



AS BALTIKA
Consolidated Interim Report for Third Quarter of 2002

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The management board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 22 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 1 November 2002

Letter of explanation to AS Baltika interim report for third quarter of 2002

The unaudited consolidated net sales of Baltika in the first nine months of 2002 were EEK 361.4m (EUR 23.1m) and the net profit was EEK 5.72m (EUR 0.37m). Compared to the same period of 2001, the net sales increased by 19.3% (EEK 58.56m; EUR 3.74m) while the net profit was smaller by 37.8% (EEK 3.47m; EUR 0.22m). The net sales of the first nine months of 2001 were EEK 302.8m and the net profit was EEK 9.19m. The sales of the third quarter of 2002 was EEK 129.78m, i.e. by 9.36% higher than in the third quarter of the previous year (EEK 11.11m). The net loss for the third quarter was EEK 3.86m; the company managed a profit of EEK 0.36m in the third quarter of 2001.

Sales

In September, Baltika launched a new international clothes trademark, MONTON, which is marketed in 30 retail outlets of the Baltika Group in a total of five countries. The first month of marketing demonstrated the excellent sales potential of the new trademark: in September, Monton's turnover was EEK 21.1m, accounting for 77% of the retail sales of the Baltika Group. However, in July and August the sales were less than normally. The long warm summer in the whole of Europe curbed customer flows in shops as well as the average purchase level per buyer. The sales enlivened only in September. The net sales for September were 45.22% (EEK 58.69m, EUR 3.57m) of the sales turnover of the entire third quarter. The retail sales of Baltika's own stores were EEK 27.5m (EUR 1.76m) in September, representing a 43% growth compared to the same period last year.

The share of Baltika's own shops (brand and factory shops) in the nine months' net sales of the Baltika Group was 47%, totalling EEK 171.17m (EUR 10.94m). Wholesale turnover amounted to EEK 145.19m (EUR 9.28m) and the sales of subcontracted products were EEK 41.31m (EUR 2.64m). Compared to the same period of the previous year, the sales of our own products and goods increased by 31.5% up to EEK 318.8m (EUR 20.37m), while the sales of subcontracted products downsized by 29.6%. The total export sales for the nine months were EEK 267.05m (EUR 17.07m), accounting for 74% of the total net sales.

As of the end of September, Baltika Group had operable retail space in seven countries with a total area of 8361 m², of which the sales space of own shops accounted for 6603 m² (a total of 48 shops).

Sales efficiency has also increased in line with the increment of new retail outlets (sales/m²). Average sales per m² have increased by 12% compared to the nine months of the previous year.

Profit

Baltika Group made a net profit of EEK 5.72m (EUR 0.37m) in the nine months, while the loss for the third quarter was EEK 3.86m (EUR 0.25m). The operating profit for the nine months was EEK 14.4m (EUR 0.92m), which is on the same level as in the previous year (EEK 14.6m or EUR 0.94m). In connection with the introduction of the new trademark, all the costs of launching the trademark and restructuring the stores were borne in the third quarter. These costs totalled EEK 8.3m (EUR 0.53m) on all five markets, however they were one-time costs which affected the results of just one quarter. Another factor that had a considerable impact on the profit was the longer-than-usual discount period applied in the retail chain during the summer in order to reduce the stock of goods at the end of the season. The effect on the profit of the sales with a lower margin is estimated by the management to be about EEK 2.5m (EUR 0.16m). The increased loan burden in 2002 for the purpose of financing the investments necessary for the implementation of the Baltika Group Strategy is also reflected in financial expenses, where interest expenses have increased by EEK 2.68m (EUR 0.17m) compared to the same period of the previous year, totalling EEK 6.45m (EUR 0.41m).

Additional share issue

In order to provide additional financing to the strategic growth plans of the group and to increase the personal interest of the top executives in the company, the special meeting of shareholders of AS Baltika, held on 17 September, decided to increase the share capital by EEK 6,444,500 (EUR 411.88m) and to issue for that purpose an additional 644,450 shares with a nominal value of EEK 10 each and priced EEK 36 each; the total issue amount was EEK 23,200,200 (EUR 1.48m). The entire issue was subscribed for and paid by the investment company OÜ BMIG, founded by the management board and chairman of the supervisory board of AS Baltika. The post-issue share capital of AS Baltika is EEK 54,444,500 (EUR

3.48m) and its major shareholders are Baltic Republics Fund (BRF) and OÜ BMIG with 35.68% and 20.26%, respectively. The issue was organised by AS Hansapank.

Balance sheet

The consolidated balance sheet total of Baltika was EEK 390.4m (EUR 24.95m) as of 30.09.2002; the growth compared to the beginning of the year was EEK 93.0m (EUR 5.94m), i.e. +31.26%. The inventories of goods, semi-finished goods and basic materials increased, compared to the beginning of the year, by EEK 43.54m (EUR 2.78m) up to EEK 174.69m (EUR 11.16m). The introduction of the new trademark Monton necessitated preproduction and build-up of stocks in order to guarantee that in the beginning of September the Monton outlets on the five markets are filled with goods. In addition, the increase of the stock of goods can also be attributed to the growth of retail sales premises (+19 new stores within nine months) and the preparation for the autumn season.

During the nine months, investments in fixed assets amounted to EEK 33.7m (EUR 2.2m).

The financing of the purchase of inventories, necessitated by investments and expansion of retail premises, has increased the loan burden of Baltika Group by EEK 42m compared with the beginning of the year. Overdraft facilities and the proceeds of bond issues were used as sources of financing; further bank loans were obtained and equipment was leased under lease-back conditions to complete the Ahtme factory.

The main ratios of AS Baltika Group as of 30.09.02 were:

	30.09.2002	30.09.2001
– operating profit to net sales	4.0 %	4.8 %
– profit margin (net profit / net sales)	1.6 %	3.0 %
– return on equity (ROE) (net profit / owners' equity — the average of 12 months)	8.5 %	9.8 %
– return on total assets (net profit / assets — the average of 12 months)	3.7 %	5.3 %
– quick ratio (current assets – inventories / current liabilities)	0.77	1.2

Ülle Järv
Member of Management Board

Balance sheet

EEK '000	Note	Group		
		30.09.2002	30.09.2001	31.12.2001
Current assets				
Cash and bank		16 269	4 879	12 626
Shares and securities	1	476	477	574
Accounts receivable	2	71 851	78 286	56 115
Other receivables and prepaid expenses		18 534	12 242	10 802
Inventories	3	174 687	115 931	131 145
Total current assets		281 817	211 815	211 262
Fixed assets				
Long-term investments		2 566	2 205	2 600
Tangible assets	4	101 784	70 995	78 390
Intangible assets	4	4 258	2 205	5 180
Total fixed assets		108 608	75 405	86 170
TOTAL ASSETS		390 425	287 220	297 432
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Debt obligations	5,6	68 435	24 358	34 721
Customer prepayments for goods and services		126	142	154
Accounts payable		53 337	39 827	40 544
Other tax liabilities		4 966	5 604	5 081
Accrued expenses		11 809	9 732	6 641
Short-term provisions		0	120	0
Total current liabilities		138 673	79 783	87 141
Long-term liabilities				
Long-term debt	5	74 199	67 009	63 723
Total long-term liabilities		74 199	67 009	63 723
TOTAL LIABILITIES		212 872	146 792	150 864
Minority shareholding		8 701	7 013	6 632
OWNERS' EQUITY	7	168 852	133 415	139 936
Share capital (par value)		48 000	48 000	48 000
Unregistered share capital		23 200	0	0
Share premium		24 910	24 910	24 910
Other restricted equity		22 885	22 885	22 885
Retained profit		44 141	28 430	28 430
Profit for the accounting period		5 716	9 190	15 711
TOTAL LIABILITIES AND OWNERS' EQUITY		390 425	287 220	297 432

Balance sheet

EUR '000	Note	Group		
		30.09.2002	30.09.2001	31.12.2001
Current assets				
Cash and bank		1 040	312	807
Shares and securities	1	30	30	37
Accounts receivable	2	4 592	5 003	3 586
Other receivables and prepaid expenses		1 185	782	690
Inventories	3	11 165	7 409	8 382
Total current assets		18 011	13 537	13 502
Fixed assets				
Long-term investments		164	141	166
Tangible assets	4	6 505	4 537	5 010
Intangible assets	4	272	141	331
Total fixed assets		6 941	4 819	5 507
TOTAL ASSETS		24 953	18 357	19 009
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Debt obligations	5,6	4 374	1 557	2 219
Customer prepayments for goods and services		8	9	10
Accounts payable		3 409	2 545	2 591
Other tax liabilities		317	358	325
Accrued expenses		755	622	424
Short-term provisions		0	8	0
Total current liabilities		8 863	5 099	5 569
Long-term liabilities				
Long-term debt	5	4 742	4 283	4 073
Total long-term liabilities		4 742	4 283	4 073
TOTAL LIABILITIES		13 605	9 382	9 642
Minority shareholding		556	448	424
OWNERS' EQUITY	7	10 792	8 527	8 944
Share capital (par value)		3 068	3 068	3 068
Unregistered share capital		1 483	0	0
Share premium		1 592	1 592	1 592
Other restricted equity		1 463	1 463	1 463
Retained profit		2 821	1 817	1 817
Profit for the accounting period		365	587	1 004
TOTAL LIABILITIES AND OWNERS' EQUITY		24 953	18 357	19 009

Income statement

EEK '000	Note	Group				
		3 rd quarter 2002	3 rd quarter 2001	9 months 2002	9 months 2001	2001
Revenue						
Net sales	8	129 779	118 673	361 381	302 805	414 437
Other revenue		50	(405)	5 952	1 458	1 303
Total revenue		129 829	118 268	367 333	304 263	415 740
Expenses						
Materials, raw materials and services		(34 510)	(42 320)	(136 452)	(121 328)	(166 506)
Change in inventories		(16 386)	(11 344)	(733)	(2 032)	2 649
Other operating expenses		(35 332)	(23 220)	(88 695)	(60 571)	(84 578)
Personnel expenses		(37 237)	(33 637)	(110 394)	(92 921)	(126 222)
Depreciation of fixed assets	4	(5 448)	(3 587)	(14 587)	(10 487)	(14 241)
Other expenses		(725)	(1 012)	(2 095)	(2 280)	(3 717)
Total expenses		(129 638)	(115 120)	(352 956)	(289 619)	(392 614)
Operating profit		191	3 148	14 377	14 644	23 126
Financial income		54	76	285	649	484
Financial expenses		(2 535)	(1 696)	(7 110)	(4 588)	(6 764)
Profit before income tax		(2 290)	1 528	7 552	10 705	16 846
Declared income tax		(3)	(184)	(268)	(184)	(185)
Profit before minority shareholding		(2 293)	1 344	7 284	10 521	16 661
Minority shareholding		1 571	980	1 568	1 331	950
Net profit of the group		(3 864)	364	5 716	9 190	15 711
Basic earnings per share (EEK)	9	(0,79)	0,08	1,18	1,91	3,27
Diluted earnings per share (EEK)	9	(0,78)	0,08	1,17	1,89	3,25

Income statement

EUR '000	Note	Group				
		3 rd quarter 2002	3 rd quarter 2001	9 months 2002	9 months 2001	2001
Revenue						
Net sales	8	8 294	7 585	23 096	19 353	26 487
Other revenue		3	(26)	380	93	83
Total revenue		8 298	7 559	23 477	19 446	26 571
Expenses						
Materials, raw materials and services		(2 206)	(2 705)	(8 721)	(7 754)	(10 642)
Change in inventories		(1 047)	(725)	(47)	(130)	169
Other operating expenses		(2 258)	(1 484)	(5 669)	(3 871)	(5 406)
Personnel expenses		(2 380)	(2 150)	(7 055)	(5 939)	(8 067)
Depreciation of fixed assets	4	(348)	(229)	(932)	(670)	(910)
Other expenses		(46)	(65)	(134)	(146)	(238)
Total expenses		(8 285)	(7 357)	(22 558)	(18 510)	(25 093)
Operating profit		12	201	919	936	1 478
Financial income		3	5	18	41	31
Financial expenses		(162)	(108)	(454)	(293)	(432)
Profit before income tax		(146)	98	483	684	1 077
Declared income tax		(0)	(12)	(17)	(12)	(12)
Profit before minority shareholding		(147)	86	466	672	1 065
Minority shareholding		100	63	100	85	61
Net profit of the group		(247)	23	365	587	1 004
Basic earnings per share (EEK)	9	(0,05)	0,00	0,08	0,12	0,21
Diluted earnings per share (EEK)	9	(0,05)	0,01	0,07	0,12	0,21

CONSOLIDATED CASH FLOW STATEMENT

(indirect method)

EEK '000

	Notes	01.01- 30.09.2002	01.01- 30.09.2001	01.01- 31.12.2001
Operating activities				
Operating profit		14 377	14 644	23 126
Adjustment for depreciation	4	14 587	10 487	14 241
Profit from sale of fixed assets		(4 777)	(255)	133
Change in receivables		(20 977)	(37 281)	(17 679)
Change in inventories	3	(43 542)	(10 430)	(25 644)
Change in payables		17 609	12 861	9 805
Interest paid		(6 691)	(3 879)	(5 433)
Income tax paid		(256)	(258)	527
Other financial expenses			125	0
Cash flow from operating activities		(29 670)	(13 986)	(924)
Investing activities				
Acquisition of tangible assets	4	(35 662)	(26 384)	(39 574)
Sale of fixed assets		7 399	966	1 045
Capital lease payments and instalments paid		(1 409)	(348)	(943)
Acquisition of subsidiaries		(1 516)	(3 270)	(1 719)
Interest received		175	84	124
Dividend received		56	18	9
Securities and units sold		95	0	0
Repayments of loans granted		20	67	75
Loans granted		0	(53)	(53)
Cash flow from investing activities		(30 842)	(28 920)	(41 036)
Financing activities				
Repayment of loans		(714)	(45 925)	(45 925)
Loans received	5	37 433	84 140	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)
Receipts from contributions into share capital		23 200	5	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
Cash flow from financing activities		64 417	32 932	39 853
Foreign exchange change		(262)	(436)	(565)
Total cash flow		3 643	(10 419)	(2 672)
Opening cash balance		12 626	15 298	15 298
Closing cash balance		16 269	4 879	12 626

CONSOLIDATED CASH FLOW STATEMENT

(indirect method)

EUR '000

	Notes	01.01- 30.09.2002	01.01- 30.09.2001	01.01- 31.12.2001
Operating activities				
Operating profit		919	936	1 478
Adjustment for depreciation	4	932	670	910
Profit from sale of fixed assets		(305)	(16)	9
Change in receivables		(1 341)	(2 383)	(1 130)
Change in inventories		(2 783)	(667)	(1 639)
Change in payables	3	1 125	822	627
Interest paid		(428)	(248)	(347)
Income tax paid		(16)	(16)	34
Other financial expenses		0	8	0
Cash flow from operating activities		(1 896)	(894)	(59)
Investing activities				
Acquisition of tangible assets	4	(2 279)	(1 686)	(2 529)
Sale of fixed assets		473	62	67
Capital lease payments and instalments paid		(90)	(22)	(60)
Acquisition of subsidiaries		(97)	(209)	(110)
Interest received		11	5	8
Dividend received		4	1	1
Securities and units sold		6	0	0
Repayments of loans granted		1	4	5
Loans granted		0	(3)	(3)
Cash flow from investing activities		(1 971)	(1 848)	(2 623)
Financing activities				
Repayment of loans		(46)	(2 935)	(2 935)
Loans received	5	2 392	5 378	4 269
Proceeds from treasury stock		0	(101)	0
Paid for treasury stock of subsidiary		0	(3)	(104)
Dividends paid		0	(247)	(249)
Receipts from contributions into share capital		1 483	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
Cash flow from financing activities		4 117	2 104	2 547
Foreign exchange change		(17)	(28)	(36)
Total cash flow		233	(666)	(171)
Opening cash balance		807	978	978
Closing cash balance		1 040	312	807

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

	Share capital	Unregistered share capital	Share premium	Reserves	Treasury stock	Retained earnings	Total
Balance 31.12.2000	48 000	0	24 910	22 885	0	32 030	127 825
Net profit for the accounting period	0	0	0	0	0	9 190	9 190
Dividends	0	0	0	0	0	-3 600	-3 600
Balance 30.09.01	48 000	0	24 910	22 885	0	37 620	133 415
Balance 31.12.01	48 000	0	24 910	22 885	0	44 141	139 936
Net profit for the financial year	0	0	0	0	0	5 716	5 716
Contribution to share capital	0	23 200	0	0	0	0	23 200
Balance 30.09.02	48 000	23 200	24 910	22 885	0	49 857	168 852

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

	Share capital	Unregistered share capital	Share premium	Reserves	Treasury stock	Retained earnings	Total
Balance 31.12.2000	3 068	0	1 592	1 463	0	2 047	8 169
Net profit for the accounting period	0	0	0	0	0	587	587
Dividends	0	0	0	0	0	-230	-230
Balance 30.09.01	3 068	0	1 592	1 463	0	2 404	8 527
Balance 31.12.01	3 068	0	1 592	1 463	0	2 821	8 944
Net profit for the financial year	0	0	0	0	0	365	365
Contribution to share capital	0	1 483	0	0	0	0	1 483
Balance 30.09.02	3 068	1 483	1 592	1 463	0	3 186	10 792

Group profile

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 has retail outlets in five countries: Estonia, Latvia, Lithuania, Poland, the Ukraine, and Sweden; production is located in Estonia. According to the trademarks and retail concept, Baltika has four different retail channels: Monton for both men and women, CHR/Evermen for women and men, and Baltman for men. Besides the aforementioned, factory outlets are used to sell the previous periods' stocks of different brands of clothing.

The brands of outerwear are Herold for men and Mascara for women, both are marketed by wholesale.

The average number of employees in the Group was 1524 in the accounting quarter.

The seat and place of registration of the parent company is Veerenni 24, Tallinn, Estonia. AS Baltika is listed in the I-list of the Tallinn Stock Exchange.

As of 30.09.2002 the Group comprises the following companies:

	Country of location	Shareholding	
		30.09.2002	31.12.2001
AS Baltika (parent company)	Estonia		
AS Baltman	Estonia	100%	100%
Baltmano Prekiba	Lithuania	100%	100%
Baltika Sweden	Sweden	100%	100%
Baltika Ukraina	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%	–

The Latvian retail subsidiary SIA Baltika Latvija started operations in the accounting quarter. Its share capital is LVL 131,200. The company's financial reports are consolidated into the group's 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.

According to the assessment of the management board, the 3rd quarter 2002 interim report of Baltika Group presents a true and fair view of the company's economic results in compliance with the going-concern assumption. This interim report has not been audited or otherwise reviewed by 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

	30.09.2002		31.12.2001	
	Acquisition value	Quantity	Book value	Book value
Shares of AS Tallinna Kaubamaja	5 160	5 160	262 387	308 310
Shares of AS Hansapank	136 224	1 056	213 143	170 808
Shares of Briti Kaubamaja		0	0	95 000
Total	141 384		475 530	574 118

EUR

	30.09.2002		31.12.2001	
	Acquisition value	Quantity	Book value	Book value
Shares of AS Tallinna Kaubamaja	330	5 160	16 770	19 705
Shares of AS Hansapank	8 706	1 056	13 622	10 917
Shares of Briti Kaubamaja		0	0	6 072
Total	9 036		30 392	36 693

Profit from the revaluation of the shares is presented on the line "Financial income" of the Income Statement.

Note 2

Accounts receivable

	EEK '000		EUR '000	
	30.09.2002	31.12.2001	30.09.2002	31.12.2001
Accounts receivable	76 103	58 546	4 864	3 742
Doubtful accounts	(4 252)	(2 431)	(272)	(155)
Total	71 851	56 115	4 592	3 586

In evaluating accounts receivable, each account has been treated separately. Doubtful accounts were written off in the amount of EEK 1,025,000 (EUR 64,000,000) during the accounting period. No accounts written off in previous periods were collected.

Accounts known to be uncollectible are written off the balance sheet. Uncollectible accounts of EEK 88,000 (EUR 5,700) were written off the balance sheet in the subsidiary Virulane during the accounting period.

Note 3

Inventories of goods and production

	EEK '000		EUR '000	
	30.09.2002	31.12.2001	30.09.2002	31.12.2001
Raw materials (fabric, accessories, material on the way)	55 315	44 049	3 535	2 815
Write-down provision for inventories of material	(1 021)	(1 199)	(65)	(77)
Work in progress	8 360	11 681	534	747
Finished goods and purchased goods (warehouses, stores)	112 497	77 249	7 190	4 937
Write-down provision for inventories of finished goods	(852)	(1 131)	(54)	(72)
Prepayments to suppliers	388	496	25	32
Total	174 687	131 145	11 165	8 382

Of the balance of inventories set out in the balance sheet as of 30.09.2002, inventories worth EEK 9.8m (EUR 0.63m) are presented in their net realisable value, including EEK 8.8m (EUR 0.56m) of finished goods and EEK 1.0m (EUR 0.06m) of materials. As of 31.12.2001 inventories of finished goods worth EEK 9.4m (EUR 0.60m) were presented in their net realisable value.

Note 4

Tangible and intangible assets

Total investments of EEK 0.8m (EUR 0.05m) were made in plant and equipment in the 3rd quarter. The plant and equipment of the new Ahtme sewing shop of the Virulane subsidiary formed the bulk of the fixed assets of production registered in accounting documents during the nine months (EEK 44.7m; EUR 2.9m). For Ahtme, machines and equipment worth EEK 4.86m (EUR 0.31m) were leased under capital lease conditions. The capital lease periods of production equipment and furnishings are three and two years, respectively. Capital lease interest is the 6-month EURIBOR plus a margin of 3.25%.

In connection with the launch of the new trademark, investments of EEK 10.4m (EUR 0.7m) in the shops in Estonia, Latvia, Lithuania, Poland and the Ukraine were made in the 3rd quarter, including EEK 8.0m (EUR 0.5m) in the Monton shops. A total of EEK 16.6m (EUR 1.1m) has been invested in commerce over the nine months.

IT equipment and software were purchased during the nine months for EEK 1.44m (EUR 0.09m); as of the end of the accounting period, development-related works worth EEK 4.5m (EUR 0.29m) were in progress.

Changes in fixed assets in first nine months of 2002

Tangible assets (EEK '000)

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	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)
Residual value 31.12.2001	3 004	32 732	16 349	13 966	9 648	2 692	78 391
Acquired during the period	0	22 483	10 027	13 887	16 619	2 706	65 722
Sold during the period	0	0	(3 741)	(259)	0	0	(4 000)
Written off during the period	0	(167)	0	(945)	0	0	(1 112)
Commissioned	0	0	0	0	(18 153)	(5 398)	(23 551)
Depreciation 2002	0	(2 937)	(5 550)	(5 181)	0	0	(13 668)
Foreign exchange differences	0	0	0	2	0	0	2
Acquisition cost 30.09.02	3 004	66 779	73 762	37 192	8 114	0	188 851
Accumulated depreciation 30.09.02	0	(14 668)	(56 677)	(15 722)	0	0	(87 067)
Residual value 30.09.02	3 004	52 111	17 085	21 470	8 114	0	101 784

Tangible assets (EUR '000)

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	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)
Residual value 31.12.2001	192	2 092	1 045	893	617	172	5 010
Acquired during the period	0	1 437	641	888	1 062	173	4 200
Sold during the period	0	0	(239)	(17)	0	0	(256)
Written off during the period	0	(11)	0	(60)	0	0	(71)
Commissioned	0	0	0	0	(1 160)	(345)	(1 505)
Depreciation 2002	0	(188)	(355)	(331)	0	0	(874)
Foreign exchange differences	0	0	0	0	0	0	0
Acquisition cost 30.09.02	192	4 268	4 714	2 377	519	0	12 070
Accumulated depreciation 30.09.02	0	937	3 622	1 005	0	0	5 565
Residual value 30.09.02	192	3 330	1 092	1 372	519	0	6 505

Intangible assets (EEK '000)

	Intangible 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)
Residual value 31.12.2001	4 381	799	0	5 180
Purchased during the accounting year	352	0	0	352
Written off	(7)	0	0	(7)
Depreciation 2002	(919)	0	0	(919)
Depreciation of positive goodwill*	0	(348)	0	(348)
Depreciation of negative goodwill*	0	0	257	257
Acquisition cost 30.09.02	6 475	2 337	0	8 812
Accumulated depreciation 30.09.02	(2 668)	(1 886)	0	(4 554)
Residual value 30.09.02	3 807	451	0	4 258

Intangible assets (EUR '000)

	Intangible assets	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2001	395	149	0	544
Accumulated depreciation 31.12.2001	(115)	(98)	0	(213)
Residual value 31.12.2001	280	51	0	331
Purchased during the accounting year	22	0	0	22
Depreciation 2002	(59)	0	0	(59)
Depreciation of positive goodwill*	0	(22)	0	(22)
Depreciation of negative goodwill*	0	0	16	16
Acquisition cost 30.09.02	414	149	0	563
Accumulated depreciation 30.09.02	(171)	(121)	0	(291)
Residual value 30.09.02	243	29	0	272

* — presented in the Income Statement respectively as financial expenses and financial income.

Note 5

Debt obligations

Short-term debt

	EEK '000		EUR '000	
	30.09.2002	31.12.2001	30.09.2002	31.12.2001
Debt to Estonian Privatisation Agency	0	941	0	60
Current portion of long-term debt	3 899	1 874	249	120
Short-term loans from banks	33 763	6 639	2 158	424
Short-term leasing debt	339	74	22	5
Convertible bonds	384	192	25	12
Commercial papers	30 050	25 000	1 921	1 598
Total:	68 435	34 720	4 374	2 219

Long-term debt

	EEK '000		EUR '000	
	30.09.2002	31.12.2001	30.09.2002	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
Total	74 200	63 723	4 742	4 073

The lease of machines and equipment for the Ahtme sewing shop on lease-back conditions incurred a short-term leasing debt of EEK 319,000 (EUR 20,400) and a long-term leasing debt of EEK 2,904,000 (EUR 185,600) for the group as of 30.09.2002.

The interest expenditure of the group for the first nine months of 2002 amounted to EEK 6,454,000 (EUR 412,500), of which EEK 2,397,000 (EUR 153,200) was incurred in the third quarter. The interest expenditure for the first nine months of 2001 was EEK 3,771,000 (EUR 241,000).

Bank loans (EEK '000)

Creditor	Loan debt 30.09.02	Current portion up to 1 year	Long-term portion 1–5 yrs	Interest	Due date
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	14 286	2 025	12 261	6 months' Euribor +3.25%	31.12.2008
Hansapank (overdraft facility)	33 763	33 763	0	7.60%	30.10.2002
Total	108 849	37 662	71 187		

Bank loans (EUR '000)

Creditor	Loan debt 30.09.02	Current portion up to 1 year	Long-term portion 1–5 yrs	Interest	Due date
Nordea Bank	959	120	839	3 months' Euribor +2.5%	08.05.2006

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Hansapank	2 927	0	2 927	7.40%	31.12.2004
Hansapank	913	129	784	6 months' Euribor +3.25%	31.12.2008
Hansapank (overdraft facility)	2 158	2 158	0	7.60%	30.10.2002
Total	6 957	2 407	4 550		

AS Baltika has a group account in Hansabank with an overdraft facility of EEK 35m (EUR 2.2m) until 31.10.2002; the overdraft limit was further increased by EEK 10m (EUR 0.64m) in August. As of 30.09.2002, the overdraft facility had been used to the extent of EEK 33.8m (EUR 2.2m).

The loans and overdraft are secured by a commercial pledge of EEK 67,680,000 (EUR 4,326,000) and a mortgage on the registered immovable at Veerenni 24 in an 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 was 959 thousand EUR. The entire limit had been used by the end of the accounting period.

The loan is secured by mortgages on the registered immovables at Kalda 10A in Rakvere and at Õpetaja 5 in Ahtme plus the surety of AS Baltika.

Note 6

Debt instruments

Convertible bonds

According to the resolution of the general meeting of shareholders, held on 6 April 2001, 384,000 convertible bonds have been issued with a nominal value of EEK 1 (192,000 a year).

Each bond entitles the holder to subscribe for one share in Baltika with the nominal value of EEK 10.

The period of share subscription of the A bonds is 1 May 2002 – 1 May 2004. The redemption price of the shares is EEK 25 (EUR 1.60).

The last date for subscription of the B bonds was 15 April 2002.

As of 30.09.2002, a total of 384,000 bonds had been subscribed for, spread as follows:

	Quantity	Selling price (EEK)	Selling price (EUR)
Members of management board	241 000	241 000	15 403
Other management	143 000	143 000	9 139
	384 000	384 000	24 542

The share redemption price in the case of the B bonds is the weighted average price of the trading volume on the Tallinn Stock Exchange from 1 January to 31 March 2002. – EEK 34.09.

No interest accrues on the bonds until the maturity date.

Closed issue of debt instrument

Under the commercial papers programme, 3005 commercial papers have been issued. The nominal value, selling price and redemption term of the commercial papers are specified in the Table.

The debt obligation is not secured.

	Quantity	Nominal EEK	Nominal EUR	Total EEK	Total EEK	Selling price	Interest %	Redemption term
A bond	520	10 000	639	5 200 000	332 340	9 780.91	4.2	14.10.2002
B bond	2 485	10 000	639	24 850 000	1 588 200	9 788.73	4.2	14.10.2003
				30 050 000	1 920 540			

Note 7

Owners' equity

Share capital

To additionally finance the strategic growth plans of the group and increase the personal interest of the top executives of the company, the special general meeting of shareholders of AS Baltika in its resolution of 17 September decided to increase the share capital of the company by EEK 6,444,5000 by issuing 644,450 new shares with a nominal value of EEK 10 (EUR 0.64) at the issue price of EEK 36 (EUR 2.30) each. The amount of premium was EEK 26 (EUR 1.66) per share.

The entire issue was aimed at OÜ BMIG, a company connected with the management board members and chairman of the supervisory board of AS Baltika. The new owner had to pay for the new shares by monetary contribution in a sum of EEK 23,200,200 not later than by 1 October 2002; the deadline was complied with.

As a result of the additional issue, the new share capital of AS Baltika is EEK 54,444,500m (EUR 3,479,629m). The major shareholders are Baltic Republics Fund (35.68%) and OÜ BMIG (20.26%).

The additional share capital has not been registered with the commercial register as of 30.09.2002.

Under the articles of association, the minimum number of shares is 4,000,000 and the maximum number of shares is 16,000,000.

The shares of AS Baltika are listed in the I-list of the Tallinn Stock Exchange.

Retained earnings

As of 30.09.2002, the retained earnings were EEK 49,857,000 EEK (EUR 3,186,000).

Note 8

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 first nine months of 2002 by areas of operation

EEK '000

	Retail trade 9 months 2002	Production and wholesale 9 months 2002	Intersegmental transactions 9 months 2002	TOTAL 9 months 2002
Extra-group sales	172 260	189 121		361 381
Intersegmental sales	0	178 680	(178 680)	0
Total sales	172 260	367 801	(178 680)	361 381

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Operating profit of the segment	12 172	14 456		26 628
Indivisible expenses				(12 251)
Total operating profit				14 377
Other financial income				285
Other financial expenses				(7 110)
Income tax				(268)
Profit before minority shareholding				7 284
Minority shareholding				1 568
Net profit				5 716
Assets	132 982	250 726	(1 906)	381 802
Indivisible assets of the group				8 623
Total assets				390 425
Liabilities	138 261	56 204	(124 877)	69 588
Indivisible liabilities of the group				143 284
Total liabilities				212 872
Acquisition of fixed assets in the accounting period	18 375	28 374	0	46 749
Depreciation in the accounting period	5 697	8 890	0	14 587
Other major non-monetary expenses				6 126

Business segment report for the first nine months of 2002 by areas of operation

EUR '000

	Retail trade	Production and wholesale	Intersegmental transactions	TOTAL
	9 months 2002	9 months 2002	9 months 2002	9 months 2002
Extra-group sales	11 009	12 087	0	23 096
Intersegmental sales	0	11 420	(11 420)	0
Total sales	11 009	23 507	(11 420)	23 096
Operating profit of the segment	778	924	0	1 702
Indivisible expenses				(783)
Total operating profit				919
Other financial income				18
Other financial expenses				(454)
Income tax				(17)
Profit before minority shareholding				466

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Minority shareholding				100
Net profit				365
Assets	8 499	16 024	(122)	24 402
Indivisible assets of the group				551
Total assets				24 953
Liabilities	8 836	3 592	(7 981)	4 447
Indivisible liabilities of the group				9 157
Total liabilities				13 605
Acquisition of fixed assets in the accounting period	1 174	1 813	0	2 988
Depreciation in the accounting period	364	568	0	932
Other major non-monetary expenses				392

Business segment report for the first nine months of 2002 by areas of operation

EEK '000

	Retail trade 9 months 2001	Production and wholesale 9 months 2001	Intersegmental transactions 9 months 2001	TOTAL 9 months 2001
Extra-group sales	91 822	210 983		302 805
Intersegmental sales		114 347	(114 347)	0
Total sales	91 822	325 330	(114 347)	302 805
Operating profit of the segment	10 639	15 768		26 407
Indivisible expenses				(11 763)
Total operating profit				14 644
Other financial income				649
Other financial expenses				(4 588)
Income tax				(184)
Profit before minority shareholding				10 521
Minority shareholding				1 331
Net profit				9 190
Assets	81 928	197 860	(2 326)	277 462
Indivisible assets of the group				9 758
Total assets				287 220
Liabilities	63 934	46 744	(55 534)	55 144
Indivisible liabilities of the group				91 648

Total liabilities			146 792
Acquisition of fixed assets in the accounting period	8 139	8 696	16 835
Depreciation in the accounting period	3 500	6 987	10 487
Other major non-monetary expenses			4 218

Business segment report for the first nine months of 2002 by areas of operation

EUR '000

	Retail trade 9 months 2001	Production and wholesale 9 months 2001	Intersegmental transactions 9 months 2001	TOTAL 9 months 2001
Extra-group sales	5 868	13 484	0	19 353
Intersegmental sales	0	7 308	(7 308)	0
Total sales	5 868	20 792	(7 308)	19 353
Operating profit of the segment	680	1 008	0	1 688
Indivisible expenses				(752)
Total operating profit				936
Other financial income				41
Other financial expenses				(293)
Income tax				(12)
Profit before minority shareholding				672
Minority shareholding				85
Net profit				587
Assets	5 236	12 646	(149)	17 733
Indivisible assets of the group				624
Total assets				18 357
Liabilities	4 086	2 987	(3 549)	3 524
Indivisible liabilities of the group				5 857
Total liabilities				9 382
Acquisition of fixed assets in the accounting period	520	556	0	1 076
Depreciation in the accounting period	224	447	0	670
Other major non-monetary expenses				270

The retail segment presents the assets, liabilities, income and expenses related to the retail trade of the subsidiaries, which are engaged in retail trade. The segment also includes the assets, liabilities, income and expenses of the manufacturing enterprises AS Baltika factory shops.

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

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

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

The fixed assets used by the parent company in retail trade and the total fixed assets acquired by the subsidiaries engaged in retail trade are presented as the acquisition of fixed assets in retail trade.

Sales profit by geographical segment – secondary

	EEK '000		EUR '000	
	9 months 2002	9 months 2001	9 months 2002	9 months 2001
Estonia	94 334	81 930	6 029	5 236
Latvia	34 646	27 082	2 214	1 731
Lithuania	50 697	30 346	3 240	1 939
Russia	43 851	43 516	2 803	2 781
The Ukraine	40 932	18 412	2 616	1 177
Finland	47 579	51 460	3 041	3 289
Sweden	16 599	19 922	1 061	1 273
England	12 790	18 397	817	1 176
Poland	18 440	6 557	1 179	419
Norway	1 445	2 007	92	128
Austria	63	74	4	5
Turkey	5	0	0	0
USA	0	3 102	0	198
Total	361 381	302 805	23 096	19 353

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

Note 9

Earnings per share

Basic earnings per share

		30.09.02	30.09.01	31.12.01
Weighted average number of shares	pcs	4 835 803	4 800 000	4 800 000
Net profit	EEK '000	5 716	8 826	15 711
	EUR '000	365	564	1 004
Basic earnings per share	EEK	1.18	1.84	3.27
	EUR	0.08	0.12	0.21

The diluted earnings per share were EEK 1.17 (EUR 0.07) in the first nine months.

In calculating the diluted net profit, account was taken of the 384,000 convertible bonds issued within the framework of the top executives' share option programme, 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 EEK 25 in 2001 and EEK 34.09 in 2002. The average market price of a Baltika share was EEK 35.26 (EUR 2.25) in the accounting period.

The diluted earnings per share for the first nine months of 2001 were EEK 1.89 (EUR 0.12).

Note 10

Connected parties

The additional share issue of AS Baltika (see Note 6) was aimed at the investment company OÜ BMIG, owned by the members of management board and the chairman of the supervisory board. As a result of the transaction, OÜ BMIG acquired 20.26% of the shares of Baltika.

The issued shares entitle the holders to dividends as from the financial year when the share capital was increased.

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 3rd quarter, goods for EEK 1,193,000 (EUR 76,200) were purchased from OÜ Maisan, a company controlled by the members of the management board. Sewing services for EEK 12.8m (EUR 0.8m) were provided to Major Oak Clothing Co, a company related to the chairman of the supervisory board.

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