AS BALTIKA

Consolidated interim report for the first quarter and three months of 2010

Commercial name	AS Baltika
Commercial registry number	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
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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 – 31.03.2010

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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 March 2010, the Group employed 1,647 people (31 December 2009: 1,697).

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

The Group consists of the following companies:

	Location	Activity	Holding at 31.03.2010	Holding at 31.12.2009
Parent company				
AS Baltika	Estonia			
Subsidiaries				
OÜ Baltman	Estonia	Retail	100%	100%
SIA Baltika Latvija	Latvia	Retail	100%	100%
UAB Baltika Lietuva	Lithuania	Retail	100%	100%
Baltika Ukraina Ltd	Ukraine	Retail	99%	99%
OOO Kompania “Baltman Rus”	Russia	Retail	100%	100%
Baltika Poland Sp.z.o.o.	Poland	Retail	100%	100%
Baltika Retail Czech Republic s.r.o.	Czech Republic	Retail	100%	100%
OY Baltinia AB	Finland	Distribution	100%	100%
Baltika Sweden AB	Sweden	Distribution	100%	100%
OÜ Baltika Tailor	Estonia	Production	100%	100%
AS Virulane	Estonia	Production	93.34%	93.34%
OÜ Baltika TP	Estonia	Real estate management	100%	100%

MANAGEMENT REPORT

BALTIKA'S FINANCIAL RESULTS, 1 QUARTER 2010

Despite a decline in sales, Baltika Group succeeded in reducing the loss for the first quarter of 2010 by a half compared with the first quarter of 2009. The Group's performance in the first quarter of 2010 was still influenced by the economic crisis prevailing in its principal markets. On the other hand, the Group's first quarter market results provide an indication of different markets' prospects for exiting the crisis. In the Baltic region, the year-over-year shortfall was the smallest in Estonia (-7%) and the greatest in Lithuania (-29%). The home market that was the first to be hit by the crisis has also the potential to be the first to exit the crisis. Lithuania followed Estonia last year with around a six-month interval and the same may be true about recovery. Latvian sales have also tumbled (-28%) but thanks to the biggest cutback in operating expenses at the level of stores the net result was positive. The Eastern European markets have started recovering at a surprising speed (which may partly be attributed to the strengthening of the local currencies). The Russian market ended the first quarter with sales comparable to a year ago (-5%) and Ukraine reached practically break-even point at the level of stores. On the whole, at the level of stores the retail system of Baltika Group more or less broke even in the first quarter.

Although the crisis is receding, the company's performance should still be evaluated based on the dynamics of the three main factors that reflect adaptation to the crisis. These are developments in sales, margins and operating expenses.

Baltika's sales for the first quarter were still smaller than a year ago but the shortfall has been decreasing on a quarterly basis (since the third quarter of last year - Q3 2009: -33%; Q4 2009: -28%; Q1 2010: -20%) and on a monthly basis (since November 2009 - November: -32%; December: -26%; January: -22%; February: -20%; and March: -16%). The restructuring of the retail system continues. Since the beginning of this year, the Group has closed five stores and the retail area operated by the Group has decreased by approximately 2% compared with the first quarter of 2009.

Baltika Group's gross margin for the first quarter was 46%, reflecting a slight improvement on the 43% posted a year ago. The gross margin for the retail system was 50% (Q1 2009: 41%). Higher profitability results from a better inventory structure, more favourable purchasing margins, an upward price correction in the Russian and Ukrainian markets and smaller discounts in the Baltic countries and Central Europe.

Distribution and administrative expenses for the first quarter decreased by 16%, i.e. 22.9 million kroons (1.5 million euros), year-over-year. Expenses for the first quarter of 2010 totalled 119.8 million kroons (7.7 million euros) against 142.7 million kroons (9.1 million euros) incurred in the first quarter of 2009.

In the final phase of the economic crisis, Baltika's ongoing adaptation process is aimed at achieving two main goals:

- exploiting the crisis as an opportunity for streamlining the Group's business model; and
- strengthening the Group's financial position that has been seriously weakened by the crisis.

In order to fully achieve the first goal, Baltika has involved in the strategic planning process the international strategy consultancy Roland Berger. In partnership with the consultants, the Group will create by the summer a new growth strategy for the next 3 to 5 years that will provide tools for maximising the potential of Baltika's retail markets and brands and enhancing the efficiency of its business model.

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

- disposing of assets not directly related to the core business (during the first quarter the Group disposed of an industrial property at Ahtme, at the end of March the Group sold its coat manufacturing operation in Rakvere and in the second quarter the Group will divest a manufacturing property in Rakvere);
- negotiating better settlement terms and price concessions from the suppliers;
- restructuring the existing loan portfolio through negotiations with banks;
- increasing share capital through a share issue. The management board will propose that the annual general meeting increase the company's share capital by up to ca 9 million shares by a private placement, the price is 12.0 kroons (0.77 euros) per share. Emission is supported by main shareholders.

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

REVENUE

Baltika Group ended the first quarter of 2010 with revenue of 172.9 million kroons (11.1 million euros), a 22% decrease year-over-year.

Revenue by business segment

EEK million	Q1 2010	Q1 2009	+/-
Retail	155.3	193.5	-20%
Wholesale	16.1	27.3	-41%
Other	1.5	0.2	650%
Total	**172.9**	**221.0**	**-22%**

EUR 1 = EEK 15.6466

RETAIL

Owing to the general economic downturn and shrinkage in consumption, the Group's first quarter retail revenue decreased by 20% year-over-year to 155.3 million kroons (9.9 million euros). In the Baltic region, retail revenue decreased by 21%, in Eastern Europe by 13% and in Central Europe by 50%.

Retail sales by market

EEK million	Q1 2010	Q1 2009	+/-	Percentage, Q1 2010
Estonia	38.5	41.5	-7%	25%
Russia	34.8	36.7	-5%	22%
Lithuania	33.2	46.6	-29%	21%
Ukraine	24.8	32.2	-23%	16%
Latvia	18.6	25.7	-28%	12%
Poland	5.4	7.1	-24%	4%
Czech Republic	0.0	3.7	-100%	0%
Total	**155.3**	**193.5**	**-20%**	**100%**

EUR 1 = EEK 15.6466

BRANDS

In terms of brands, the main retail revenue contributor was Monton whose first quarter sales totalled 81.8 million kroons (5.2 million euros), a 22% decrease year-over-year. Mosaic generated revenue of 52.6 million kroons (3.4 million euros), 22% down from a year ago. Retail sales of Baltman totalled 10.8 million kroons (0.7 million euros), a 17% decrease year-over-year, and retail sales of Ivo Nikkolo amounted to 9.7 million kroons (0.6 million euros), 11% up on a year ago. Monton accounted for 53% of the Group's retail revenue while Mosaic contributed 34%, Baltman 7% and Ivo Nikkolo 6%.

STORES AND SALES AREA

At the end of the first quarter of 2010, Baltika had 131 stores in six countries and a total sales area of 26,178 square metres. In the first quarter, the Group opened three stores – one in Latvia and two in Estonia, and closed five stores – three in Ukraine and two in Russia. Compared with the first quarter of 2009, the number of stores declined by two and the average sales area shrank by 2%.

Stores by market

	31.03.2010	31.03.2009
Lithuania	36	33
Estonia	32	31
Russia	23	23
Ukraine	20	22
Latvia	15	16
Poland	5	6
Czech Republic	0	2
Total stores	**131**	**133**
Total sales area, sqm	**26,178**	**27,042**

WHOLESALE

Wholesale of Baltika's collections accounted for 9% or 16.1 million kroons (1.0 million euros) of the Group's consolidated revenues for the first quarter of 2010, a 41% decrease compared with the first quarter of 2009. The decline in wholesale revenue is largely attributable to developments in the Russian market where in the second quarter of 2009 a wholesale partner's seven stores were taken over and integrated into Baltika's retail system. The impact of the transaction on the Group's first quarter revenue was +12 million kroons (0.8 million euros).

EARNINGS AND MARGINS

The Group's performance in the first quarter of 2010 continued to be influenced by the economic downturn that has weakened the consumers' purchasing power. Compared with the first quarter of 2009, the Group's revenue decreased by 48.2 million kroons (3.1 million euros), i.e. by 22%.

Compared with the last quarter of 2009, Baltika's distribution and administrative expenses decreased by a total of 16.9 million kroons (1.1 million euros). The inventory level remained at the level achieved in the previous quarter: the ratio of total inventories to a square meter of the retail system rose by 0.4% to 7,027 kroons (449 euros) per square metre.

In the first quarter of 2010, the Group's performance was positively influenced by favourable movements in the exchange rates. According to the exchange rates of the Bank of Estonia, compared with 2009 the average exchange rates for the first quarter strengthened as follows: the Polish zloty 12% and the Russian rouble 7%. At the same time, the US dollar and the Ukrainian hryvnia weakened by 6% and 5% respectively.

The Group's first quarter gross margin was 46% (Q1 2009: 43%). Gross profit amounted to 80.2 million kroons (5.1 million euros), a decrease of 14.7 million kroons (0.9 million euros) compared with a year ago. The gross margin for the retail system improved significantly compared with the first quarter of 2009, rising to 50% (Q1 2009: 41%). This was achieved by negotiating more favourable purchasing margins, cutting operating expenses and adjusting sales prices in markets where the exchange rates had declined. Compared with the first quarter of the previous year, production expenses decreased by around 30%, i.e. 8.1 million kroons (0.5 million euros). In the future, production volumes will decrease in connection with the sale of the Rakvere workshop of AS Virulane.

Through a cost-cutting programme implemented in 2009, the Group's distribution costs for the first quarter of 2010 decreased by 22.7 million kroons (1.4 million euros) year-over-year to 108.7 million kroons (6.9 million euros). In the retail system, lease expenses per square metre dropped by 18% on average and personnel expenses declined by 8%. At the same time, the size of the retail system decreased by 2%.

On the whole, at the level of stores the retail system incurred a moderate loss (0.3 million kroons/0.02 million euros) but the result was 19.6 million kroons (1.2 million euros) better than the one for the first quarter of 2009.

Administrative and general expenses totalled 11.1 million kroons (0.7 million euros), a decrease of 0.2 million kroons (0.01 million euros) compared with the first quarter of 2009.

The Group's operating loss for the first quarter of 2010 was 31.4 million kroons (2.0 million euros) against 55.1 million kroons (3.5 million euros) incurred in the first quarter of 2009.

Net financial income amounted to 0.3 million kroons (0.02 million euros), a 96% improvement on the net financial expense incurred in the first quarter of 2009. Financial expenses have decreased because the decrease in the exchange rates of several currencies has been replaced by an increase. Net foreign exchange gain for the first quarter of 2010 amounted to 3.3 million kroons (0.2 million euros) whereas in the first quarter of 2009 the Group incurred a net exchange loss of 4.2 million kroons (0.3 million euros). A significant portion of financial expenses is made up of interest expense (3.6 million kroons/0.2 million euros) that grew by 16% year-over year. Interest expense has been influenced by a decrease in EURIBOR and growth in borrowings.

Baltika ended the first quarter of 2010 with a net loss of 32.0 million kroons (2.6 million euros). For comparison, the Group's net loss for the first quarter of 2009 was 62.6 million kroons (4.0 million euros).

FINANCIAL POSITION

As at 31 March 2010, Baltika's consolidated assets totalled 684.8 million kroons (43.8 million euros), a 2% decrease compared with the previous year-end.

Compared with 31 December 2009, trade and other receivables increased by 12.0 million kroons (0.8 million euros) to 66.9 million kroons (4.3 million euros). The growth in receivables can be explained by an increase in prepaid taxes and the sale of the MasCara and Herold brands of AS Virulane as well as some non-current assets.

At the end of the first quarter, inventories totalled 184.0 million kroons (11.8 million euros), 2% down from the previous year-end. Compared with 31 December 2009, the Group's current assets grew by 5.3 million kroons (0.3 million euros) to 254.5 million kroons (16.3 million euros) at 31 March. Trade and other payables increased within the same time by 11.2 million kroons (0.7 million euros) to 170.6 million kroons (10.9 million euros).

At the end of the first quarter, the Group's borrowings totalled 358.7 million kroons (22.9 million euros), including bank loans of 342.2 million kroons (21.9 million euros) and finance lease liabilities of 8.1 million kroons (0.5 million euros). Compared with the previous year-end, the debt burden has increased by 2.8 million kroons (0.8 million euros). The growth in the debt burden results from a new short-term loan.

At 31 March 2010, the Group's net debt (interest-bearing liabilities less cash and bank balances) stood at 346.7 million kroons (22.2 million euros). The net debt to equity ratio was 223.2% (31 December 2009: 183.1%).The net debt to equity ratio will improve in the second quarter when the Group will implement a package for strengthening its financial position, which will involve arrangement of an additional share issue and sale of assets not directly required for the core business.

At the end of the first quarter, the Group's equity amounted to 155.3 million kroons (9.9 million euros).

INVESTMENT

In the first quarter of 2010, the Group's capital investments totalled 0.9 million kroons (0.06 million euros) of which 0.7 million kroons (0.04 million euros) was invested in the retail system. In the first quarter of 2009, the Group invested 37.0 million kroons (2.4 million euros) of which 4.2 million kroons (0.3 million euros) was invested in the retail system.

PEOPLE

At 31 March 2010, Baltika Group employed 1,647 (31 March 2009: 1,902) people, 894 (2009: 939) of them in the retail system, 564 (2009: 758) in manufacturing and 189 (2009: 205) at the head office. The period's average number of staff was 1,672 (Q1 2009: 1,938).

The Group's employee remuneration expenses for the first quarter of 2010 totalled 41.1 million kroons/2.7 million euros (Q1 2009: 53.4 million kroons/3.4 million euros). The remuneration of the members of the supervisory council and management board amounted to 1.3 million kroons/80 thousand euros (Q1 2009: 1.05 million kroons/67 thousand euros).

KEY FIGURES OF THE GROUP (Q1 2010)

	31.03.2010	**31.03.2009**	**+/-**
Revenue (EEK million)	172.9	221.0	-21.8%
Retail sales (EEK million)	155.3	193.5	-19.7%
Share of retail sales in revenue	90%	88%	
Number of stores	131	133	-1.5%
Sales area (sqm)	26,178	27,042	-3.2%
Number of employees (end of period)	1,647	1,902	-13.4%
Gross margin	46.0%	42.9%	
Operating margin	-18.1%	-24.9%	
EBT margin	-18.3%	-28.2%	
Net margin	-18.5%	-28.3%	
Current ratio	0.8	1.1	-27.3%
Inventory turnover	3.99	4.48	-10.9%
Debt to equity ratio	225.5%	140.4%	
Return on equity	-74.4%	-28.1%	
Return on assets	-21.3%	-11.7%	

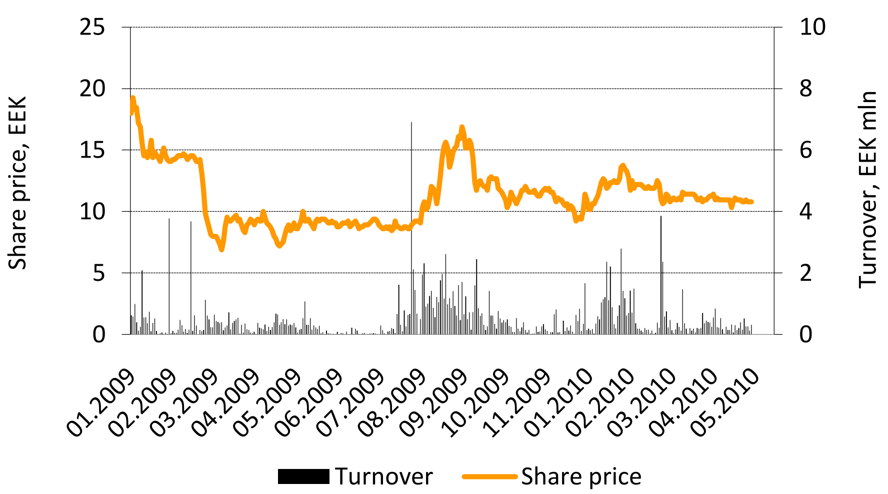
EUR 1 = EEK 15.6466

Definitions of key ratios

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

*Based on 12-month average

SHARE PRICE AND TURNOVER



Ülle Järv
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MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The management board confirms that the management report presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements; includes the description of major risks and doubts influencing the remainder of the financial year; and provides an overview of all significant transactions with related parties.

Meelis Milder
Chairman of the management board
27 May 2010

Ülle Järv
Member of the management board
27 May 2010

Boriss Loifenfeld
Member of the management board
27 May 2010

Maire Milder
Member of the management board
27 May 2010

Andrew Paterson
Member of the management board
27 May 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 first quarter and three months of 2010 as presented on pages 11-34.

The management board confirms that:

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

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

3. all group companies are going concerns.

Meelis Milder
Chairman of the management board
27 May 2010

Ülle Järv
Member of the management board
27 May 2010

Boriss Loifenfeld
Member of the management board
27 May 2010

Maire Milder
Member of the management board
27 May 2010

Andrew Paterson
Member of the management board
27 May 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EEK thousand)

	Note	31.03.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	3,588	6,024
Trade and other receivables	4	66,933	54,932
Inventories	5,13	183,953	188,181
Total current assets		**254,474**	**249,137**
Non-current assets			
Deferred income tax assets		16,488	16,488
Other non-current asset	6	7,335	7,728
Investment property	7	103,294	103,294
Property, plant and equipment	8	239,505	263,165
Intangible assets	9	63,731	62,133
Total non-current assets		**430,353**	**452,808**
TOTAL ASSETS		**684,827**	**701,945**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	148,092	122,942
Trade and other payables	11	170,617	159,375
Total current liabilities		**318,709**	**282,317**
Non-current liabilities			
Borrowings	10	210,603	232,942
Other liabilities	11	202	114
Total non-current liabilities		**210,805**	**233,056**
TOTAL LIABILITIES		**529,514**	**515,373**
EQUITY			
Share capital at par value	12	226,449	226,449
Share premium		1,049	1,049
Reserves	12	43,567	43,567
Retained earnings		-77,617	81,487
Net profit (loss) for the period		-31,955	-159,104
Currency translation reserve		-8,956	-9,410
Total equity attributable to equity holders of the parent		**152,537**	**184,038**
Non-controlling interest		2,776	2,534
TOTAL EQUITY		**155,313**	**186,572**
TOTAL LIABILITIES AND EQUITY		**684,827**	**701,945**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR thousand)

	Note	31.03.2010	31.12.2009
ASSETS			
Current assets			
Cash and bank	3	229	385
Trade and other receivables	4	4,278	3,511
Inventories	5,13	11,757	12,027
Total current assets		**16,264**	**15,923**
Non-current assets			
Deferred income tax assets		1,054	1,054
Other non-current asset	6	469	494
Investment property	7	6,602	6,602
Property, plant and equipment	8	15,307	16,819
Intangible assets	9	4,073	3,971
Total non-current assets		**27,505**	**28,940**
TOTAL ASSETS		**43,768**	**44,862**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	9,465	7,857
Trade and other payables	11	10,904	10,186
Total current liabilities		**20,369**	**18,043**
Non-current liabilities			
Borrowings	10	13,460	14,888
Other liabilities	11	13	7
Total non-current liabilities		**13,473**	**14,895**
TOTAL LIABILITIES		**33,842**	**32,938**
EQUITY			
Share capital at par value	12	14,473	14,473
Share premium		67	67
Reserves	12	2,784	2,784
Retained earnings		-4,961	5,208
Net profit (loss) for the period		-2,042	-10,169
Currency translation reserve		-572	-601
Total equity attributable to equity holders of the parent		**9,749**	**11,762**
Non-controlling interest		177	162
TOTAL EQUITY		**9,926**	**11,924**
TOTAL LIABILITIES AND EQUITY		**43,768**	**44,862**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EEK thousand)

	Note	Q1 2010	Q1 2009
Revenue	13,14	172,850	221,017
Cost of goods sold	15	-92,673	-126,091
Gross profit		**80,177**	**94,926**
Distribution costs	16	-108,721	-131,382
Administrative and general expenses	17	-11,053	-11,334
Other operating income	18	9,177	11
Other operating expenses	19	-932	-7,319
Operating loss	13	**-31,352**	**-55,098**
Finance income	20	3,291	6
Finance costs	20	-3,600	-7,299
Loss before income tax		**-31,661**	**-62,391**
Income tax		-52	-151
Net loss		**-31,713**	**-62,542**
Loss attributable to:			
Equity holders of the parent company		-31,955	-62,563
Non-controlling interests		242	21
Other comprehensive income (loss)			
Currency translation differences		454	-7,145
Total comprehensive loss		**-31,259**	**-69,687**
Comprehensive loss attributable to:			
Equity holders of the parent company		-31,501	-68,497
Non-controlling interests		242	-1,190
Basic earnings per share, EEK	21	-1.71	-3.36
Diluted earnings per share, EEK	21	-1.71	-3.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in EUR thousand)

	Note	Q1 2010	Q1 2009
Revenue	13,14	11,047	14,126
Cost of goods sold	15	-5,923	-8,059
Gross profit		**5,124**	**6,067**
Distribution costs	16	-6,949	-8,397
Administrative and general expenses	17	-706	-724
Other operating income	18	587	1
Other operating expenses	19	-60	-468
Operating profit (loss)	13	**-2,004**	**-3,521**
Finance income	20	210	0
Finance costs	20	-230	-466
Profit (loss) before income tax		**-2,024**	**-3,988**
Income tax		-3	-10
Net profit (loss)		**-2,027**	**-3,997**
Profit (loss) attributable to:			
Equity holders of the parent company		-2,042	-3,999
Non-controlling interests		15	1
Other comprehensive income (loss)			
Currency translation differences		29	-457
Total comprehensive income (loss)		**-1,998**	**-4,454**
Comprehensive income (loss) attributable to:			
Equity holders of the parent company		-2,013	-4,378
Non-controlling interests		15	-76
Basic earnings per share, EUR	21	-0.11	-0.21
Diluted earnings per share, EUR	21	-0.11	-0.21

CONSOLIDATED CASH FLOW STATEMENT

(in EEK thousand)

	Note	Q1 2010	Q1 2009
Operating activities			
Operating profit (loss)		-31,352	-55,098
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	11,932	11,914
Loss (gain) from disposal of PPE and investment property		-214	536
Other non-monetary expenses		-5,793	-1,967
Changes in working capital:			
Change in trade and other receivables	4	-7,284	1,140
Change in inventories	5	4,228	11,429
Change in trade and other payables	11	11,804	22,684
Interest paid		-3,731	-3,179
Income tax paid		-4,586	1,501
Net cash generated from operating activities		**-24,996**	**-11,040**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-896	-37,017
Proceeds from disposal of property, plant and equipment		17,489	90
Interest received		1	6
Net cash used in investing activities		**16,594**	**-36,921**
Financing activities			
Received borrowings	10	10,000	58,252
Repayments of borrowings	10	-6,879	-11,073
Change in bank overdraft	10	600	3,038
Repayments of finance lease and other liabilities		-1,042	-851
Dividend paid		-3	0
Net cash generated from financing activities		**2,676**	**49,366**
Effect of exchange gains (losses) on cash and cash equivalents		3,290	-4,166
Total cash flows		**-2,436**	**-2,761**
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	**3,588**	**5,910**
Change in cash and cash equivalents		**-2,436**	**-2,761**

CONSOLIDATED CASH FLOW STATEMENT
(in EUR thousand)

	Note	Q1 2010	Q1 2009
Operating activities			
Operating profit (loss)		-2,004	-3,521
Adjustments:			
Depreciation, amortisation and impairment of PPE and intangibles	8,9	763	761
Loss (gain) from disposal of PPE and investment property		-14	34
Other non-monetary expenses		-370	-126
Changes in working capital:			
Change in trade and other receivables	4	-466	73
Change in inventories	5	270	730
Change in trade and other payables	11	754	1,450
Interest paid		-238	-203
Income tax paid		-293	96
Net cash generated from operating activities		**-1,598**	**-706**
Investing activities			
Acquisition of property, plant and equipment, intangibles, thereof	8,9	-57	-2,366
Proceeds from disposal of property, plant and equipment		1,118	6
Net cash used in investing activities		**1,061**	**-2,359**
Financing activities			
Received borrowings	10	639	3,723
Repayments of borrowings	10	-440	-708
Change in bank overdraft	10	38	194
Repayments of finance lease and other liabilities		-67	-54
Dividend paid		-0.2	0
Bonds transactions		0	0
Net cash generated from financing activities		**171**	**3,155**
Effect of exchange gains (losses) on cash and cash equivalents		210	-266
Total cash flows		**-156**	**-176**
Cash and cash equivalents at the beginning of the period	3	**385**	**554**
Cash and cash equivalents at the end of the period	3	**229**	**378**
Change in cash and cash equivalents		**-156**	**-176**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Non-controlling interest	Total
Balance at 31.12.2008	**186,449**	**0**	**26,133**	**89,775**	**-7,165**	**295,192**	**3,714**	**298,906**
Total comprehensive income (loss)	0	0	0	-62,563	-5,934	-68,497	-1,190	-69,687
Balance at 31.03.2009	**186,449**	**0**	**26,133**	**27,212**	**-13,099**	**226,695**	**2,524**	**229,219**
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	-31,955	454	-31,501	242	-31,259
Balance at 31.12.2010	**226,449**	**1,049**	**43,567**	**-109,572**	**-8,956**	**152,537**	**2,776**	**155,313**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total attributable to parent	Non-controlling interest	Total
Balance at 31.12.2008	**11,916**	**0**	**1,670**	**5,738**	**-458**	**18,866**	**237**	**19,104**
Total comprehensive income (loss)	0	0	0	-3,999	-379	-4,378	-76	-4,454
Balance at 31.03.2009	**11,916**	**0**	**1,670**	**1,739**	**-837**	**14,488**	**161**	**14,650**
Balance at 31.12.2009	**14,473**	**67**	**2,784**	**-4,961**	**-601**	**11,762**	**162**	**11,924**
Total comprehensive income (loss)	0	0	0	-2,042	29	-2,013	15	-1,998
Balance at 31.12.2010	**14,473**	**67**	**2,784**	**-7,003**	**-572**	**9,749**	**177**	**9,926**

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 three months ended 31 March 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 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), for the foreign subsidiaries of the Group and in EUR (euro) for the Parent company and the subsidiaries located in Estonia. The majority of raw materials used in production is acquired from countries located outside of European Union. The major currencies for purchases are EUR (euro) and USD (US dollar).

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

The Group's results are open to fluctuations in foreign currency rates against Estonian kroon in those countries where AS Baltika has subsidiaries. The changes in average foreign currency rates against Estonian kroon in the reporting period were the following: Polish zloty +12.48% (2009: -20.23%), Russian rouble +7.26% (2009: -17.98%), Latvian lat -0.39% (2009: -1.23%) and Ukrainian hryvnia -4.54% (2009: -28.72. The Lithuanian lit and Estonian kroon are pegged to the euro. The change in average rate of US dollar in the reporting period was -5.79% (2009: +14.84%).

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

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

Price risk

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

Credit risk

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

Cash and cash equivalents

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

Trade receivables

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

At 31 March 2010 the maximum exposure to credit risk from trade receivables (Note 4) amounted to 32,297 thousand kroons (2,064 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 20,556 thousand kroons (1,314 thousand euros) (31 December 2009: 20,775 thousand kroons/1,328 thousand euros), including balances with the Eastern European wholesale partners of 19,440 thousand kroons (1,243 thousand euros) (31 December 2009: 19,020 thousand kroons/1,216 thousand euros) and balances with retail customers for bank card payments of 1,116 thousand kroons (71 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 March 2010

EEK '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	342,183	104,012	167,607	124,504	396,123
Finance lease liabilities (Note 10)	8,070	3,113	5,594	0	8,707
Trade payables (Note 11)	117,521	117,521	0	0	117,521
Other payables (Note 11)	51,227	49,227	2,000	0	51,227
Total	**519,001**	**273,873**	**175,201**	**124,504**	**573,578**

EUR '000	Carrying amount	1-12 months	1-5 years	Over 5 years	Total
Bank borrowings (Note 10)	21,869	6,648	10,712	7,957	25,317
Finance lease liabilities (Note 10)	516	199	358	0	557
Trade payables (Note 11)	7,511	7,511	0	0	7,511
Other payables (Note 11)	3,274	3,146	128	0	3,274
Total	**33,170**	**17,504**	**11,198**	**7,957**	**36,659**

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 payables (Note 11)	9,377	8,064	2,000	0	10,064
Total	**468,113**	**247,914**	**150,301**	**123,695**	**521,910**

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

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

Operational risk

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

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

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

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

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

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

Capital risk management

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

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt. At 31 March 2010 the gearing ratio increased to 69%. The gearing ratio was influenced by the increase of the borrowings and by the decrease of the share capital through the earned loss.

Gearing ratios of the Group

	EEK '000		**EUR '000**	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Total borrowings (Note 10)	350,253	347,575	22,385	22,214
Cash and bank (Note 3)	-3,588	-6,024	-229	-385
Net debt	346,665	341,551	22,156	21,829
Total equity	155,313	186,572	9,926	11,924
Total capital	501,978	528,123	32,082	33,753
Gearing ratio	**69%**	**65%**	**69%**	**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 March 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	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Cash in hand	2,376	2,892	152	185
Cash at bank	1,212	3,132	77	200
Total	**3,588**	**6,024**	**229**	**385**

Cash and bank by currency

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
UAH (Ukrainian hryvnia)	1,064	508	67	32
EEK (Estonian kroon)	949	1,554	61	99
LTL (Lithuanian lit)	591	967	38	62
RUB (Russian rouble)	471	1,629	30	104
EUR (euro)	258	258	16	16
LVL (Latvian lat)	138	588	9	38
PLN (Polish zloty)	102	221	7	14
CZK (Czech koruna)	15	299	1	19
Total	**3,588**	**6,024**	**229**	**385**

NOTE 4 Trade and other receivables

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Trade receivables, net	32,297	29,183	2,064	1,865
Other prepaid expenses	10,787	10,464	689	669
Tax prepayments and tax reclaims, thereof	14,849	13,694	949	875
Value added tax	9,773	12,735	625	814
Prepaid income tax	5,022	493	321	32
Other taxes	54	466	3	30
Other current receivables	9,000	1,591	575	102
Total	**66,933**	**54,932**	**4,278**	**3,511**

Trade receivables

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Trade receivables, gross	33,904	30,785	2,167	1,968
Allowance for impairment of trade receivables	-1,607	-1,602	-103	-102
Trade receivables, net	**32,297**	**29,183**	**2,064**	**1,865**

Trade receivables (net) by due date

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Not due	15,290	15,595	977	997
Up to 1 month past due	2,610	2,202	167	141
1-3 months past due	3,947	3,915	252	250
3-6 months past due	4,474	1,121	286	72
Over 6 months past due	5,976	6,350	382	406
Total	**32,297**	**29,183**	**2,064**	**1,865**

Trade receivables (net) by denominating currency

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
EUR (euro)	24,372	21,260	1,558	1,359
EEK (Estonian kroon)	5,781	4,618	369	295
RUB (Russian rouble)	995	762	63	49
LVL (Latvian lat)	506	707	32	45
LTL (Lithuanian lit)	416	697	27	45
UAH (Ukrainian hryvnia)	121	993	8	63
PLN (Polish zloty)	106	141	7	9
CZK (Czech koruna)	0	5	0	0.3
Total	**32,297**	**29,183**	**2,064**	**1,865**

NOTE 5 Inventories

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Fabrics and accessories	24,019	27,967	1,535	1,787
Allowance for impairment of fabrics and accessories	-200	-200	-13	-13
Work-in-progress	1,025	1,137	66	73
Finished goods and goods purchased for resale	153,460	162,946	9,808	10,415
Allowance for impairment of finished goods and goods purchased for resale	0	-5,000	0	-320
Prepayments to suppliers	5,649	1,331	361	85
Total	**183,953**	**188,181**	**11,757**	**12,027**

NOTE 6 Other non-current assets

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Non-current lease prepayments	7,335	7,728	469	494

NOTE 7 Investment property

	EEK '000	**EUR '000**
Balance at 31 December 2008	**134,098**	**8,570**
Additions	31,255	1,998
Balance at 31 March 2009	**165,353**	**10,568**
Balance at 31 December 2009	**103,294**	**6,602**
Balance at 31 March 2010	**103,294**	**6,602**

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

NOTE 8 Property, plant and equipment

EEK '000	Land and construc-tion rights	Buildings and structures	Machinery and equipment	Other fixtures	Construc-tion 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	15	190	2,313	1,813	0	4,331
Disposals	0	-508	-28	-90	0	0	-626
Reclassification	0	0	6,046	-4,505	-1,541	0	0
Reclassification to intangible assets	0	0	0	0	-466	0	-466
Depreciation	0	-4,168	-2,229	-4,228	0	0	-10,625
Currency translation differences[1]	0	-992	-873	-1,553	-147	7	-3,558
At 31 March 2009							
Acquisition cost	**2,113**	**119,931**	**108,331**	**114,430**	**2,020**	**181**	**347,006**
Accumulated depreciation	0	-44,385	-72,149	-60,836	0	0	-177,370
Net book amount	**2,113**	**75,546**	**36,182**	**53,594**	**2,020**	**181**	**169,636**
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	31	191	435	111	0	768
Disposals	-84	-15,593	-855	-563	0	0	-17,095
Reclassification	0	461	174	-578	-57	0	0
Depreciation	0	-4,152	-1,976	-4,585	0	0	-10,713
Currency translation differences[1]	0	1,016	637	1,704	9	14	3,380
At 31 March 2010							
Acquisition cost	**87**	**210,607**	**92,533**	**122,061**	**176**	**181**	**425,645**
Accumulated depreciation	0	-45,144	-64,925	-76,071	0	0	-186,140
Net book amount	**87**	**165,463**	**27,608**	**45,990**	**176**	**181**	**239,505**

EUR '000	Land and construction rights	Buildings and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	Total
At 31 December 2008							
Acquisition cost	**135**	**7,867**	**6,839**	**7,493**	**151**	**11**	**22,496**
Accumulated depreciation	0	-2,678	-4,724	-3,552	0	0	-10,955
Net book amount	**135**	**5,190**	**2,115**	**3,941**	**151**	**11**	**11,541**
Additions	0	1	12	148	116	0	277
Disposals	0	-32	-2	-6	0	0	-40
Reclassification	0	0	386	-288	-98	0	0
Reclassification to intangible assets	0	0	0	0	-30	0	-30
Depreciation	0	-266	-142	-270	0	0	-679
Currency translation differences[1]	0	-63	-56	-99	-9	0	-227
At 31 March 2009							
Acquisition cost	**135**	**7,665**	**6,924**	**7,313**	**129**	**12**	**22,178**
Accumulated depreciation	0	-2,837	-4,611	-3,888	0	0	-11,336
Net book amount	**135**	**4,828**	**2,312**	**3,425**	**129**	**12**	**10,842**
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	2	12	28	7	0	49
Disposals	-5	-997	-55	-36	0	0	-1,093
Reclassification	0	29	11	-37	-4	0	0
Depreciation	0	-265	-126	-293	0	0	-685
Currency translation differences[1]	0	65	41	109	1	1	216
At 31 March 2010							
Acquisition cost	**6**	**13,460**	**5,914**	**7,801**	**11**	**12**	**27,204**
Accumulated depreciation	0	-2,885	-4,149	-4,862	0	0	-11,897
Net book amount	**6**	**10,575**	**1,764**	**2,939**	**11**	**12**	**15,307**

[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	1,405	0	26	0	1,431
Reclassification	466	0	0	0	466
Amortisation	-1,163	-126	0	0	-1,289
Currency translation differences[1]	-87	0	-195	-1,344	-1,626
At 31 March 2009					
Acquisition cost	**41,955**	**10,060**	**1,976**	**21,321**	**75,312**
Accumulated amortisation	-15,426	-1,300	0	0	-16,726
Net book amount	**26,529**	**8,760**	**1,976**	**21,321**	**58,586**
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	20	0	108	0	128
Disposals	-179	0	0	0	-179
Amortisation	-1,093	-126	0	0	-1,219
Currency translation differences[1]	252	0	0	2,616	2,868
At 31 March 2010					
Acquisition cost	**42,355**	**10,060**	**108**	**32,264**	**84,787**
Accumulated amortisation	-19,253	-1,803	0	0	-21,056
Net book amount	**23,102**	**8,257**	**108**	**32,264**	**63,731**

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	90	0	2	0	91
Reclassification	30	0	0	0	30
Amortisation	-74	-8	0	0	-82
Currency translation differences[1]	-6	0	-12	-86	-104
At 31 March 2009					
Acquisition cost	**2,681**	**643**	**126**	**1,363**	**4,813**
Accumulated amortisation	-986	-83	0	0	-1,069
Net book amount	**1,696**	**560**	**126**	**1,363**	**3,744**
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	1	0	7	0	8
Disposals	-11	0	0	0	-11
Amortisation	-70	-8	0	0	-78
Currency translation differences[1]	16	0	0	167	183
At 31 March 2010					
Acquisition cost	**2,707**	**643**	**7**	**2,062**	**5,419**
Accumulated amortisation	-1,230	-115	0	0	-1,346
Net book amount	**1,476**	**528**	**7**	**2,062**	**4,073**

[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	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Current borrowings				
Current portion of non-current bank loans	44,054	34,864	2,816	2,228
Current bank loans	95,310	78,795	6,091	5,036
Current finance lease liabilities	3,249	3,804	208	243
Liability component of preference shares	5,479	5,479	350	350
Total	**148,092**	**122,942**	**9,465**	**7,857**
Non-current borrowings				
Non-current bank loans	202,819	224,803	12,962	14,368
Non-current finance lease liabilities	4,821	5,309	308	339
Convertible bonds and liability component of preference shares	2,963	2,830	189	181
Total	**210,603**	**232,942**	**13,460**	**14,888**
Total borrowings	**358,695**	**355,884**	**22,925**	**22,745**

During the reporting period, the Group made loan repayments in the amount of 6,279 thousand kroons (402 thousand euros) (2009: 11,073 thousand kroons/708 thousand euros). Interest expense of the reporting periods amounted to 3,731 thousand kroons (238 thousand euros) (2009: 3,179 thousand kroons/203 thousand euros).

Bank loans of the Group at 31 March 2010

	Carrying amount		**Average risk**
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	3.00%
Borrowings at floating interest rate (based on 3-month Euribor)	13,142	840	4.17%
Borrowings at floating interest rate (based on 6-month Euribor)	276,699	17,684	3.86%
Borrowings at fixed interest rate (incl. overdraft)	44,519	2,845	7.55%
Total	**342,183**	**21,869**	

Bank loans of the Group at 31 December 2009

	Carrying amount		**Average risk**
	EEK '000	**EUR '000**	**premium**
Borrowings at floating interest rate (based on 1-month Euribor)	7,823	500	2.50%
Borrowings at floating interest rate (based on 3-month Euribor)	3,755	240	1.00%
Borrowings at floating interest rate (based on 6-month Euribor)	282,965	18,085	3.48%
Borrowings at fixed interest rate (incl. overdraft)	43,919	2,807	7.55%
Total	**338,462**	**21,632**	

NOTE 11 Trade and other payables

	EEK '000		**EUR '000**	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
Trade payables	117,521	111,161	7,511	7,104
Tax liabilities, thereof	30,986	27,857	1,980	1,780
Personal income tax	4,376	3,669	280	234
Social security tax es	12,389	9,641	792	616
Value added tax	12,908	13,411	825	857
Corporate income tax liability	205	210	13	13
Other taxes	1,108	926	71	59
Payables to employees and other accrued expenses	20,241	18,411	1,294	1,178
Customer prepayments	1,597	1,800	102	115
Other current payables	272	146	17	9
Total	**170,617**	**159,375**	**10,904**	**10,186**
Non-current liabilities				
Other liabilities[1]	202	114	13	7

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

Trade payables by denominating currency

	EEK '000		EUR '000	
	31.03.2010	**31.12.2009**	**31.03.2010**	**31.12.2009**
EEK (Estonian kroon)	42,128	33,470	2,692	2,139
EUR (euro)	31,753	38,800	2,029	2,480
USD (US dollar)	30,577	29,418	1,954	1,880
LTL (Lithuanian lit)	5,141	2,802	329	179
RUB (Russian rouble)	3,295	3,038	211	194
PLN (Polish zloty)	1,390	815	89	52
LVL (Latvian lat)	1,236	613	79	39
CZK (Czech koruna)	1,223	1,461	78	93
Other currencies	778	744	50	48
Total	**117,521**	**111,161**	**7,511**	**7,104**

NOTE 12 Equity

Share capital

EEK '000	**31.03.2010**	**31.12.2009**
Share capital	226,449	226,449
Number of shares[1]	22,644,850	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	**31.03.2010**	**31.12.2009**
Share capital	14,473	14,473
Number of shares[1]	22,644,850	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 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.

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.

Number of shares

	Number of shares
Number of shares at 31.12.2008	18,644,850
Number of shares at 31.12.2009	22,644,850
Number of shares at 31.03.2010, thereof	**22,644,850**
Ordinary shares	18,644,850
Preference shares	4,000,000

Shareholders at 31 March 2010 (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%**

Shareholders at 31 December 2009 (ordinary shares)

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

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

NOTE 13 Segments

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

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

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

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

The segment information provided to the management board for the reportable segments for the period ended at 31 March 2010 and at 31 March 2009 is as follows:

EEK '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
3m 2010 and at 31 March 2010						
Revenue (from external customers)	90,370	59,590	5,368	16,194	1,328	172,850
Segment profit (loss)[2]	-1,195	-3,784	-2,577	2,608	710	-4,238
Incl. depreciation and amortisation	-4,922	-3,319	-565	-213	0	-9,019
Inventories of segments	52,152	32,412	2,640	2,764	0	89,968
3m 2009 and at 31 March 2009						
Revenue (from external customers)	113,804	68,850	10,893	27,316	154	221,017
Segment profit (loss)[2]	-5,628	-14,696	-7,485	8,830	106	-18,873
Incl. depreciation and amortisation	-4,701	-3,312	-1,163	-262	0	-9,438
Inventories of segments	71,871	45,587	6,142	6,362	0	129,962

EUR '000	Retail Baltic region	Retail Eastern Europe	Retail Central Europe	Whole-sale[1]	Real estate manage-ment	Total
3m 2010 and at 31 March 2010						
Revenue (from external customers)	5,776	3,808	343	1,035	85	11,047
Segment profit (loss)[2]						
Incl. depreciation and amortisation	-315	-212	-36	-14	0	-576
Inventories of segments	3,333	2,072	169	177	0	5,750
3m 2009 and at 31 March 2009						
Revenue (from external customers)	7,273	4,400	696	1,746	10	14,126
Segment profit (loss)[2]	-360	-939	-478	564	7	-1,206
Incl. depreciation and amortisation	-300	-212	-74	-17	0	-603
Inventories of segments	4,593	2,914	393	407	0	8,306

[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	
	3m 2010	3m 2009	3m 2010	3m 2009
Total profit for reportable segments	-4,238	-18,873	-271	-1,206
Unallocated expenses[1]:				
Distribution costs	-24,306	-17,583	-1,553	-1,124
Administrative and general expenses	-11,053	-11,334	-706	-724
Other operating income (expenses), net	8,245	-7,308	527	-467
Operating profit (loss)	**-31,352**	**-55,098**	**-2,004**	**-3,521**

[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		
	31.03.2010	**31.12.2009**	**31.03.2009**	**31.03.2010**	**31.12.2009**	**31.03.2009**
Total inventories of segments	89,968	100,222	129,962	5,750	6,405	8,306
Inventories in Parent company and production companies	93,985	87,959	147,040	6,007	5,622	9,398
Inventories on balance sheet	**183,953**	**188,181**	**277,002**	**11,757**	**12,027**	**17,704**

NOTE 14 Revenue

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Sale of goods	171,412	220,800	10,955	14,112
Lease revenue	1,328	154	85	10
Other	110	63	7	4
Total	**172,850**	**221,017**	**11,047**	**14,126**

NOTE 15 Cost of goods sold

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Materials and supplies	76,368	98,989	4,881	6,327
Payroll costs in production	13,915	21,279	889	1,360
Operating lease expenses	2,405	2,461	154	157
Other production costs	1,863	2,427	119	155
Depreciation of assets used in production	1,015	1,137	65	73
Change in inventories	2,107	5,098	135	326
Change in allowance for inventories	-5,000	-5,300	-320	-339
Total	**92,673**	**126,091**	**5,923**	**8,059**

NOTE 16 Distribution costs

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Operating lease expenses	41,356	51,110	2,643	3,266
Payroll costs	38,660	45,235	2,471	2,891
Depreciation and amortisation	9,450	10,123	604	647
Advertising expenses	4,515	6,622	289	423
Fuel, heating and electricity costs	2,642	2,758	169	176
Municipal services and security expenses	2,129	2,217	136	142
Fees for card payments	1,164	1,391	74	89
Financial and management fees	963	1,124	62	72
Freight costs[1]	927	1,044	59	67
Travel expenses	743	695	47	44
Communication expenses	729	858	47	55
Information technology expenses	658	1,026	42	66
Bank fees	493	593	32	38
Training expenses	189	194	12	12
Packaging costs	170	374	11	24
Renovation expenses of retail outlets	89	248	6	16
Expenses for uniforms	81	133	5	9
Other sales expenses[1]	3,763	5,637	240	360
Total	**108,721**	**131,382**	**6,949**	**8,397**

[1]In 2009 the freight costs in amount of 372 thousand kroons (24 thousand euros) were recognised under other sales expenses.

NOTE 17 Administrative and general expenses

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Payroll costs	4,938	6,276	317	402
Depreciation and amortisation	1,416	634	90	41
Information technology expenses	988	1,350	63	86
Fuel, heating and electricity expenses	408	437	26	28
Operating lease expenses	249	616	16	39
Communication expenses	198	194	13	12
Municipal services and security expenses	103	148	7	9
Sponsorship	100	20	6	1
Bank fees	51	497	57	32
Training expenses	38	59	2	4
Travel expenses	6	16	0	1
Other administrative expenses	1,715	1,087	109	69
Total	**11,053**	**11,334**	**706**	**724**

NOTE 18 Other operating income

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Gain from sale of non-current assets	400	0	26	0
Foreign exchange income	4,757	0	304	0
Other operating income	4,020	11	257	1
Total	**9,177**	**11**	**587**	**1**

NOTE 19 Other operating expenses

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Foreign exchange losses	0	6,167	0	395
Loss from sale and writing off of non-current assets	167	2	11	0.1
Fines, penalties and tax interest	399	210	26	13
Representation costs	21	22	1	1
Other operating expenses	345	918	22	59
Total	**932**	**7,319**	**60**	**468**

NOTE 20 Finance income and costs

	EEK '000		EUR '000	
	3m 2010	**3m 2009**	**3m 2010**	**3m 2009**
Interest income	1	6	0.1	0.4
Interest costs	-3,600	-3,128	-230	-200
Foreign exchange income (losses)	3,290	-4,166	210	-266
Other finance costs	0	-5	0	-0.3
Total	**-309**	**-7,293**	**-20**	**-466**

NOTE 21 Earnings per share

Basic earnings per share

		3m 2010	3m 2009
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-31,955	-62,563
	EUR '000	-2,042	-3,999
Basic earnings per share	**EEK**	**-1.71**	**-3.36**
	EUR	**-0.11**	**-0.21**

Diluted earnings per share

		3m 2010	3m 2009
Weighted average number of shares	pcs	18,644,850	18,644,850
Net profit (loss) attributable to equity holders of the parent	EEK '000	-31,955	-62,563
	EUR '000	-2,042	-3,999
Diluted earnings per share	**EEK**	**-1.71**	**-3.36**
	EUR	**-0.11**	**-0.21**

In view of the fact that the Group does not have dilutive potential ordinary shares or dilutive adjustments to earnings as at 31 March 2010 and 31 March 2009, diluted earnings per share equal basic earnings per share.

The average price (arithmetic average based on daily closing prices) of AS Baltika share on the Tallinn Stock Exchange in first quarter of 2010 was 11.76 kroons (0.75 euros) (2009: 12.75 kroons/0.82 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 31.03.2010	Number of convertible bonds 31.12.2009
G-Bond	30.06.2009	01.07.2012-31.12.2012	1,842,500	1,842,500