



**AS BALTIKA**  
***consolidated interim report for the second quarter of 2002***

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The Management Board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 21 are correct and complete:

.....  
*Meelis Milder*  
Chairman of Management Board

.....  
*Ülle Järv*  
Member of Management Board

.....  
*James Hayhow*  
Member of Management Board

.....  
*Maire Milder*  
Member of Management Board

.....  
*Boriss Loifenfeld*  
Member of Management Board

In Tallinn, on 25 July 2002

## **Letter of explanation to AS Baltika interim report for the second quarter of 2002**

The unaudited consolidated net sales of Baltika in the first six months of 2002 were EEK 231.6m (EUR 14.8m) and the net profit was EEK 9.6m (EUR 0.61m). Compared to the same period of 2001, the net sales increased by 25.8% (EEK 47.5m; EUR 3.04m) and the net profit by 8.5% (EEK 0.8m; EUR 0.05m). The net sales within the first six months of 2001 were EEK 184.1m and the net profit was EEK 8.8m.

The net sales of the 2<sup>nd</sup> quarter were EEK 107.3m – an increase of 43.4% (EEK 32.5m; EUR 2,1m) compared with the 2<sup>nd</sup> quarter of the previous year. The net profit of the 2<sup>nd</sup> quarter was EEK 1.8m, which was by 19.8% less (EEK 0.4m) than in the previous year.

The share of Baltika's own shops (brand and factory shops) in the retail sales of the Baltika Group increased to 49%, constituting EEK 112.5m (EUR 7.19m). The wholesales comprised EEK 90.25m (EUR 5.77m) and the sales of subcontracted products were EEK 26.13m (EUR 1.67m). Compared to the same period of the previous year, the sales of our own products and goods increased by 48% up to EEK 204.5m (EUR 13.07m), while the sales of subcontracted products downsized by 42%. The changes are related to the activities arising from the strategy of the company. As of the end of June, Baltika Group had operable retail space in seven countries with a total area of 7714m<sup>2</sup>, of which the sales space of own shops accounted for 5484m<sup>2</sup> (a total of 40 shops). Simultaneously with the opening of new shops, preparations were underway to implement a new retail concept of BG and to introduce a new retail brand.

The sales efficiency has also increased in line with the increment of new retail outlets (sales/m<sup>2</sup>). Average sales per m<sup>2</sup> have increased by 29% compared to the six months of the previous year.

Significant changes have occurred in the cost structure of Baltika Group, attributable to the increment of new stores; lease and labour costs have increased the most. Also, in 2002 higher than usual costs can be explained by the development and implementation of a new retail concept by September this year. The operating costs and labour costs of the company increased, compared to the same period of the previous year, by 43% and 23%, respectively. The increase in the sales of Baltika's own products has also increased the percentage of goods and material related costs in the structure of costs.

The consolidated balance sheet total of Baltika was EEK 351.3m (EUR 22.5m) as of the end of June; the growth compared to the beginning of the year was EEK 53.9m (EUR 3.4m), i.e. +18%. The inventories of goods, semi-finished goods and basic materials increased, compared to the beginning of the year, by EEK 35.3m (EUR 2.3m) up to EEK 166.4m (EUR 10.6m). Such an increase is mainly attributable to the increment of retail premises and to the ongoing preparations for the autumn season.

During the six months, investments into noncurrent physical assets amounted to EEK 29m (EUR 1.9m).

Towards the end of May, a 75% subsidiary, SIA Baltika Latvija, was founded in Latvia. Its share capital is 131,200 LVL and it will start operations with three stores in August.

The following methods of financing have been used: overdraft facilities, proceeds from the issue of bonds, a new bank loan for the completion of the Ahtme sewing factory and the sale and lease-back of equipment. The main ratios of AS Baltika Group as of 30.06.2002 were as follows:

	30.06.2002	30.06.2001
operating profitability (operating profit / net sales)	6,13%	6,24%
net profitability (net profit / net sales)	4,14%	4,79%
return on owners' equity ROE (net profit/owners' equity – the average of 12 months)	11,18%	14,1%
- return on total assets (net profit/average cost of assets – the average of 12 months)	5,4%	8,0%
- solvency ratio (current assets – stocks/short term obligations)	0,69	0,71

Ülle Järv  
Member of Management Board

**Balance sheet**

'000 EEK	Note	Group		
		30.06.2002	30.06.2001	31.12.2001
<b>Current assets</b>				
Cash and bank		11 280	4 682	12 626
Shares and securities	1	476	512	574
Customer receivables	2	57 415	43 624	56 115
Other receivables and prepaid expenses		14 328	9 720	10 802
Inventories	3	166 391	113 632	131 145
<b>Total current assets</b>		<b>249 890</b>	<b>172 170</b>	<b>211 262</b>
<b>Noncurrent assets</b>				
Long-term financial investments		2 454	1 951	2 600
Noncurrent physical assets	4	94 302	61 531	78 390
Intangible assets	4	4 643	2 462	5 180
<b>Total noncurrent assets</b>		<b>101 399</b>	<b>65 944</b>	<b>86 170</b>
<b>TOTAL ASSETS</b>		<b>351 289</b>	<b>238 114</b>	<b>297 432</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Debt obligations	5	59 120	48 133	34 721
Customer prepayments for goods and services		141	109	154
Supplier payables		45 654	25 153	40 544
Other tax liabilities		7 811	4 702	5 081
Accrued expenses		8 220	4 281	6 641
Provisions		0	120	-
<b>Total current liabilities</b>		<b>120 946</b>	<b>82 498</b>	<b>87 141</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities	5	74 199	16 532	63 723
<b>Total noncurrent liabilities</b>		<b>74 199</b>	<b>16 532</b>	<b>63 723</b>
<b>TOTAL LIABILITIES</b>		<b>195 145</b>	<b>99 030</b>	<b>150 864</b>
Minority interest		6 629	6 033	6 632
<b>OWNERS' EQUITY</b>		<b>149 515</b>	<b>133 051</b>	<b>139 936</b>
Share capital (par value)		48 000	48 000	48 000
Share premium		24 910	24 910	24 910
Reserves		22 885	22 885	22 885
Retained earnings		44 141	28 430	28 430
Profit for the accounting period		9 580	8 826	15 711
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>351 289</b>	<b>238 114</b>	<b>297 432</b>

**Balance sheet**

'000 EUR	Note	Group		
		30.06.2002	30.06.2001	31.12.2001
<b>Current assets</b>				
Cash and bank		721	299	807
Shares and securities	1	30	33	37
Customer receivables	2	3 669	2 788	3 586
Other receivables and prepaid expenses		916	621	690
Inventories	3	10 634	7 262	8 382
<b>Total current assets</b>		<b>15 971</b>	<b>11 004</b>	<b>13 502</b>
<b>Noncurrent assets</b>				
Long-term financial investments		157	125	166
Noncurrent physical assets	4	6 027	3 933	5 010
Intangible assets	4	297	157	331
<b>Total noncurrent assets</b>		<b>6 481</b>	<b>4 215</b>	<b>5 507</b>
<b>TOTAL ASSETS</b>		<b>22 451</b>	<b>15 218</b>	<b>19 009</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Debt obligations	5	3 778	3 076	2 219
Customer prepayments for goods and services		9	7	10
Supplier payables		2 918	1 608	2 591
Other tax liabilities		499	301	325
Accrued expenses		525	274	424
Provisions		0	8	-
<b>Total current liabilities</b>		<b>7 730</b>	<b>5 273</b>	<b>5 569</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities	5	4 742	1 057	4 073
<b>Total noncurrent liabilities</b>		<b>4 742</b>	<b>1 057</b>	<b>4 073</b>
<b>TOTAL LIABILITIES</b>		<b>12 472</b>	<b>6 329</b>	<b>9 642</b>
Minority interest		424	386	424
<b>OWNERS' EQUITY</b>		<b>9 556</b>	<b>8 503</b>	<b>8 944</b>
Share capital (par value)		3 068	3 068	3 068
Share premium		1 592	1 592	1 592
Reserves		1 463	1 463	1 463
Retained earnings		2 821	1 817	1 817
Profit for the accounting period		612	564	1 004
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>22 451</b>	<b>15 218</b>	<b>19 009</b>

**Income statement**

'000 EEK	Note	Group				
		2 <sup>nd</sup> quarter 2002	2 <sup>nd</sup> quarter 2001	6 months 2002	6 months 2001	2001
<b>Revenue</b>						
Net sales	7	107 296	74 809	231 602	184 132	414 437
Other revenue		872	333	5 902	1 863	1 303
<b>Total revenue</b>		<b>108 168</b>	<b>75 142</b>	<b>237 504</b>	<b>185 995</b>	<b>415 740</b>
<b>Expenses</b>						
Materials, consumables and supplies		(43 232)	(36 473)	(101 942)	(79 008)	(166 506)
Change in inventories		10 338	13 566	15 653	9 312	2 649
Other operating expenses		(27 338)	(17 965)	(53 363)	(37 351)	(84 578)
Personnel expenses		(37 947)	(27 050)	(73 157)	(59 284)	(126 222)
Depreciation of noncurrent assets	4	(4 803)	(3 588)	(9 139)	(6 900)	(14 241)
Other expenses		(1 057)	(252)	(1 370)	(1 268)	(3 717)
<b>Total expenses</b>		<b>(104 039)</b>	<b>(71 762)</b>	<b>(223 318)</b>	<b>(174 499)</b>	<b>(392 614)</b>
<b>Operating profit</b>		<b>4 129</b>	<b>3 380</b>	<b>14 186</b>	<b>11 496</b>	<b>23 126</b>
Financial income		113	114	231	573	484
Financial expenses		(2 407)	(1 353)	(4 575)	(2 892)	(6 764)
<b>Profit before income tax</b>		<b>1 835</b>	<b>2 141</b>	<b>9 842</b>	<b>9 177</b>	<b>16 846</b>
Declared income tax		(265)	-	(265)	0	(185)
<b>Profit before minority interest</b>		<b>1 570</b>	<b>2 141</b>	<b>9 577</b>	<b>9 177</b>	<b>16 661</b>
Minority interest		(182)	(43)	(3)	351	950
<b>Net profit of the Group</b>		<b>1 752</b>	<b>2 184</b>	<b>9 580</b>	<b>8 826</b>	<b>15 711</b>
<b>Basic earnings per share (EEK)</b>	8	<b>0,37</b>	<b>0,46</b>	<b>2,00</b>	<b>1,84</b>	<b>3,27</b>
<b>Diluted earnings per share (EEK)</b>	8	<b>0,36</b>	<b>0,45</b>	<b>1,97</b>	<b>1,82</b>	<b>3,25</b>

**Income statement**

'000 EUR	Note	Group				
		2 <sup>nd</sup> quarter 2002	2 <sup>nd</sup> quarter 2001	6 months 2002	6 months 2001	2001
<b>Revenue</b>						
Net sales	7	6 857	4 781	14 802	11 768	26 487
Other revenue		56	21	377	119	83
<b>Total revenue</b>		<b>6 913</b>	<b>4 802</b>	<b>15 179</b>	<b>11 887</b>	<b>26 571</b>
<b>Expenses</b>						
Materials, consumables and supplies		(2 763)	(2 331)	(6 515)	(5 050)	(10 642)
Change in inventories		661	867	1 000	595	169
Other operating expenses		(1 747)	(1 148)	(3 411)	(2 387)	(5 406)
Personnel expenses		(2 425)	(1 729)	(4 676)	(3 789)	(8 067)
Depreciation of noncurrent assets	4	(307)	(229)	(584)	(441)	(910)
Other expenses		(68)	(16)	(88)	(81)	(238)
<b>Total expenses</b>		<b>(6 649)</b>	<b>(4 586)</b>	<b>(14 273)</b>	<b>(11 152)</b>	<b>(25 093)</b>
<b>Operating profit</b>		<b>264</b>	<b>216</b>	<b>907</b>	<b>735</b>	<b>1 478</b>
Financial income		7	7	15	37	31
Financial expenses		(154)	(86)	(292)	(185)	(432)
<b>Profit before income tax</b>		<b>117</b>	<b>137</b>	<b>629</b>	<b>587</b>	<b>1 077</b>
Declared income tax		(17)	-	(17)	-	(12)
<b>Profit before minority interest</b>		<b>100</b>	<b>137</b>	<b>612</b>	<b>587</b>	<b>1 065</b>
Minority interest		(12)	(3)	-	22	61
<b>Net profit of the Group</b>		<b>112</b>	<b>140</b>	<b>612</b>	<b>564</b>	<b>1 004</b>
<b>Basic earnings per share (EEK)</b>	8	<b>0,02</b>	<b>0,03</b>	<b>0,13</b>	<b>0,12</b>	<b>0,21</b>
<b>Diluted earnings per share (EEK)</b>	8	<b>0,02</b>	<b>0,03</b>	<b>0,13</b>	<b>0,12</b>	<b>0,21</b>

**CONSOLIDATED CASH FLOW STATEMENT**

(indirect method)

'000 EEK

	Notes	01.01- 30.06.2002	01.01- 30.06.2001	01.01- 31.12.2001
<b>Operating activities</b>				
Operating profit		14 186	11 496	23 126
Adjustment for depreciation	4	9 139	6 900	14 241
Profit from the sale of noncurrent assets		(5 053)	331	133
Foreign exchange difference		0	(414)	0
Change in receivables		(2 883)	(536)	(17 679)
Change in inventories	3	(35 246)	(8 131)	(25 644)
Change in payables		9 287	(8 167)	9 805
Interests paid		(3 628)	(2 328)	(5 433)
Income tax paid		(265)	(69)	527
<b>Cash flow from operating activities</b>		<b>(14 463)</b>	<b>(918)</b>	<b>(924)</b>
<b>Investing activities</b>				
Acquisition of noncurrent physical assets	4	(26 790)	(14 180)	(39 574)
Sale of noncurrent assets		3 654	209	1 045
Termination of capital lease agreement		5 752	0	0
Finance lease and instalments payments		(1 076)	(211)	(943)
Acquisition of subsidiaries		(41)	(1 719)	(1 719)
Interests received		111	50	124
Dividends received		56	9	9
Securities sold		95	0	0
Repayments of loans granted		20	14	75
Loans granted		0	(53)	(53)
<b>Cash flow from investing activities</b>		<b>(18 219)</b>	<b>(15 881)</b>	<b>(41 036)</b>
<b>Financing activities</b>				
Repayment of loans		0	(10 125)	(45 925)
Loans received	5	27 071	21 605	66 802
Proceeds from treasury stock		0	(1 575)	0
Paid for treasury stock of subsidiary		0	(51)	(1 626)
Dividends paid		0	(3 863)	(3 894)
Proceeds from payments into share capital		0	0	5
Redemption of commercial papers		(25 000)	0	0
Received from sale of commercial papers		29 306	0	24 301
Received from sale of convertible bonds		192	192	190
<b>Cash flow from financing activities</b>		<b>31 569</b>	<b>6 183</b>	<b>39 853</b>
Foreign exchange change		(233)	0	(565)
<b>Total cash flows</b>		<b>(1 346)</b>	<b>(10 616)</b>	<b>(2 672)</b>
<b>Opening cash balance</b>		<b>12 626</b>	<b>15 298</b>	<b>15 298</b>
<b>Closing cash balance</b>		<b>11 280</b>	<b>4 682</b>	<b>12 626</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
(indirect method)

'000 EUR

	Notes	01.01- 30.06.2002	01.01- 30.06.2001	01.01- 31.12.2001
<b>Operating activities</b>				
Operating profit		907	735	1 478
Adjustment for depreciation	4	584	441	910
Profit from the sale of noncurrent assets		(323)	21	9
Foreign exchange difference		0	(26)	0
Change in receivables		(184)	(34)	(1 130)
Change in inventories	3	(2 253)	(520)	(1 639)
Change in payables		594	(522)	627
Interests paid		(232)	(149)	(347)
Income tax paid		(17)	(4)	34
<b>Cash flow from operating activities</b>		<b>(924)</b>	<b>(59)</b>	<b>(59)</b>
<b>Investing activities</b>				
Acquisition of noncurrent physical assets	4	(1 712)	(906)	(2 529)
Sale of noncurrent assets		234	13	67
Termination of capital lease agreement		368	0	0
Finance lease and instalments payments		(69)	(13)	(60)
Acquisition of subsidiaries		(3)	(110)	(110)
Interests received		7	3	8
Dividends received		4	1	1
Securities sold		6	0	0
Repayments of loans granted		1	1	5
Loans granted		0	(3)	(3)
<b>Cash flow from investing activities</b>		<b>(1 164)</b>	<b>(1 015)</b>	<b>(2 623)</b>
<b>Financing activities</b>				
Repayment of loans		0	(647)	(2 935)
Loans received	5	1 730	1 381	4 269
Proceeds from treasury stock		0	(101)	0
Paid for treasury stock of subsidiary		0	(3)	(104)
Dividends paid		0	(247)	(249)
Proceeds from payments into share capital		0	0	0
Redemption of commercial papers		(1 598)	0	0
Received from sale of commercial papers		1 873	0	1 553
Received from sale of convertible bonds		12	12	12
<b>Cash flow from financing activities</b>		<b>2 018</b>	<b>395</b>	<b>2 547</b>
Foreign exchange change		(15)	0	(36)
<b>Total cash flows</b>		<b>(86)</b>	<b>(678)</b>	<b>(171)</b>
<b>Opening cash balance</b>		<b>807</b>	<b>978</b>	<b>978</b>
<b>Closing cash balance</b>		<b>721</b>	<b>299</b>	<b>807</b>



**REPORT ON CHANGES IN OWNERS' EQUITY ('000 EEK)**

	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Treasury stock</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance 31.12.2000</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>32 030</b>	<b>127 825</b>
Net profit for the accounting period	0	0	0	0	8 826	8 826
Dividends	0	0	0	0	(3 600)	(3 600)
<b>Balance 30.06.01</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>37 256</b>	<b>133 051</b>
<b>Balance 31.12.01</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>44 141</b>	<b>139 936</b>
Net profit for the accounting period	0	0	0	0	9 580	9 580
<b>Balance 30.06.02</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>53 721</b>	<b>149 515</b>

**REPORT ON CHANGES IN OWNERS' EQUITY ('000 EUR)**

	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Treasury stock</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance 31.12.2000</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>2 047</b>	<b>8 169</b>
Net profit for the accounting period	0	0	0	0	564	564
Dividends	0	0	0	0	(230)	(230)
<b>Balance 30.06.01</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>2 381</b>	<b>8 503</b>
<b>Balance 31.12.01</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>2 821</b>	<b>8 944</b>
Net profit for the accounting period	0	0	0	0	612	612
<b>Balance 30.06.02</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>3 433</b>	<b>9 556</b>

## Profile of the Group

The principal area of operation of AS Baltika Group is the manufacture, retail sale and wholesale of women's and men's clothes and the provision of sewing services. The Group manufactures and distributes its own brands such as Baltman, Everman, Plus B for men and Christine and Respect for women. The brands of outwear are Herold for men and Mascara for women.

The brandname used for retail shops of the entire Group is Baltman.

The average number of employees in the Group was 1501 in the quarter accounted for.

The seat of the parent company is (and is registered) in Estonia at Veerenni 24 in Tallinn.

AS Baltika is listed in the I-list of the Tallinn Stock Exchange.

As of 30.06.2002 the Group comprises the following commercial undertakings:

	Country	Shareholding 30.06.2002	Shareholding 31.12.2001
AS Baltika (parent company)	Estonia		
AS Baltman	Estonia	100%	100%
Baltmano Prekiba	Lithuania	100%	100%
Baltika Sweden	Sweden	100%	100%
Baltika Ukraine	The Ukraine	99%	99%
AS Virulane	Estonia	75,02%	75,02%
Baltika Poland	Poland	100%	100%
AS Elina STC	Estonia	50,10%	50,10%
OY Baltinia AB	Finland	100%	100%
Baltika Latvija	Latvia	75%	-

On 28.05.2002, a subsidiary operating in retail trade, SIA Baltika Latvija, was founded in Latvia. Its share capital is 131,200 LVL.

The subsidiary will start operations in August. As from that moment, the financial reports of the subsidiary will be consolidated in the Group reports.

### Accounting principles and valuation assumptions used in preparing the consolidated interim report

This consolidated interim report has been prepared in compliance with the Republic of Estonia Accounting Act, the Guidelines for the Preparation of Interim Reports of the Estonian Accounting Board and the requirements of the international accounting standard IAS 34 *Interim Financial Reporting* regarding condensed interim financial statements. The same accounting methods were used in the preparation of the interim report as in the annual report for the financial year that ended on 31.12.2001.

The management board believed that the interim report of Baltika Group for the second quarter gives a true and fair view of the economic result on the basis of a going concern. This interim report has not been audited or otherwise reviewed by any auditors.

This interim report has been prepared in thousands of Estonian kroons and thousands of euros unless another currency is specified. The Estonian kroon is pegged to the euro at the rate 1 EUR = 15.64664 EEK.

## Note 1

### Short-term shares and securities

#### EEK

	30.06.2002			31.12.2001	
	Acquisition value	Quantity	Book value	Quantity	Book value
Shares of AS Tallinna Kaubamaja	5 160	5 160	255 111	5 160	308 310
Shares of AS Hansapank	136 224	1 056	220 577	1 056	170 808
Shares of Briti Kaubamaja		0	0	95	95 000
Total	<b>141 384</b>		<b>475 688</b>		<b>574 118</b>

**EUR**

	30.06.2002		31.12.2001		Book value
	Acquisition value	Quantity	Book value	Quantity	
Shares of AS Tallinna Kaubamaja	330	5 160	16 305	5 160	19 705
Shares of AS Hansapank	8 706	1 056	14 097	1 056	10 917
Shares of Briti Kaubamaja		0	0	95	6 072
<b>Total</b>	<b>9 036</b>		<b>30 402</b>		<b>36 693</b>

Profit from the re-evaluation of the shares is presented on the line "Financial income" of the Income Statement.

**Note 2**

**Customer receivables**

	'000 EEK		'000 EUR	
	30.06.2002	31.12.2001	30.06.2002	31.12.2001
Accounts receivable	60 812	58 546	3 887	3 742
Allowance for doubtful accounts	(3 397)	(2 431)	(217)	(155)
<b>Total</b>	<b>57 415</b>	<b>56 115</b>	<b>3 669</b>	<b>3 586</b>

In evaluating accounts receivable, each receivable has been treated separately. Uncollectable accounts were written off as costs in the amount of 996 000 EEK (64 000 EUR) during the accounting period. No receivables written off in previous periods were collected.

Accounts known to be uncollectable are written off the balance sheet. There were no uncollectable accounts in the Group during the accounting period.

**Note 3**

**Inventories**

	'000 EEK		'000 EUR	
	30.06.2002	31.12.2001	30.06.2002	31.12.2001
Raw materials (fabric, furniture, accessories, material on the way)	48 285	44 049	3 086	2 815
Allowance for materials	(754)	(1 199)	(48)	(77)
Work-in progress	13 419	11 681	858	747
Finished goods (warehouses, stores) and purchased goods	105 928	77 249	6 770	4 937
Allowance for finished goods	(920)	(1 131)	(59)	(72)
Prepayments to suppliers	433	496	28	32
<b>Total</b>	<b>166 391</b>	<b>131 145</b>	<b>10 634</b>	<b>8 382</b>

Of the balance of inventories set out in the balance sheet as of 30.06.2002, inventories worth EEK 10.3m (EUR 0.66m) are presented in their net sales value, of them EEK 9.1m (EUR 0.58m) finished goods and EEK 1.2m (EUR 0.08m) materials. As of 31.12.2001 inventories of finished goods worth EEK 9.4m (EUR 0.60m) were presented in their net sales value.

**Note 4**

**Noncurrent physical assets and intangible assets**

In the accounting period, production buildings and equipment for a total of EEK 26.5m (EUR 1.7m), of which a majority was the buildings and equipment for the new sewing shop in Ahtme, were registered in the accounting documents.

IT equipment and software were purchased for EEK 1.39m (EUR 0.09m), as of the end of the accounting period development-related works worth EEK 3.58m (EUR 0.23m) were in progress.

Investments into opening new shops in Estonia, Latvia, Lithuania and the Ukraine amounted to EEK 6.24m (EUR 0.4m).

For Ahtme, machines and equipment worth EEK 4.86m (EUR 0.31m) were leased under capital lease conditions.

The capital lease period for production equipment and furniture is respectively three and two years. The interest rate on capital lease is the 6-month EURIBOR plus a marginal of 3.25%.

In January, the parent company AS Baltika, sold the right of pre-emption of the registered immovable located at Viru 10. Up to the moment of sale, a long-term commercial lease contract with Hoiupanga Liisingu AS governed the use of the registered immovable. The return on the sale amounted to EEK 4.92m (EUR 0.31m).

**Activity in noncurrent physical assets in the 1<sup>st</sup> six months of 2002**

**Noncurrent physical assets ('000 EEK)**

	Land	Buildings, facilities	Plant and equipment	Other inventories	Self-constructed physical assets under construction	Prepayments	Total
Acquisition cost 31.12.2001	3 004	44 606	67 768	25 469	9 648	2 692	153 187
Accumulated depreciation 31.12.2001	0	(11 874)	(51 419)	(11 503)	0	0	(74 796)
<b>Residual value 31.12.2001</b>	<b>3 004</b>	<b>32 732</b>	<b>16 349</b>	<b>13 966</b>	<b>9 648</b>	<b>2 692</b>	<b>78 391</b>
Acquired during the period	0	19 163	8 526	6 315	13 786	2 410	50 200
Sold during the period	0	0	(3 712)	(243)	0	0	(3 955)
Written off during the period	0	(167)	0	(28)	0	0	(195)
Taken into use	0	0	0	0	(18 153)	(3 462)	(21 615)
Depreciation 2002	0	(1 786)	(3 544)	(3 196)	0	0	(8 526)
Exchange differences	0	0	0	3	0	0	3
Acquisition cost 30.06.02	3 004	63 458	72 295	31 196	5 281	1 640	176 874
Accumulated depreciation 30.06.02	0	(13 516)	(54 676)	(14 379)	0	0	(82 571)
<b>Residual value 30.06.02</b>	<b>3 004</b>	<b>49 942</b>	<b>17 619</b>	<b>16 817</b>	<b>5 281</b>	<b>1 640</b>	<b>94 303</b>

**Noncurrent physical assets ('000 EUR)**

	Land	Buildings, facilities	Plant and equipment	Other inventories	Self-constructed physical assets under construction	Prepayments	Total
Acquisition cost 31.12.2001	192	2 851	4 331	1 628	617	172	9 790
Accumulated depreciation 31.12.2001	0	(759)	(3 286)	(735)	0	0	(4 780)
<b>Residual value 31.12.2001</b>	<b>192</b>	<b>2 092</b>	<b>1 045</b>	<b>893</b>	<b>617</b>	<b>172</b>	<b>5 010</b>
Acquired during the period	0	1 225	545	404	881	154	3 208
Sold during the period	0	0	(237)	(16)	0	0	(253)
Written off during the period	0	(11)	0	(2)	0	0	(12)
Taken into use	0	0	0	0	(1 160)	(221)	(1 381)
Depreciation 2002	0	(114)	(227)	(204)	0	0	(545)
Exchange differences	0	0	0	0	0	0	0
Acquisition cost 30.06.02	192	4 056	4 620	1 994	338	105	11 304
Accumulated depreciation 30.06.02	0	864	3 494	919	0	0	5 277
<b>Residual value 30.06.02</b>	<b>192</b>	<b>3 192</b>	<b>1 126</b>	<b>1 075</b>	<b>338</b>	<b>105</b>	<b>6 027</b>

**Intangible noncurrent assets ('000 EEK)**

	Intangible noncurrent assets	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2001	6 182	2 337	0	8 519
Accumulated depreciation 31.12.2001	(1 801)	(1 538)	0	(3 339)
<b>Residual value 31.12.2001</b>	<b>4 381</b>	<b>799</b>	<b>0</b>	<b>5 180</b>
Purchased during the accounting year	315	0	0	315
Written off	(7)	0	0	(7)
Depreciation 2002	(613)	0	0	(613)
Depreciation of positive goodwill*	0	(232)	0	(232)
Depreciation of negative goodwill*	0	0	171	171
Acquisition cost 30.06.02	6 439	2 337	0	8 776
Accumulated depreciation 30.06.02	(2 363)	(1 770)	0	(4 133)
<b>Residual value 30.06.02</b>	<b>4 076</b>	<b>567</b>	<b>0</b>	<b>4 643</b>

**Intangible noncurrent assets ('000 EUR)**

	Intangible noncurrent assets	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2001	395	149	0	544
Accumulated depreciation 31.12.2001	(115)	(98)	0	(213)
<b>Residual value 31.12.2001</b>	<b>280</b>	<b>51</b>	<b>0</b>	<b>331</b>
Purchased during the accounting year	20	0	0	20
Depreciation 2002	(39)	0	0	(39)
Depreciation of positive goodwill*	0	(15)	0	(15)

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Depreciation of negative goodwill*	0	0	11	11
Acquisition cost 30.06.02	412	149	0	561
Accumulated depreciation 30.06.02	(151)	(113)	0	(264)
<b>Residual value 30.06.02</b>	<b>261</b>	<b>36</b>	<b>0</b>	<b>297</b>

\*- presented in the Income Statement respectively as financial expenses and financial incomes.

## Note 5

### Debt obligations

#### Current liabilities

	'000 EEK		'000 EUR	
	30.06.2002	31.12.2001	30.06.2002	31.12.2001
Debt to the Estonian Privatisation Agency	0	941	0	60
Current portion of long term bank loan repayment	4 613	1 874	295	120
Short-term loans from banks	23 401	6 639	1 496	424
Short-term leasing debt	672	74	43	5
Convertible bonds	384	192	25	12
Commercial papers	30 050	25 000	1 921	1 598
<b>Total:</b>	<b>59 120</b>	<b>34 720</b>	<b>3 778</b>	<b>2 219</b>

In the accounting period, the bonds issued in October 2001 in the amount of EEK 25m (EUR 1.6m) were redeemed. A new closed issue of debt instruments with a duration of 182 days was organised. The total issue volume was EEK 30.05m (EUR 1.92m), the rate of return was 4.2%. The debt obligation is not secured.

#### Long-term liabilities

	'000 EEK		'000 EUR	
	30.06.2002	31.12.2001	30.06.2002	31.12.2001
Long-term loans from banks	71 187	63 617	4 550	4 066
Long-term leasing debt	3 013	106	193	7
<b>Total</b>	<b>74 200</b>	<b>63 723</b>	<b>4 742</b>	<b>4 073</b>

The lease of machines and equipment for the Ahtme sewing shop on lease-back conditions incurred an additional short-term lease debt of 633 thousand EEK (40.4 thousand EUR) and a long-term leasing debt of 2,904 thousand EEK (185.6 thousand EUR) for the Group.

In the first six months of 2002, the interest expenditure of the Group was 4,056 thousand EEK (259.2 thousand EUR), of it 2,162 thousand EEK (138.2 thousand EUR) in the second quarter. In the first six months of 2001, interest was paid in the amount of 2,219 EEK (141.8 thousand EUR).

**Bank loans ('000 EEK)**

<b>Creditor</b>	<b>Loan debt 30.06.02</b>	<b>Current portion up to 1 year</b>	<b>Long-term portion 1–5 yrs</b>	<b>Interest</b>	<b>Due date</b>
Nordea Bank	15 000	1 874	13 126	3-months' Euribor + 2.5%	08.05.2006
Hansapank	45 800	0	45 800	7,40%	31.12.2004
Hansapank	15 000	2 739	12 261	6-months' Euribor +3.25%	31.12.2008
Hansapank (credit line)	23 401	23 401	0	7,60%	30.10.2002
<b>Total</b>	<b>99 201</b>	<b>28 014</b>	<b>71 187</b>		

**Bank loans ('000 EUR)**

<b>Creditor</b>	<b>Loan debt 30.06.02</b>	<b>Current portion up to 1 year</b>	<b>Long-term portion 1–5 yrs</b>	<b>Interest</b>	<b>Due date</b>
Nordea Bank	959	120	839	3-months' Euribor + 2.5%	08.05.2006
Hansapank	2 927	0	2 927	7,40%	31.12.2004
Hansapank	959	175	784	6-months' Euribor +3.25%	31.12.2008
Hansapank (credit line)	1 496	1 496	0	7,60%	30.10.2002
<b>Total</b>	<b>6 340</b>	<b>1 790</b>	<b>4 550</b>		

AS Baltika has opened a group account with Hansapank whose overdraft limit is EEK 25m (EUR 1.6m). As at 30.06.2001, the overdraft facility had been used to the extent of EEK 23.4m (EUR 1.5m). The loans and the overdraft facility are secured by commercial pledge totalling 67,680 thousand EEK (4,326 thousand EUR) and a mortgage on the registered immovable at Veerenni 24 in the amount of EEK 40m (EUR 2.5m).

AS Virulane has concluded a long-term loan agreement with Hansapank to finance the construction of the Ahtme factory; the loan limit is 959,000 EUR. The entire limit had been used by the end of the accounting period. The loan is secured by mortgages on registered immovables at Kalda 10A in Rakvere and at Õpetaja 5 in Ahtme plus the surety of AS Baltika.

During the accounting period AS Baltika paid to the Privatisation Agency (into the special privatisation account of the Harju County Government) the entire instalment debt of 941,000 EEK (60,000 EUR) for the plot of land at Veerenni 24.

**Note 6**

**Owners' equity**

**Share capital**

The share capital is 48,000,000 EEK (3,067,751 EUR) is divided into 4,800,000 common shares with a nominal value of 10 EEK (0,64 EUR) each.

The statutory minimum amount of shares is 4,000,000 and the maximum amount of shares is 16,000,000. All the issued shares have been paid for. The shares of AS Baltika are listed in the I-list of the Tallinn Stock Exchange.

**Retained earnings**

As of 30.06.2002, the retained earnings were 53,721 thousand EEK (3,433 thousand EUR).

**Note 7**

**Segments**

The primary segment of the Group is the business segment by areas of operation and its secondary segment is the geographical segments on the basis of the location of the company's sales network.

**Business segment report – primary**

**Business segment report for the 1<sup>st</sup> six months of 2002 by areas of operation**

**'000 EEK**

	<b>Retail trade 6 months 2002</b>	<b>Production and wholesale 6 months 2002</b>	<b>Intersegment al transactions 6 months 2002</b>	<b>TOTAL 6 months 2002</b>
Sales outside the Group	112 500	119 102		231 602
Sales between the segments	0	104 214	(104 214)	0
Sales total	112 500	223 316	(104 214)	231 602
Operating profit of the segment	12 515	8 282		20 797
Unallocated business expenses				(6 611)
Total operating profit				14 186
Other financial income				231
Other financial expenses				(4 575)
Income tax				(265)
Profit before minority interest				9 577
Minority interest				(3)
Net profit				9 580
Assets	114 479	232 357	(4 805)	342 031



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Unallocated assets of the Group				9 258
Total assets				351 289
Liabilities	109 800	48 837	(97 115)	61 522
Unallocated liabilities of the Group				133 623
Total liabilities				195 145
Acquisition of noncurrent assets	7 316	27 003	0	34 319
Depreciation	3 710	5 429	0	9 139
Other significant nonmonetary expenses				5 072

**Business segment report for the 1<sup>st</sup> six months of 2002 by areas of operation**

**'000 EUR**

	<b>Retail trade 6 months 2002</b>	<b>Production and wholesale 6 months 2002</b>	<b>Intersegmental transactions 6 months 2002</b>	<b>TOTAL 6 months 2002</b>
Sales outside the Group	7 190	7 612	0	14 802
Sales between the segments	0	6 660	(6 660)	0
Sales total	7 190	14 272	(6 660)	14 802
Operating profit of the segment	800	529	0	1 329
Unallocated business expenses				(423)
Total operating profit				907
Other financial income				15
Other financial expenses				(292)
Income tax				(17)
Profit before minority interest				612
Minority interest				0
Net profit				612
Assets	7 317	14 850	(307)	21 860
Unallocated assets of the Group				592
Total assets				22 451
Liabilities	7 017	3 121	(6 207)	3 932
Unallocated liabilities of the Group				8 540
Total liabilities				12 472

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Acquisition of noncurrent assets	468	1 726	0	2 193
Depreciation	237	347	0	584
Other significant nonmonetary expenses				324

**Business segment report for the 1<sup>st</sup> six months of 2001 by areas of operation**

**'000 EEK**

	Retail trade and wholesale 6 months 2001		Production and wholesale transactions 6 months 2001	Intersegmental transactions 6 months 2001	TOTAL 6 months 2001
Sales outside the Group	62 654	121 478			184 132
Sales between the segments	0	69 033	(69 033)		0
Sales total	62 654	190 511	(69 033)		184 132
Operating profit of the segment	8 986	8 714			17 700
Unallocated business expenses					(6 204)
Total operating profit					11 496
Other financial income					573
Other financial expenses					(2 892)
Income tax					0
Profit before minority interest					9 177
Minority interest					351
Net profit					8 826
Assets	67 455	165 837	(4 914)		228 378
Unallocated assets of the Group					9 736
Total assets					238 114
Liabilities	52 790	24 587	(43 293)		34 084
Unallocated liabilities of the Group					64 946
Total liabilities					99 030
Acquisition of noncurrent assets	6 711	6 848			13 559
Depreciation	2 473	4 427			6 900
Other significant nonmonetary expenses					3 804

**Business segment report for the 1<sup>st</sup> six months of 2001 by areas of operation**

**'000 EUR**

	<b>Retail trade 6 months 2001</b>	<b>Production and wholesale 6 months 2001</b>	<b>Intersegmental transactions 6 months 2001</b>	<b>TOTAL 6 months 2001</b>
Sales outside the Group	4 004	7 764	0	11 768
Sales between the segments	0	4 412	(4 412)	0
Sales total	4 004	12 176	(4 412)	11 768
Operating profit of the segment	574	557	0	1 131
Unallocated business expenses				(397)
Total operating profit				735
Other financial income				37
Other financial expenses				(185)
Income tax				0
Profit before minority interest				587
Minority interest				22
Net profit				564
Assets	4 311	10 599	(314)	14 596
Unallocated assets of the Group				622
Total assets				15 218
Liabilities	3 374	1 571	(2 767)	2 178
Unallocated liabilities of the Group				4 151
Total liabilities				6 329
Acquisition of noncurrent assets	429	438	0	867
Depreciation	158	283	0	441
Other significant nonmonetary expenses				243

The retail segment presents the assets, liabilities, incomes and expenses related to the retail trade of the subsidiaries which are engaged in retail trade. The segment also includes the assets, liabilities, incomes and expenses of the factory stores of the production companies AS Baltika and AS Virulane.

The production activities and wholesale segment presents the assets, liabilities, incomes and expenses of the clothes manufacture, wholesale and other related operations.

The assets and liabilities of a segment do not include financial assets and liabilities and the incomes/expenses of a segment do not include the incomes and expenses arising out of the previously mentioned assets and liabilities.

The administrative building is presented in the segment report as the unallocated assets of the Group; long-term loans, dividend and interest debt are presented as unallocated liabilities and administrative costs of the centre are presented as unallocated business expenses.

**Sales profit by geographical segment – secondary**

	'000 EEK		'000 EUR	
	6 months 2002	6 months 2001	6 months 2002	6 months 2001
Estonia	64 579	56 820	4 127	3 631
Latvia	22 504	15 950	1 438	1 019
Lithuania	34 586	18 469	2 210	1 180
Russia	26 265	22 487	1 679	1 437
The Ukraine	28 137	11 302	1 798	722
Finland	24 198	26 130	1 547	1 670
Sweden	11 116	13 243	710	846
England	8 144	12 746	520	815
Poland	12 039	3 920	769	251
Norway	24	1 378	2	88
Austria	5	8	0	1
Turkey	5	0	0	0
USA	0	1 679	0	107
<b>Total</b>	<b>231 602</b>	<b>184 132</b>	<b>14 802</b>	<b>11 768</b>

The management is convinced that the prices used in intersegmental transactions do not substantially differ from market prices.

**Note 8**

**Net profit per share**

		30.06.02	30.06.01	31.12.01
Weighted average number of shares	pc	4 800 000	4 800 000	4 800 000
Net profit	'000 EEK	9 580	8 826	15 711
	'000 EUR	612	564	1 004
<b>Basic earnings per share</b>	EEK	<b>2,00</b>	<b>1,84</b>	<b>3,27</b>
	EUR	0,13	0,12	0,21

Diluted earnings per share as of the balance sheet date were 1.97 EEK (0.13 EUR).

When calculating diluted earnings per share, the 384,000 convertible bonds issued within the framework of the top executives' share option programme, have been taken into account, of which 192,000 were issued in 2001 and 192,000 in 2002. The convertible bonds entitle their holders to exchange them for the same amount of shares in Baltika.

The option price was 25 and 34.09 EEK respectively in 2001 and 2002. The average market price of a Baltika share was 36.38 EEK (2.35 EUR) in the accounting period.

As of 30.06.01, the diluted earnings per share were 1.82 EEK (0.12 EUR).

**Note 9**

**Connected parties**

The members of the management board were authorised in April to subscribe for 124,000 convertible bonds which entitle them to acquire shares in Baltika as from May 2003.

In the accounting period, goods for 2,179 thousand EEK (139.3 thousand EUR) were purchased from OÜ Maisan which is controlled by the members of the management board.

The management is convinced that in transactions with connected parties, the prices used did not substantially differ from market prices.