire Milder
Member of the management board
26 February 2010

Andrew Paterson
Member of the management board
26 February 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EEK thousand)

	Note	31.12.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	6,024	8,671
Trade and other receivables	4	54,932	98,369
Inventories	5,14	188,181	288,431
Total current assets		**249,137**	**395,471**
Non-current assets			
Deferred income tax assets		16,488	5,547
Other non-current asset	6	7,728	6,103
Investment property	7	103,294	134,098
Property, plant and equipment	8	263,165	180,580
Intangible assets	9	62,133	59,604
Total non-current assets		**452,808**	**385,932**
TOTAL ASSETS		**701,945**	**781,403**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	122,942	103,967
Trade and other payables	12	159,375	207,946
Total current liabilities		**282,317**	**311,913**
Non-current liabilities			
Borrowings	10	232,942	168,388
Other liabilities	12	114	0
Deferred income tax liability		0	2,196
Total non-current liabilities		**233,056**	**170,584**
TOTAL LIABILITIES		**515,373**	**482,497**
EQUITY			
Share capital at par value	13	226,449	186,449
Share premium		1,049	0
Reserves	13	43,567	26,133
Retained earnings		81,487	108,722
Net profit (loss) for the period		-160,315	-18,947
Currency translation reserve		-8,199	-7,165
Total equity attributable to equity holders of the parent		**184,038**	**295,192**
Minority interest		2,534	3,714
TOTAL EQUITY		**186,572**	**298,906**
TOTAL LIABILITIES AND EQUITY		**701,945**	**781,403**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	31.12.2009	31.12.2008
ASSETS			
Current assets			
Cash and bank	3	385	554
Trade and other receivables	4	3,511	6,287
Inventories	5,14	12,027	18,434
Total current assets		**15,923**	**25,275**
Non-current assets			
Deferred income tax assets		1,054	355
Other non-current asset	6	494	390
Investment property	7	6,602	8,570
Property, plant and equipment	8	16,819	11,541
Intangible assets	9	3,971	3,809
Total non-current assets		**28,940**	**24,666**
TOTAL ASSETS		**44,862**	**49,941**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	7,857	6,645
Trade and other payables	12	10,186	13,290
Total current liabilities		**18,043**	**19,935**
Non-current liabilities			
Borrowings	10	14,888	10,762
Other liabilities	12	7	0
Deferred income tax liability		0	140
Total non-current liabilities		**14,895**	**10,902**
TOTAL LIABILITIES		**32,938**	**30,837**
EQUITY			
Share capital at par value	13	14,473	11,916
Share premium		67	0
Reserves	13	2,784	1,670
Retained earnings		5,208	6,949
Net profit (loss) for the period		-10,246	-1,211
Currency translation reserve		-524	-458
Total equity attributable to equity holders of the parent		**11,762**	**18,866**
Minority interest		162	237
TOTAL EQUITY		**11,924**	**19,104**
TOTAL LIABILITIES AND EQUITY		**44,862**	**49,941**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EEK thousand)

	Note	Q4 2009	Q4 2008	12m 2009	12m 2008
Revenue	14,15	219,989	306,849	880,170	1,194,320
Cost of goods sold	16	-107,285	-158,793	-457,425	-560,486
Gross profit		**112,704**	**148,056**	**422,745**	**633,834**
Distribution costs	17	-123,899	-161,562	-500,659	-588,648
Administrative and general expenses	18	-12,771	-13,284	-44,467	-50,506
Other operating income	19	-93	9,848	549	18,795
Other operating expenses	20	-18,874	-17,351	-33,478	-19,139
Operating profit (loss)	14	**-42,933**	**-34,293**	**-155,310**	**-5,664**
Financial income (expenses)		**-4,322**	**-6,311**	**-17,631**	**-14,625**
Interest expenses, net		-6,199	-3,154	-16,669	-11,386
Foreign exchange income (losses,) net		1,840	-3,204	-997	-3,560
Other financial income (expenses), net		37	47	35	321
Profit (loss) before income tax		**-47,255**	**-40,604**	**-172,941**	**-20,289**
Income tax		13,004	-770	12,660	-1,178
Net profit (loss)		**-34,251**	**-41,374**	**-160,281**	**-21,467**
Profit (loss) attributable to:					
Equity holders of the parent company		-34,153	-40,382	-160,315	-18,947
Minority shareholders		-98	-992	34	-2,520
Other comprehensive income (loss)					
Currency translation differences		-64	-15,573	-1,032	-15,645
Total comprehensive income (loss)		**-34,315**	**-56,947**	**-161,313**	**-37,112**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-34,215	-55,955	-161,349	-34,243
Minority shareholders		-100	-992	36	-2,869
Basic earnings per share, EEK	21	-1.83	-2.17	-8.60	-1.02
Diluted earnings per share, EEK	21	-1.83	-2.17	-8.60	-1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousand)

	Note	Q4 2009	Q4 2008	12m 2009	12m 2008
Revenue	14,15	14,060	19,611	56,253	76,331
Cost of goods sold	16	-6,857	-10,149	-29,235	-35,822
Gross profit		**7,203**	**9,463**	**27,018**	**40,509**
Distribution costs	17	-7,919	-10,326	-31,998	-37,621
Administrative and general expenses	18	-816	-849	-2,842	-3,228
Other operating income	19	-6	629	35	1,201
Other operating expenses	20	-1,206	-1,109	-2,140	-1,223
Operating profit (loss)	14	**-2,744**	**-2,192**	**-9,926**	**-362**
Financial income (expenses)		**-276**	**-403**	**-1,127**	**-935**
Interest expenses, net		-396	-202	-1,065	-728
Foreign exchange income (losses,) net		118	-205	-64	-228
Other financial income (expenses), net		2	3	2	21
Profit (loss) before income tax		**-3,020**	**-2,595**	**-11,053**	**-1,297**
Income tax		831	-49	809	-75
Net profit (loss)		**-2,189**	**-2,644**	**-10,244**	**-1,372**
Profit (loss) attributable to:					
Equity holders of the parent company		-2,183	-2,581	-10,246	-1,211
Minority shareholders		-6	-63	2	-161
Other comprehensive income (loss)					
Currency translation differences		-4	-995	-66	-1,000
Total comprehensive income (loss)		**-2,193**	**-3,640**	**-10,310**	**-2,372**
Comprehensive income (loss) attributable to:					
Equity holders of the parent company		-2,187	-3,576	-10,312	-2,189
Minority shareholders		-6	-63	2	-183
Basic earnings per share, EUR	21	-0.12	-0.14	-0.55	-0.06
Diluted earnings per share, EUR	21	-0.12	-0.14	-0.55	-0.06

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	2009	2008
Operating activities			
Operating profit (loss)		-155,310	-5,664
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	49,547	46,189
Loss (gain) from disposal of PPE and investment property		13,119	1,562
Loss (gain) from revaluation of investment property	7	4,789	-17,750
Other non-monetary expenses		4,732	1,525
Changes in working capital:			
Change in trade and other receivables	4	36,727	21,778
Change in inventories	5	100,250	-67,733
Change in trade and other payables	12	-50,420	82,013
Interest paid		-16,419	-11,715
Income tax paid		-860	-6,215
Net cash generated from operating activities		**-13,845**	**43,990**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-101,278	-148,517
Under the finance lease terms		3,775	4,221
Proceeds from disposal of property, plant and equipment		1,567	641
Investments in subsidiaries		-2,380	-3,328
Interest received		15	64
Net cash used in investing activities		**-98,301**	**-146,919**
Financing activities			
Received borrowings	10	131,715	119,379
Repayments of borrowings	10	-29,289	-25,283
Change in bank overdraft	10	-26,179	22,663
Repayments of finance lease and other liabilities		-4,675	-3,281
Receipts from contributions into share capital		40,000	0
Transaction costs of issuing preference shares		-865	0
Dividend paid for preference shares		-337	0
Treasury stock transactions		0	-2
Bonds transactions	11	126	-29,999
Net cash generated from financing activities		**110,496**	**83,477**
Effect of exchange gains (losses) on cash and cash equivalents		-997	-3,371
Total cash flows		**-2,647**	**-22,823**
Cash and cash equivalents at the beginning of the period	3	**8,671**	**31,494**
Cash and cash equivalents at the end of the period	3	**6,024**	**8,671**
Change in cash and cash equivalents		**-2,647**	**-22,823**

CONSOLIDATED CASH FLOW STATEMENT
(in EUR thousand)

	Note	2009	2008
Operating activities			
Operating profit (loss)		-9,926	-362
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	3,167	2,952
Loss (gain) from disposal of PPE and investment property		838	100
Loss (gain) from revaluation of investment property	7	306	-1,134
Other non-monetary expenses		302	97
Changes in working capital:			
Change in trade and other receivables	4	2,347	1,392
Change in inventories	5	6,407	-4,329
Change in trade and other payables	12	-3,222	5,242
Interest paid		-1,049	-749
Income tax paid		-55	-397
Net cash generated from operating activities		**-885**	**2,811**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-6,473	-9,492
Under the finance lease terms		241	270
Proceeds from disposal of property, plant and equipment		100	41
Investments in subsidiaries		-152.1	-213
Interest received		1	4
Net cash used in investing activities		**-6,283**	**-9,389**
Financing activities			
Received borrowings	10	8,418	7,630
Repayments of borrowings	10	-1,872	-1,616
Change in bank overdraft	10	-1,673	1,448
Repayments of finance lease and other liabilities		-299	-210
Receipts from contributions into share capital		2,556	0
Transaction costs of issuing preference shares		-55	0
Dividend paid for preference shares		-22	0
Treasury stock transactions		0	-0.1
Bonds transactions	11	8	-1,917
Net cash generated from financing activities		**7,062**	**5,335**
Effect of exchange gains (losses) on cash and cash equivalents		-64	-215
Total cash flows		**-169**	**-1,459**
Cash and cash equivalents at the beginning of the period	3	**554**	**2,013**
Cash and cash equivalents at the end of the period	3	**385**	**554**
Change in cash and cash equivalents		**-169**	**-1,459**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2007	**186,449**	**0**	**26,133**	**108,722**	**8,131**	**329,435**	**9,911**	**339,346**
Comprehensive loss	0	0	0	-18,947	-15,296	-34,243	-2,869	-37,112
Acquisition of minority interest	0	0	0	0	0	0	-3,328	-3,328
Balance at 31.12.2008	**186,449**	**0**	**26,133**	**89,775**	**-7,165**	**295,192**	**3,714**	**298,906**
Balance at 31.12.2008	**186,449**	**0**	**26,133**	**89,775**	**-7,165**	**295,192**	**3,714**	**298,906**
Comprehensive loss	0	0	0	-160,315	-1,034	-161,349	36	-161,313
Change in retained earnings	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 minority interest	0	0	0	0	0	0	-6	-6
Revaluation reserve of investment property	0	0	17,434	0	0	17,434	0	17,434
Change in minority interest	0	0	0	0	0	0	-1,210	-1,210
Balance at 31.12.2009	**226,449**	**1,049**	**43,567**	**-78,828**	**-8,199**	**184,038**	**2,534**	**186,572**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Minority interest	Total
Balance at 31.12.2007	**11,916**	**0**	**1,670**	**6,949**	**520**	**21,055**	**633**	**21,688**
Comprehensive loss	0	0	0	-1,211	-978	-2,189	-183	-2,372
Acquisition of minority interest	0	0	0	0	0	0	-213	-213
Balance at 31.12.2008	**11,916**	**0**	**1,670**	**5,738**	**-458**	**18,866**	**237**	**19,104**
Balance at 31.12.2008	**11,916**	**0**	**1,670**	**5,738**	**-458**	**18,866**	**237**	**19,104**
Comprehensive loss	0	0	0	-10,246	-66	-10,312	2	-10,310
Change in retained earnings	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 minority interest	0	0	0	0	0	0	-0.4	-0.4
Revaluation reserve of investment property	0	0	1,114	0	0	1,114	0	1,114
Change in minority interest	0	0	0	0	0	0	-77	-77
Balance at 31.12.2009	**14,473**	**67**	**2,784**	**-5,038**	**-524**	**11,762**	**162**	**11,924**

NOTES TO CONSOLIDATED INTERIM REPORT

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

The Group's condensed consolidated interim report for the twelve months has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for 2008. The accounting policies for preference shares and compound financial instruments that have been added are described in this note. The interim report should be read in conjunction with the Group's latest consolidated annual report for 2008, which has been prepared in accordance with International Financial Reporting Standards. New and revised standards effective from 1 January 2009 and their impact on the Group's financial statements are described in this note. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2008 annual report.

All information in the financial statements is presented in thousands of Estonian kroons and thousands of euros, unless otherwise stated. The Estonian kroon is pegged to the euro at the rate of EUR 1 = EEK 15.6466. Due to rounding of euros to the nearest thousand arithmetical inaccuracies up to 1 thousand euros may occur.

This interim report has not been audited or otherwise reviewed by auditors, and includes only Group's consolidated reports.

Comparability

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

Pursuant to the changes in IAS 1, Presentation of Financial Statements, which came into force as of 1 January 2009, the consolidated income statement is replaced by a consolidated statement of comprehensive income in current interim reporting. The statement of comprehensive income effectively combines the income statement and all non-owner changes in equity into a single statement. In connection with the compilation of the consolidated comprehensive income statement the presentation of the report on changes in equity is also changed, and instead of the "balance sheet" the term "statement of financial position" is used. The change of the presentation of basic reports and new terms do not affect the recognition of transactions and balances or the accounting principles.

IFRS 8, Operating Segments requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes and used by the chief operating decision maker. In connection with adoption of the standard as of 1 January 2009 are instead of previously reported geographical and business segments the following operating segments (areas) disclosed: Retail Baltic region, Retail Eastern Europe, Retail Central Europe, Wholesale and Real estate management. The operating segments are identified on the basis how of the internal reports are used by the Groups' management in order to assess performance of the operating segment and allocate resources.

Share capital

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

Compound financial instruments

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

NOTE 2 Financial risks

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

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

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

Market risk

Foreign exchange risk

Sales in foreign currencies constitute 74% of the revenues of the Group and are denominated in LTL (Lithuanian lit), LVL (Latvian lat), UAH (Ukrainian hryvnia), PLN (Polish zloty), RUR (Russian rouble), CZK (Czech koruna) for the foreign subsidiaries of the Group and in EUR (euro) for the Parent company and the subsidiaries located in Estonia. The majority of raw materials used in production is acquired from countries located outside of European Union. The major currencies for purchases are EUR (euro) and USD (US dollar).

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

The Group's results are open to fluctuations in foreign currency rates against Estonian kroon in those countries where AS Baltika has subsidiaries. The changes in average foreign currency rates against Estonian kroon in the reporting period were the following: Latvian lat -0.46% (2008: -0.35%), Russian rouble -17.51% (2008: -3.78%), Ukrainian hryvnia -32.21% (2008: -9.27%), Polish zloty -18.92% (2008: +8.04%) and Czech koruna -5.60% (2008: +11.32%). The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was +5.19% (2008: -6.52%). The Group's foreign exchange risk has increased significantly as a result of the devaluation of the Ukrainian hryvnia and the Russian rouble in the fourth quarter of 2008 when they weakened against the Estonian kroon by 34% and 12% respectively but in the first quarter of 2009 these currency rates did not show significant decrease.

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

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

No instruments were used to hedge foreign currency risks in 2009 and 2008. Based on the management's assessment, the effect of losses resulting from changes in foreign currencies does not exceed the risk tolerance determined by the Group. If feasible, foreign currencies collected are used for the settling of liabilities measured in the same currency.

Interest rate risk

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

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

All non-current borrowings at 31 December 2009 and 31 December 2008 were subject to a floating interest rate based on Euribor, which is fixed every three or six months. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

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

Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

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

At 31 December 2009 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 29,183 thousand kroons (1,865 thousand euros) (31 December 2008: 48,949 thousand kroons/3,128 thousand euros) on a net basis after the allowances. The trade receivables from Eastern European clients amounted to 20,775 thousand kroons (1,328 thousand euros), including balances with the Eastern European wholesale partners of 19,020 thousand kroons (1,216 thousand euros) (31 December 2008: 38,083 thousand kroons/2,434 thousand euros) and balances with retail customers for bank card payments of 1,755 thousand kroons (112 thousand euros) (31 December 2008: 2,490 thousand kroons/159 thousand euros).

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

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

Liquidity risk

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

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

Financial liabilities by maturity at 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	2,670	7,692	0	10,362
Trade payables (Note 12)	111,161	106,850	4,311	0	111,161
Other payables (Note 12)	46,268	46,268	0	0	46,268
Total	**505,004**	**280,291**	**154,710**	**123,695**	**558,696**

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	171	492	0	663
Trade payables (Note 12)	7,104	6,829	276	0	7,105
Other payables (Note 12)	2,957	2,957	0	0	2,957
Total	**32,276**	**17,914**	**9,889**	**7,906**	**35,709**

Financial liabilities by maturity at 31 December 2008

EEK '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	262,215	112,904	125,071	89,167	327,142
Finance lease liabilities (Note 10)	10,140	3,446	7,352	0	10,798
Trade payables (Note 12)	151,938	151,938	0	0	151,938
Other payables (Note 12)	55,638	55,638	0	0	55,638
Total	**479,931**	**323,926**	**132,423**	**89,167**	**545,516**

EUR '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	16,759	7,216	7,993	5,699	20,908
Finance lease liabilities (Note 10)	649	220	470	0	690
Trade payables (Note 12)	9,711	9,711	0	0	9,711
Other payables (Note 12)	3,555	3,556	0	0	3,556
Total	**30,673**	**20,702**	**8,463**	**5,699**	**34,865**

Overdraft facilities are shown under bank borrowings payable within 1-12 months in the amount of used exposure available for the Group. For interest bearing borrowings carrying floating interest rate based on Euribor, the spot rate has been used.

Operational risk

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

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

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

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

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

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

Capital risk management

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

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt. At 31 December 2009 the gearing ratio increasid to 65%. The Groups's net debt increased due to the loss earned in 2009 and due to the loan taken to finance construction of a new office building.

Gearing ratios of the Group

	EEK '000		**EUR '000**	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Total borrowings (Note 10)	347,575	272,355	22,214	17,407
Cash and bank (Note 3)	-6,024	-8,671	-385	-554
Net debt	341,551	263,684	21,829	16,852
Total equity	186,572	298,906	11,924	19,104
Total capital	528,123	562,590	33,753	35,956
Gearing ratio	**65%**	**47%**	**65%**	**47%**

Fair value

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet at 31 December 2009 and 31 December 2008. As the Group's long-term borrowings have a floating interest rate that changes along with the changes in market interest rates, the discount rates used in the discounted cash flow model are applied to calculate the fair value of borrowings. Therefore, management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 Cash and bank

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Cash in hand	2,892	2,241	185	143
Cash at bank	3,132	5,547	200	355
Short-term deposits	0	883	0	56
Total	**6,024**	**8,671**	**385**	**554**

Cash and bank by currency

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
RUB (Russian rouble)	1,629	1,089	105	70
EEK (Estonian kroon)	1,554	926	99	59
LTL (Lithuanian lit)	967	1,096	62	70
LVL (Latvian lat)	588	1,375	38	88
UAH (Ukrainian hryvnia)	508	1,401	32	90
CZK (Czech koruna)	299	2,415	19	154
EUR (euro)	258	43	16	3
PLN (Polish zloty)	221	300	14	19
USD (US dollar)	0	26	0	2
Total	**6,024**	**8,671**	**385**	**554**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Trade receivables, net	29,183	48,949	1,865	3,128
Other prepaid expenses	10,464	24,406	669	1,560
Tax prepayments and tax reclaims, thereof	13,694	20,840	875	1,332
Value added tax	12,735	18,319	814	1,171
Prepaid income tax	493	136	32	9
Other taxes	466	2,385	30	152
Other current receivables	1,591	4,174	102	267
Total	**54,932**	**98,369**	**3,511**	**6,287**

Trade receivables

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Trade receivables, gross	30,785	56,760	1,967	3,628
Allowance for impairment of trade receivables	-1,602	-7,811	-102	-499
Trade receivables, net	**29,183**	**48,949**	**1,865**	**3,128**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Not due	14,525	39,383	928	2,517
Up to 1 month past due	3,272	7,882	209	504
1-3 months past due	3,915	1,679	250	107
3-6 months past due	1,121	5	72	0
Over 6 months past due	6,350	0	406	0
Total	**29,183**	**48,949**	**1,865**	**3,128**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
EUR (euro)	21,260	39,700	1,359	2,537
EEK (Estonian kroon)	4,618	4,670	295	298
UAH (Ukrainian hryvnia)	993	1,249	63	80
RUB (Russian rouble)	762	1,061	49	68
LVL (Latvian lat)	707	1,154	45	74
LTL (Lithuanian lit)	697	929	45	59
PLN (Polish zloty)	141	119	9	8
CZK (Czech koruna)	5	67	0	4
Total	**29,183**	**48,949**	**1,865**	**3,128**

NOTE 5 Inventories

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Fabrics and accessories	27,967	48,384	1,787	3,092
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,137	4,758	73	304
Finished goods and goods purchased for resale	162,946	236,051	10,415	15,086
Allowance for impairment of finished goods and goods purchased for resale	-5,000	-6,600	-320	-422
Prepayments to suppliers	1,331	6,038	85	386
Total	**188,181**	**288,431**	**12,027**	**18,434**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Non-current lease prepayments	7,728	6,103	494	390

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2007	**11,250**	**719**
Reclassification from fixed assets	26,635	1,702
Additions	78,463	5,015
Revaluation	17,750	1,134
Balance at 31 December 2008	**134,098**	**8,570**
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**

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. The gain from revaluation in fair value amounted to 17,434 thousand kroons (1,114 thousand euros) was recognised in owner's equity under revaluation reserve and loss from revaluation in fair value amounted to

4,789 thousand kroons (306 thousand euros) was recognised in income statement under “Other operating expenses”.

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 2007							
Acquisition cost	**2,113**	**113,430**	**98,437**	**116,685**	**26,879**	**1,362**	**358,906**
Accumulated depreciation	0	-37,740	-70,339	-47,729	0	0	-155,808
Net book amount	**2,113**	**75,690**	**28,098**	**68,956**	**26,879**	**1,362**	**203,098**
Additions	0	25,375	13,216	18,606	2,623	0	59,820
Disposals	0	-105	-313	-1,557	-99	0	-2,074
Reclassifications to investment property	0	0	0	0	-26,635	0	-26,635
Reclassification	0	95	1,068	1,065	-72	-1,088	1,068
Depreciation	0	-14,687	-7,345	-19,295	0	0	-41,327
Currency translation differences[1]	0	-5,169	-1,648	-6,118	-335	-100	-13,370
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**

EUR '000	Land and construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Prepayments	Total
At 31 December 2007							
Acquisition cost	**135**	**7,249**	**6,292**	**7,458**	**1,718**	**87**	**22,938**
Accumulated depreciation	0	-2,412	-4,495	-3,050	0	0	-9,958
Net book amount	**135**	**4,837**	**1,797**	**4,407**	**1,718**	**87**	**12,980**

Additions	0	1,622	845	1,189	168	0	3,823
Disposals	0	-7	-20	-100	-6	0	-133
Reclassifications to investment property	0	0	0	0	-1,702	0	-1,702
Reclassification	0	6	68	68	-5	-70	68
Depreciation	0	-939	-469	-1,233	0	0	-2,641
Currency translation differences[1]	0	-330	-105	-391	-21	-6	-854
At 31 December 2008							
Acquisition cost	**135**	**7,867**	**6,838**	**7,493**	**151**	**11**	**22,496**
Accumulated depreciation	0	-2,678	-4,724	-3,552	0	0	-10,955
Net book amount	**135**	**5,190**	**2,114**	**3,941**	**151**	**11**	**11,541**
Additions	0	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	-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**

[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 2007					
Acquisition cost	**32,549**	**10,060**	**1,341**	**25,234**	**69,184**
Accumulated amortisation	-10,104	-671	0	0	-10,775
Net book amount	**22,445**	**9,389**	**1,341**	**25,234**	**58,409**
Additions	8,012	0	1,154	0	9,166
Disposals	-129	0	0	0	-129
Amortisation	-4,322	-503	0	0	-4,825
Currency translation differences[1]	-98	0	-350	-2,569	-3,017
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**

EUR '000	**Licenses, software and other**	**Trade-marks**	**Advances**	**Goodwill**	**Total**
At 31 December 2007					
Acquisition cost	**2,080**	**643**	**86**	**1,613**	**4,422**
Accumulated amortisation	-646	-43	0	0	-689
Net book amount	**1,434**	**600**	**86**	**1,613**	**3,733**
Additions	512	0	74	0	586
Disposals	-8	0	0	0	-8
Amortisation	-276	-32	0	0	-308
Currency translation differences[1]	-6	0	-22	-164	-193
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**

[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	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Current borrowings				
Current portion of non-current bank loans	34,864	20,840	2,228	1,332
Current bank loans	78,795	80,052	5,036	5,116
Current finance lease liabilities	3,804	3,075	243	197
Liability component of preference shares	5,479	0	350	0
Total	**122,942**	**103,967**	**7,857**	**6,645**
Non-current borrowings				
Non-current bank loans	224,803	161,323	14,368	10,310
Non-current finance lease liabilities	5,309	7,065	339	452
Convertible bonds and liability component of preference shares	2,830	0	181	0
Total	**232,942**	**168,388**	**14,888**	**10,762**
Total borrowings	**355,884**	**272,355**	**22,745**	**17,407**

During the reporting period, the Group made loan repayments in the amount of 29,289 thousand kroons (1,872 thousand euros) (2008: 25,283 thousand kroons/1,616 thousand euros). Interest expense of the reporting periods amounted to 16,684 thousand kroons (1066 thousand euros) (2008: 11,449 thousand kroons/732 thousand euros). Interest expenses have been recognised net with interest income under interest expenses.

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**	

Bank loans of the Group at 31 December 2008

	Carrying amount		Average risk
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	1.50%
Borrowings at floating interest rate (based on 3-month Euribor)	6,676	427	1.25%
Borrowings at floating interest rate (based on 6-month Euribor)	175,487	11,216	1.58%
Borrowings at floating interest rate (based on 1-month Libor)	400	26	1.60%
Borrowings at fixed interest rate (incl. overdraft)	71,829	4,591	6.20%
Total	**262,215**	**16,759**	

NOTE 11 Convertible bonds

The annual general meeting held on 18 June 2009 decided that 1,850,000 convertible bonds (G-bonds) with a par value of 0.10 kroons (0.0064 euros) should be issued within the framework of the Group's management incentive program. Each bond entitles its holder to subscribe for one share of the company with a nominal value of 10 kroons (0.64 euros). The share subscription period for G-bonds shall be from 1 July 2012 until 31 December 2012. The share subscription price is 12 kroons (0.77 euros).

Totally were subscribed 1,842 500 bonds. The cash consideration in the amount of 184 thousand kroons (12 thousand euros) is recognised under "Borrowings" of the non-current liabilities. The accounting policies described in IFRS 2 have been adopted to account for the G-bonds. During the second half-year of 2009, 1,049 thousand kroons (67 thousand euros) were expensed as payroll costs and a respective increase of share premium in owner's equity.

The fair value of the services (employee contribution) acquired by the entity from the employees in exchange for the shares was determined by reference to the fair value of the convertible bonds granted and was valued by an independent expert at 4.12 kroons per one convertible bond. The Black-Scholes option pricing model was used in valuing the convertible bond. The following parameters were used in determination of the price of the instrument: share price at the date prior to the grant date, exercise price, weighted average share price, expected volatility by a reference to the history of volatility based on the history of fluctuations of the market prices of the share and the expected life of the option.

	Issue date	Bond conversion period	Number of convertible bonds 31.12.2009	Number of convertible bonds 31.12.2008
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,842,500	0

NOTE 12 Trade and other payables

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
Trade payables	111,161	151,938	7,104	9,711
Tax liabilities, thereof	27,857	31,422	1,780	2,008
Personal income tax	3,669	5,997	234	383
Social security tax and unemployment insurance premium	9,641	12,295	616	786
Value added tax	13,411	11,722	857	749
Corporate income tax liability	210	0	13	0
Other taxes	926	1,408	59	90
Payables to employees and other accrued expenses	18,411	24,216	1,178	1,548
Customer prepayments	1,800	312	115	20
Other current payables	146	58	9	4
Total	**159,375**	**207,946**	**10,186**	**13,290**
Non-current liabilities				
Other liabilities[1]	114	0	7	0

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

Trade payables by denominating currency

	EEK '000		EUR '000	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
EUR (euro)	38,800	44,820	2,480	2,864
EEK (Estonian kroon)	33,470	51,793	2,139	3,310
USD (US dollar)	29,418	42,790	1,880	2,735
RUB (Russian rouble)	3,038	4,832	194	309
LTL (Lithuanian lit)	2,802	2,544	179	163
CZK (Czech koruna)	1,461	2,164	93	138
PLN (Polish zloty)	815	1,581	52	101
LVL (Latvian lat)	613	840	39	54
Other currencies	744	574	48	37
Total	**111,161**	**151,938**	**7,104**	**9,711**

NOTE 13 Equity

Share capital

EEK '000	31.12.2009	31.12.2008
Share capital	226,449	186,449
Number of shares[1]	22,644,850	18,644,850
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve	18,645	18,645
Revaluation surplus	24,922	7,488

EUR '000	31.12.2009	31.12.2008
Share capital	14,473	11,916
Number of shares[1]	22,644,850	18,644,850
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve	1,192	1,192
Revaluation surplus	1,593	478

[1]Shares comprise ordinary shares and preference shares of 18,644,850 pieces and 4,000 thousand pieces respectively. The 18,644,850 ordinary shares are listed on the Tallinn Stock Exchange. The preference shares are unlisted.

On 10 July 2009 4 million preferred shares were subscribed by institutional investors in total amount of 40 million kroons (2.56 million euros).

The issued preferred shares shall grant its owner the preferential right to receive dividends in the amount of 10% annually within two years from the issuance of the preferred shares and thereafter shall have voting rights and rights to receive dividends as stated in the Articles of Association.

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

Change in the number of shares

	Issue	Number of shares
Number of shares on 31.12.2008		**18,644,850**
Issued 10.07.2009	Issue of preference shares	4,000,000
Number of shares on 31.12.2009, thereof		**22,644,850**
Ordinary shares		18,644,850
Preference shares		4,000,000

Shareholders at 31 December 2009

	Number of shares	Holding
BMIG OÜ	4,624,860	24.81%
Svenska Handelsbanken Clients	1,912,000	10.25%
Members of management and supervisory boards; persons and entities related to them		
Meelis Milder	726,336	3.90%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	200,366	1.07%
Ülle Järv	50,600	0.27%
Andrew Paterson	11,000	0.06%
Other shareholders	10,803,605	57.94%
Total	**18,644,850**	**100.00%**

Shareholders at 31 December 2008

	Number of shares	Holding
BMIG OÜ	4,750,033	25.48%
Svenska Handelsbanken Clients	1,912,000	10.25%
Central Securities Depository of Lithuania	1,538,974	8.25%
Members of management and supervisory boards and persons related to them		
Meelis Milder	730,336	3.92%
Maire Milder	316,083	1.70%
Boriss Loifenfeld	200,366	1.07%
Andres Erm	108,000	0.58%
Ülle Järv	55,370	0.30%
Andrew Paterson	11,000	0.06%
Other shareholders	9,022,688	48.39%
Total	**18,644,850**	**100.00%**

The 18,644,850 ordinary shares of the Parent company are listed on the Tallinn Stock Exchange. The Parent company does not have a controlling shareholder or any shareholders jointly controlling the entity. The investment company OÜ BMIG is under the control of the management board members of the Parent company.

NOTE 14 Segments

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

Parent company's management board assesses the performance from operations area perspective i.e. the performance of retail, wholesale and real estate management is assessed. Retail is further evaluated on a geographic basis. The retail segments are countries which belong to the same region and correspond to the same criteria:

- Baltic region consists of operations in Estonia, Latvia and Lithuania;
- Eastern European region consists of operations in Russia and Ukraine;
- Central European region consists of operations in Poland and the Czech Republic.

The Parent company's management board assesses the performance of the operating segments based on a measure of external revenue and profit. The profit of an operating segment is its gross profit less market operating costs. Other operating income and expenses are not included in the internally generated financial reports to assess the performance of the segment. The segment inventories include those operating inventories directly attributable to the segment or those that can be allocated to the particular segment. The inventories of the Parent company and the production companies are disclosed as unallocated inventories.

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
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)	33,587	-18,663	-21,649	10,093	1,156	4,524
Inventories of segments	55,100	38,567	2,911	3,644	0	100,222
Other inventories						87,959
Total inventories						188,181
2008 and at 31 December 2008						
Revenue (from external customers)	631,323	375,862	51,692	134,827	616	1,194,320
Segment profit (loss)	126,201	28,366	-13,426	35,345	202	176,688
Inventories of segments	64,347	51,078	5,262	10,071	0	130,758
Other inventories						157,673
Total inventories						288,431

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
2009 and at 31 December 2009						
Revenue (from external customers)	30,957	17,999	2,754	4,405	138	56,253
Segment profit (loss)	2,147	-1,193	-1,384	645	74	289
Inventories of segments	3,522	2,465	186	233	0	6,405
Other inventories						5,622
Total inventories						12,027
2008 and at 31 December 2008						
Revenue (from external customers)	40,349	24,022	3,304	8,617	39	76,331
Segment profit (loss)	8,066	1,813	-858	2,259	13	11,292
Inventories of segments	4,113	3,264	336	644	0	8,357
Other inventories						10,077
Total inventories						18,434

[1]The wholesale revenue includes the sale of goods, materials and sewing services.

Reconciliation of segment profit to consolidated operating profit

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Total profit for reportable segments	4,524	176,688	289	11,292
Unallocated expenses:				
Distribution costs	-82,438	-131,502	-5,269	-8,405
Administrative and general expenses	-44,467	-50,506	-2,842	-3,228
Other operating income (expenses), net		-344	-2,105	-22
Operating profit (loss)	**-155,310**	**-5,664**	**-9,926**	**-362**

NOTE 15 Revenue

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Sale of goods	877,269	1,192,084	56,067	76,188
Sale of sewing services	433	0	28	0
Lease revenue	2,153	616	138	39
Other	315	1,620	20	104
Total	**880,170**	**1,194,320**	**56,253**	**76,331**

NOTE 16 Cost of goods sold

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Materials and supplies	367,487	441,820	23,487	28,237
Payroll costs in production	63,791	91,068	4,077	5,820
Operating lease expenses	9,635	10,746	616	687
Other production costs	6,851	9,449	438	604
Depreciation of assets used in production	4,372	4,535	279	290
Change in inventories	6,889	-2,132	440	-136
Change in allowance for inventories	-1,600	5,000	-102	320
Total	**457,425**	**560,486**	**29,235**	**35,822**

NOTE 17 Distribution costs

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Operating lease expenses	191,450	217,381	12,236	13,893
Payroll costs	173,092	203,867	11,063	13,029
Depreciation and amortisation	42,466	39,751	2,714	2,541
Advertising expenses	25,518	38,737	1,631	2,476
Fuel, heating and electricity costs	9,983	9,349	638	598
Municipal services and security expenses	8,906	8,911	569	570
Fees for card payments	5,950	8,024	380	513
Financial and management fees[1]	4,397	4,402	281	281
Freight costs	3,625	6,477	232	414
Information technology expenses	3,518	3,595	225	230
Communication expenses	3,404	3,777	218	241
Travel expenses	2,828	5,109	181	327
Bank fees	2,256	2,548	144	163
Packaging costs	1,828	1,874	117	120
Impairment of trade receivables	1,506	5,173	96	331
Expenses for uniforms	1,319	2,240	84	143
Renovation expenses of retail outlets	1,068	1,896	68	121
Training expenses	758	1,857	48	119
Other sales expenses[1]	16,787	23,680	1,073	1,513
Total	**500,659**	**588,648**	**31,998**	**37,621**

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

NOTE 18 Administrative and general expenses

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Payroll costs	22,312	25,065	1,426	1,602
Information technology expenses	4,558	5,023	291	321
Depreciation and amortisation	2,709	1,903	173	122
Bank fees	2,608	1,275	167	81
Operating lease expenses	2,434	4,089	156	261
Fuel, heating and electricity expenses	1,367	1,693	87	108
Sponsorship	928	1,213	59	78
Communication expenses	783	773	50	49
Municipal services and security expenses	510	583	33	37
Training expenses	282	884	18	56
Travel expenses	42	143	3	9
Other administrative expenses	5,934	7,862	379	502
Total	**44,467**	**50,506**	**2,842**	**3,228**

NOTE 19 Other operating income

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Gain from revaluations of investment property	0	17,750	0	1,134
Other operating income	549	1,045	35	67
Total	**549**	**18,795**	**35**	**1,201**

NOTE 20 Other operating expenses

	EEK '000		EUR '000	
	2009	**2008**	**2009**	**2008**
Foreign exchange losses	11,332	12,719	724	813
Loss from sale of non-current assets	10,254	120	655	8
Loss from revaluations of investment property	4,789	0	306	0
Fines, penalties and tax interest	2,791	957	178	61
Representation costs	103	486	7	31
Other operating expenses	4,209	4,857	269	310
Total	**33,478**	**19,139**	**2,140**	**1,223**

NOTE 21 Earnings per share

Basic earnings per share

		2009	**2008**
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-160,315	-18,947
	EUR '000	-10,246	-1,211
Basic earnings per share	**EEK**	**-8.60**	**-1.02**
	EUR	**-0.55**	**-0.06**

Diluted earnings per share

		2009	**2008**
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-160,315	-18,947
	EUR '000	-10,246	-1,211
Diluted earnings per share	**EEK**	**-8.60**	**-1.02**
	EUR	**-0.55**	**-0.06**

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in 2009 was 11.02 kroons (0.70 euros) (2008: 32.74 kroons/2.09 euros).

NOTE 22 Subsidiaries

During the last quarter of 2009, AS Baltika acquired an additional stake of 25% of the share capital of its subsidiary SIA Baltika Latvia. The purchase consideration amounted to 2,380 thousand kroons (152 thousand euros). As a result, Baltika’s ownership in SIA Baltika Latvia increased to 100%.