



AS BALTIKA

consolidated interim report for the third quarter of 2004

Commercial name	AS Baltika
Commercial Registry No	10144415
Legal address	Veerenni 24, Tallinn 10135, Estonia
Phone	+37 6302 731
Fax	+37 6302 814
E-mail	baltika@baltika.ee
Auditor	AS PricewaterhouseCoopers
Reporting period	01.01.2004-31.12.2004
Main fields of activity	Manufacturing of menswear and women's wear, retail and wholesale and sewing services

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Table of Contents

Letter of explanation to interim report.....	3
Balance sheet.....	5
Income statement.....	7
Cash flow statement.....	9
Statement of Changes in Shareholders' Equity	11
Short characteristics of AS Baltika group.....	13
Accounting principles and basis of the preparation of the consolidated interim report	13
NOTES TO CONSOLIDATED INTERIM REPORT.....	14
Note 1 Short-term shares and securities.....	14
Note 2 Accounts receivable.....	14
Note 3 Inventories of finished goods and materials.....	15
Note 4 Tangible and intangible assets.....	15
Note 5 Debt obligations.....	17
Note 6 Debt instruments.....	19
Note 7 Owners' equity.....	20
Note 8 Segments.....	20
Note 9 Earnings per share	24
Note 10 Related parties.....	24

The Management Board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 25 are correct and complete:

.....
Meelis Milder
Chairman of the Management Board

.....
Ülle Järv
Member of the Management Board

.....
James Hayhow
Member of the Management Board

.....
Maire Milder
Member of the Management Board

.....
Boriss Loifenfeld
Member of the Management Board

In Tallinn, on November 16th, 2004

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Letter of explanation to interim report

General results

The unaudited consolidated net sales of AS Baltika for the first nine months of 2004 were EEK 428.9m (EUR 27.41m) and the net profit was EEK 5.4m (EUR 0.34m). Compared to the first nine months of 2003, the net sales increased by 19.3% (net sales EEK 359.5m; EUR 22.98m, respectively). AS Baltika ended the first nine months of 2003 with a loss of EEK 40.1m (EUR 2.56m).

The unaudited consolidated net sales of AS Baltika for the third quarter of 2004 were EEK 159.5m (EUR 10.2m) and the net profit was EEK 3.64m (EUR 0.23m). Compared to the same period of 2003, the net sales increased by 16.4% (net sales EEK 137.14m; EUR 8.77m, respectively). The third quarter of 2003 was ended with a loss of EEK 7.68m (EUR 0,49m).

Sales

Retail sales

The sales result of the Baltika retail system (Estonian, Latvian, Lithuanian, Polish, Ukrainian, Russian and Swedish markets) for the nine months was EEK 297.25m (EUR 19.0m), which exceeds the result of the same period of the previous year by 34% (retail sales EEK 221.18m; EUR 14.14m, respectively). Retail sales formed 69% of total sales, compared to 62% in the same period of the previous year.

Retail sales were successful in the third quarter and at the beginning of the autumn season. Retail sales grew by 45.2% compared to the third quarter of the previous year, totalling EEK 108.95m (EUR 6.96m). The shorter and better managed discount periods in August and a strong beginning of the autumn season especially for ladies' collections (Monton ladies and CHR) increased the sales efficiency of the entire system (sales/m²) by 11.5% and like-for-like sales (sales/m² on comparable premises) by 2.9%.

Sales growth was the largest in the third quarter on the Ukrainian (growth 35.0%), Latvian (growth 52.0%) and Lithuanian (growth 56%) markets, where the sales totalled EEK 51,41m (EUR 3.29m).

On the domestic Estonian market, sales increased by 32.6% in the third quarter compared to the same period of the previous year, amounting to EEK 27,8m (EUR 1.78m).

Retail sales in Russia amounted to EEK 11.58m (EUR 0.74m) in the third quarter.

Monton was the most sold brand in the retail system in the first nine months of 2004; its sales totalled EEK 165,54m (EUR 10.58m) and increased by 1.2% since last year.

The volumes increased the most in the Baltman and CHR/Evermen retail chains, where the sales exceeded the sales of the same period of the previous year by EEK 59.1m (EUR 3.78m), totalling EEK 102.16m (EUR 6.53m).

Monton, CHR/Evermen and Baltman accounted for 53.6%, 23.6% and 11.7% of the sales of Baltika's own retail system.

Baltika Grupp had 10,920 m² of its own shop sales premises (76 shops) in Estonia, Latvia, Lithuania, the Ukraine, Poland, Russia, and Sweden at the end of September. Two shops were closed down in the third quarter, including Baltika's only own shop in Sweden due to the termination of the rental contract in September. Sweden is no longer a retail market of Baltika Grupp as from October.

Wholesale

The results of the first nine months' wholesale of Baltika's own production was on the same level with last year. The wholesale sales of own products, of which CHR/Evermen and Baltman, on the one hand, and Monton on the other hand accounted for 73,4% and 10%, respectively, totalled EEK 97.17m (EUR 6,21m).

Sales of subcontracted production

The sales volumes of subcontracted production continue to go down; the volumes of the nine months decreased by 16% compared to the previous year and totalled EEK 33,25m (EUR 2,13m); the sales during

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

the same period of the previous year amounted to EEK 39.36m (EUR 2.52m). The decrease in the sales of subcontracted production is caused by a reduction in vacant capacities because of a continuous growth of own production volumes and own retail system.

Financial results

The consolidated net profit of Baltika for the first nine months of 2004 was EEK 5.4m (EUR 0.34m). The net profit for the second quarter was EEK 3.64m (EUR 0.23m). The third quarter results were mainly influenced by the successful summer discount campaigns, where the margins were better than last year. The discount periods were also shorter owing to a better stock level of Baltika's own retail system at the end of the season.

Retail sales in September were above expectations, while Baltika succeeded to meet the growing demand with its flexible purchases system and quickly reacting production operations.

Owing to the new Russian retail chain, the rental and labour expenses for the first nine months increased, while comparable operating expenses in the rest of the system decreased in the third quarter by EEK 4.2m (EUR 0.27m) since the second quarter, resulting from a continued optimisation of operating expenses and cost saving. Redundancy payments and leaving compensations to employees amounted to EEK 0.3m (EUR 0,02m) in the third quarter and totalled EEK 1.3m (EUR 0.08m) for the first nine months of the year.

Balance sheet

The consolidated balance sheet total of Baltika was EEK 324.24m (EUR 20.72m) as of 30.09.2004; the decreased compared to the beginning of the year was EEK 5.14m (EUR 0.33m).

Accounts receivable have decreased in the system by EEK 7.0m (EUR 0.45m) since the beginning of the year and by EEK 26.16m (EUR 1.67m) since the end of September 2003.

The inventories of goods in the system totalled EEK 146.67m (EUR 9.37m), having decreased by EEK 3.76m (EUR 0.24m) compared to the beginning of the year and by EEK 10.5m (EUR 0.67m) compared to the end of September 2003. Inventory turnover has increased from 2.91 to 3.66 over the year owing to the improved inventory management system.

Compared to the beginning of the year, debts have decreased by EEK 9.0m (EUR 0.58m) and accounts payable have decreased by EEK 16.7m (EUR 1.1m).

As of 30.09.2004, Baltika Grupp employed 1696 people, including 1007 in production and 541 in retail sale; 401 people worked outside Estonia. In the third quarter 38 people left the company.

The main ratios of the group as of 30.09.2004 were:

	30.09.2004	30.09.2003
Sales growth % in the quarter	16,4	1,0
Sales growth since beginning of year, %	19,0	-4,6
Percentage of retail sales in net sales	69,0	62,0
Number of shops	76	68
Retail selling area (m ²)	10,920	9,953
Markets managed via own retail trade organizations	7	6
Operating income / net sales, %	2,7	-9,4
Net profit / net sales, %	1,3	-11,2
Net sales / 12 months' average inventories	3,66	2,91

Ülle Järv

The Member of the Management Board

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Balance sheet

EEK thousand	Note	30.09.2004	30.09.2003 proforma	30.09.2003	31.12.2003 proforma	31.12.2003
ASSETS						
Current assets						
Cash and bank		7 903	32 254	32 254	12 836	12 836
Held for trading investments	1	533	357	357	377	377
Customer receivables	2	38 707	64 863	64 863	45 727	45 727
Other receivables and prepaid expenses		14 193	20 302	20 302	13 822	13 822
Inventories	3	146 669	157 166	161 258	150 424	147 846
Total current assets		208 005	274 942	279 034	223 186	220 608
Non-current assets						
Other long-term assets		8 399	6 022	6 022	5 394	5 394
Tangible fixed assets	4	80 031	89 825	92 647	87 017	89 741
Intangible assets	4	27 801	13 783	13 844	13 779	13 851
Total non-current assets		116 231	109 630	112 513	106 190	108 986
TOTAL ASSETS		324 236	384 572	391 547	329 376	329 594
LIABILITIES AND OWNER'S EQUITY						
Current liabilities						
Debt obligations	5	59 677	94 537	94 537	69 336	69 336
Customer prepayments		127	150	150	260	260
Trade payables		37 197	53 933	53 933	53 939	53 939
Other tax liabilities		17 624	10 842	10 842	10 634	10 634
Accrued expenses		12 300	11 196	11 196	10 515	10 515
Total current liabilities		126 925	170 658	170 658	144 684	144 684
Non-current liabilities						
Long-term debt		70 144	72 397	72 397	69 482	69 482
Other long-term payables		49	138	141	45	32
Total non-current liabilities		70 193	72 535	72 538	69 527	69 514
TOTAL LIABILITIES		197 118	243 193	243 196	214 211	214 198
Minority interest		8 985	7 438	7 438	7 119	7 119
OWNER'S EQUITY						
Share capital (par value)	7	55 874	54 994	54 994	54 994	54 994
Share premium		43 810	42 490	42 490	42 490	42 490
Statutory legal reserv		22 885	22 885	22 885	22 885	22 885
Retained earnings		(16 508)	50 939	50 939	50 939	50 939
Net (loss) profit for the year		5 359	(40 122)	(30 395)	(67 447)	(63 031)
Foreign exchange differences		6 713	2 755	0	4 185	0
TOTAL LIABILITIES AND OWNER'S EQUITY		324 236	384 572	391 547	329 376	329 594

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Balance sheet

EUR thousand	Note	30.09.2004	30.09.2003 proforma	30.09.2003	31.12.2003 proforma	31.12.2003
ASSETS						
Current assets						
Cash and bank		505	2 061	2 061	820	820
Held for trading investments	1	34	23	23	24	24
Customer receivables	2	2 474	4 146	4 146	2 922	2 922
Other receivables and prepaid expenses		907	1 298	1 298	883	883
Inventories	3	9 374	10 045	10 306	9 614	9 449
Total current assets		13 294	17 572	17 834	14 264	14 099
Non-current assets						
Other long-term assets		537	385	385	345	345
Tangible fixed assets	4	5 115	5 741	5 921	5 561	5 735
Intangible assets	4	1 777	881	885	881	885
Total non-current assets		7 429	7 007	7 191	6 787	6 965
TOTAL ASSETS		20 722	24 579	25 024	21 051	21 065
LIABILITIES AND OWNER'S EQUITY						
Current liabilities						
Debt obligations	5	3 814	6 042	6 042	4 431	4 431
Customer prepayments		8	10	10	17	17
Trade payables		2 377	3 447	3 447	3 447	3 447
Other tax liabilities		1 126	693	693	680	680
Accrued expenses		786	716	716	672	672
Total current liabilities		8 112	10 907	10 907	9 247	9 247
Non-current liabilities						
Long-term debt		4 483	4 627	4 627	4 441	4 441
Other long-term payables		3	9	9	3	2
Total non-current liabilities		4 486	4 636	4 636	4 444	4 443
TOTAL LIABILITIES		12 598	15 543	15 543	13 691	13 690
Minority interest		574	475	475	455	455
OWNER'S EQUITY						
Share capital (par value)	7	3 571	3 515	3 515	3 515	3 515
Share premium		2 800	2 716	2 716	2 716	2 716
Statutory legal reserv		1 463	1 463	1 463	1 463	1 463
Retained earnings		(1 055)	3 256	3 256	0	3 256
Net (loss) profit for the year		343	(2 564)	(1 943)	(4 311)	(4 028)
Foreign exchange differences		429	176	0	267	0
TOTAL LIABILITIES AND OWNER'S EQUITY		20 722	24 579	25 024	21 051	21 065

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Income statement

EEK thousand	Note	III Q 2004	III Q 2003 proforma	III Q 2003	9 months 2004	9 months 2003 proforma	9 months 2003
Revenue							
Net sales	8	159 531	137 135	144 267	428 881	359 519	365 237
Other revenue		963	232	232	2 876	485	485
Total revenue		160 494	137 367	144 499	431 757	360 004	365 722
Expenses							
Materials, services		(49250)	(63 753)	(64 072)	(146793)	(147 494)	(149 465)
Change in inventories		(16 978)	(2 915)	(2 915)	(13 294)	(3 124)	(3 124)
Other operating expenses		(41 506)	(34 824)	(34 817)	(116 138)	(99 097)	(99 057)
Personnel expenses		(40 311)	(42 985)	(42 986)	(126 125)	(120 518)	(120 512)
Depreciation of fixed assets	4	(5 422)	(3 824)	(3 951)	(16 487)	(16 104)	(16 553)
Other expenses		(747)	5 744	(359)	(1 634)	(7 483)	(1 264)
Total expenses		(154 214)	(142 557)	(149 100)	(420 471)	(393 820)	(389 975)
Operating profit (loss)		6 280	(5 190)	(4 601)	11 286	(33 816)	(24 253)
Financial income		(86)	211	211	197	546	546
Financial expenses		(2 005)	(1 844)	(1 725)	(5 572)	(6 324)	(6 161)
Profit/loss before taxes		4 189	(6 823)	(6 115)	5 911	(39 594)	(29 868)
Income tax expense		(63)	0	0	(201)	(21)	(21)
Profit/loss before minority interest		4 126	(6 823)	(6 115)	5 710	(39 615)	(29 889)
Minority interest		491	860	859	351	507	506
Net profit (loss)		3 635	(7 683)	(6 974)	5 359	(40 122)	(30 395)
Basic earnings per share (EEK)	9	0,65	(1,40)	(1,27)	0,97	(7,32)	(5,55)
Diluted earnings per share (EEK)	9	0,61	(1,40)	(1,27)	0,97	(7,32)	(5,55)

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Income Statement

EUR thousand	Note	III Q 2004	III Q 2003 proforma	III Q 2003	9 months 2004	9 months 2003 proforma	9 months 2003
Revenue							
Net sales	8	10 196	8 765	9 220	27 410	22 977	23 343
Other revenue		62	15	15	184	31	31
Total revenue		10 257	8 779	9 235	27 594	23 008	23 374
Expenses							
Materials, services		(3148)	(4 075)	(4 095)	(9 382)	(9 427)	(9 553)
Change in inventories		(1 085)	(186)	(186)	(850)	(200)	(200)
Other operating expenses		(2 653)	(2 226)	(2 225)	(7 423)	(6 333)	(6 331)
Personnel expenses		(2 576)	(2 747)	(2 747)	(8 061)	(7 702)	(7 702)
Depreciation of fixed assets	4	(347)	(244)	(253)	(1 054)	(1 029)	(1 058)
Other expenses		(48)	367	(23)	(104)	(478)	(81)
Total expenses		(9 856)	(9 111)	(9 529)	(26 873)	(25 170)	(24 924)
Operating profit (loss)		401	(332)	(294)	721	(2 161)	(1 550)
Financial income		(5)	13	13	13	35	35
Financial expenses		(128)	(118)	(110)	(356)	(404)	(394)
Profit/loss before taxes		268	(436)	(391)	378	(2 531)	(1 909)
Income tax expense		(4)	0	0	(13)	(1)	(1)
Profit/loss before minority interest		264	(436)	(391)	365	(2 532)	(1 910)
Minority interest		31	55	55	22	32	32
Net profit (loss)		232	(491)	(446)	343	(2 564)	(1 943)
Basic earnings per share (EUR)	9	0,04	(0,09)	(0,08)	0,06	(0,47)	(0,35)
Diluted earnings per share (EUR)	9	0,04	(0,09)	(0,08)	0,06	(0,47)	(0,35)

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

**Cash flow statement
(indirect method)**

EEK thousand

Operating activities	Note	9 months 2004	9 months 2003 proforma
Operating profit (loss)		11 286	(33 816)
Adjustment for depreciation	4	16 487	16 104
Profit from the sale of fixed assets		(222)	(146)
Change in receivables		(8 393)	(17 958)
Change in inventories	3	3 755	17 020
Change in payables		(8 023)	26 504
Interests paid		(3 986)	(4 051)
Income tax paid		(18)	(7)
Impact of the adjustments in accounting methods		0	7 792
Cash flow from operating activities		10 886	11 442
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(7 378)	(9 699)
Sale of fixed assets		533	298
Acquired participation in subsidiary		(40)	0
Interests received		37	110
Dividends received		0	11
Sale of marketable securities		0	290
Loans granted		(652)	0
Repayments of loans granted		8	8
Cash flow from investing activities		(7 374)	(8 519)
Financing activities			
Repayment of loans	5	(9 971)	(6 973)
Loans received	5	926	8 997
Finance lease and installments payments		(1 082)	(1 220)
Dividends paid		0	(117)
Receipts from contributions into share capital		2 112	1 320
Proceeds from sale of commercial bonds		0	17 279
Proceeds from sale of convertible bonds		50	192
Payments of repurchased convertible bonds		(141)	(14)
Cash flow from financing activities		(8 106)	19 464
Changes in foreign currency exchange rate		(339)	(143)
Total cash flows		(4 933)	22 244
Opening cash and equivalents balance		12 836	10 010
Closing cash and equivalents balance		7 903	32 254

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

**Cash flow statement
(indirect method)**

EUR thousand

Operating activities	Note	9 months 2004	9 months 2003 proforma
Operating profit (loss)		721	(2 161)
Adjustment for depreciation	4	1 054	1 029
Profit from the sale of fixed assets		(14)	(9)
Change in receivables		(536)	(1 148)
Change in inventories	3	240	1 088
Change in payables		(513)	1 694
Interests paid		(255)	(259)
Income tax paid		(1)	(0)
Impact of the adjustments in accounting methods		0	498
Cash flow from operating activities		696	731
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(472)	(620)
Sale of fixed assets		8	30
Acquired participation in subsidiary		34	19
Interests received		(3)	0
Dividends received		2	7
Dividends received		0	1
Sale of marketable securities		0	19
Loans granted		(42)	0
Repayments of loans granted		1	1
Cash flow from investing activities		(471)	(544)
Financing activities			
Repayment of loans	5	(637)	(446)
Loans received	5	59	575
Finance lease and installments payments		(69)	(78)
Paid dividends		0	(7)
Receipts from contributions into share capital		135	84
Proceeds from sale of commercial bonds		0	1 104
Proceeds from sale of convertible bonds		3	12
Payments of repurchased convertible bonds		(9)	(1)
Cash flow from financing activities		(518)	1 244
Changes in foreign currency exchange rate		(22)	(9)
Total cash flows		(315)	1 422
Opening cash and equivalents balance		820	640
Closing cash and equivalents balance		505	2 061

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Statement of Changes in Shareholders' Equity (EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Profit/loss for the accounting period	Foreign exchange rate changes of consolidation	Total
Balance per 31.12.2002	54 444	41 665	22 885	44 141	6 798	0	169 933
Appropriation of 2002 profit	0	0	0	6 798	(6 798)	0	0
Contribution to share capital	550	825	0	0	0	0	1 375
Net profit (loss) for the accounting period	0	0	0	0	(40 122)	2 755	(37 367)
Balance per 30.09.2003	54 994	42 490	22 885	50 939	(40 122)	2 755	133 941
Balance per 31.12.2003	54 994	42 490	22 885	50 939	(67 447)	4 185	108 046
Appropriation of 2003 loss	0	0	0	(67 447)	67 447	0	0
Contribution to share capital	880	1 320	0	0	0	0	2 200
Net profit for the accounting period	0	0	0	0	5 359	0	5 359
Foreign exchange rate changes of consolidation	0	0	0	0	0	2 528	2 528
Balance per 30.09.2004	55 874	43 810	22 885	(16 508)	5 359	6 713	118 133

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Statement of Changes in Shareholders' Equity (EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Profit/loss for the accounting period	Foreign exchange changes of consolidation	Total
Balance per 31.12.2002	3 480	2 663	1 463	2 821	434	0	10 861
Appropriation of 2002 profit	0	0	0	434	(434)	0	0
Contribution to share capital	35	53	0	0	0	0	88
Net profit for the accounting period	0	0	0	0	(2 564)	176	(2 388)
Balance per 30.09.2003	3 515	2 716	1 463	3 256	(2 564)	176	8 560
Balance per 31.12.2003	3 515	2 716	1 463	3 256	(4 311)	267	6 905
Appropriation of 2003 loss	0	0	0	(4 311)	4 311	0	0
Contribution to share capital	56	84	0	0	0	0	141
Net profit for the accounting period	0	0	0	0	343	0	343
Changes in foreign currency exchange rate	0	0	0	0	0	162	162
Balance per 30.09.2004	3 571	2 800	1 463	(1 055)	343	429	7 550

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Short characteristics of AS Baltika group

Baltika Group is an international clothing trade company with AS Baltika as a parent company. The group operates Monton, Baltman, CHR/Evermen and Baltika Factory shop retail chains in 76 shops at 7 countries – Estonia, Latvia, Lithuania, Poland, the Ukraine, Russia and Sweden. BG's brands are marketed via its own retail chains and wholesalers, the main brands being Baltman, Evermen and Herold (overcoats) for men, and CHR and Mascara (overcoats) for women. Monton, the brand for both men and women, is marketed solely through BG's retail chain Monton.

Factory outlets are used to sell the previous periods' stocks of different brands of clothing.

As of 30.09.2004, the group had 1,696 employees.

The seat of the parent company is (and is registered) in Estonia at Veerenni 24 in Tallinn. AS Baltika is listed in Tallinn Stock Exchange.

In May 2004 AS Baltika acquired 50,1% participation in OOO Kompania "Baltman Rus" which operates Baltika Group's brands in Russian market. Company manages 8 shops, from which 4 are situated in Moscow and 4 in St.Peterburg.

In August was registered AS Baltika's new subsidiary OÜ Baltika Tailor into which AS Baltika's manufacturing department was transferred in November. The main reason to create a new legally independent company was to increase manufacturing efficiency. In the third quarter there was no economic activity.

As at 30.09.2004 the Group comprises the following companies:

	Country of location	Participation 30.09.2004	Participation 31.12.2003
AS Baltika (parent)	Estonia		
OÜ Baltman	Estonia	100 %	100 %
Baltika Lietuva	Lithuania	100 %	100 %
Baltika Latvija	Latvia	75%	75 %
Baltika Sweden	Sweden	100 %	100 %
Baltika Ukraina	Ukraine	99 %	99 %
Baltika Poland	Poland	100 %	100 %
OY Baltinia AB	Finland	100 %	100 %
AS Elina STC	Estonia	50,10%	50,10 %
AS Virulane	Estonia	79,23%	79,23 %
Kompania "Baltman Rus"	Russia	50,10%	-
OÜ Baltika Tailor	Estonia	100%	-

Accounting principles and basis of the preparation of the consolidated interim report

This consolidated interim report has been prepared on the assumption of the international accounting standard IAS 34 "Interim Financial Reporting" regarding condensed interim financial statements and in compliance with International Financial Reporting Standards.

In December 2003, the International Accounting Standards Board adopted amendments to 14 IFRS standards, effective from 1 January 2005, but earlier implementation was recommended. As the assets of foreign subsidiaries have a large share in the Baltika group and exchange rate changes have made a material impact on the group's results, the IAS 21 (The Effects of Changes in Foreign Exchange Rates) amendments were implemented from 1 January 2004. The content of the amendment is that the exchange rates of the balance sheet date (for the balance sheet) and the period's average rates (for the income statement) are used when recalculating the reports of foreign subsidiaries into Estonian kroons, and exchange rate differences are shown on a separate line in the equity capital. According to earlier methodology, monetary assets and liabilities were accounted for according to the exchange rate of the

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

balance sheet date, other assets and liabilities were based on the acquisition date rate, and the differences were indicated in the income statement. The changes in the balance sheet mainly concern the value of fixed assets and goods; the inclusion of foreign exchange differences in operating expenses instead of the cost of goods is the greatest change in the income statement. The reports for 2003 have also been re-done according to the new methodology. The impact of the adjusted results of the first nine months of 2003 on the group's results was an additional net loss of EEK 9,7m (EUR 0,62), whereas operating expenses increased by EEK 3,8m (EUR 0,24) due to foreign exchange impacts and net sales decreased by EEK 5,7m (EUR 0,36).

According to the assessment of the management board, the 3rd quarter 2004 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 = 15.6466 EEK.

NOTES TO CONSOLIDATED INTERIM REPORT

Note 1 Short-term shares and securities

'000 EEK

	30.09.2004		31.12.2003	
	Quantity	Fair value	Quantity	Fair value
Shares of AS Tallinna Kaubamaja	5 160	533	5 160	377

'000 EUR

	30.09.2004		31.12.2003	
	Quantity	Fair value	Quantity	Fair value
Shares of AS Tallinna Kaubamaja	5 160	34	5 160	24

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

Note 2 Accounts receivable

	'000 EEK		'000 EUR	
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Accounts receivable	38 885	46 922	2 485	2 999
Doubtful accounts	(178)	(1 195)	(11)	(76)
Total	38 707	45 727	2 474	2 922

Accounts receivable are carried at nominal value minus discounts.

In evaluating trade receivables, each receivable has been treated separately. During 9 months doubtful accounts were expensed in amount of 34 thousand EEK (2,2 thousand EUR). Doubtful accounts expensed in previous periods have been recovered in amount of 12 thousand EEK (0,8 thousand EUR).

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Accounts known to be uncollectible are written off the balance sheet. During the accounting quarter there was uncollectible receivables in amount of 1 043 thousand EEK (67 thousand EUR).

The expense of doubtful and uncollectible accounts is recorded in the income statement under operating expenses; receivables that were expensed in previous periods but recovered are recorded under other operating income.

Note 3 Inventories of finished goods and materials

	'000 EEK		'000 EUR	
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Raw materials (fabric, accessories, material on the way)	33 868	49 571	2 165	3 168
Write-down provision for inventories of material	(991)	(1 335)	(63)	(85)
Work in progress	11 179	12 837	714	820
Finished goods and purchased goods (warehouses, stores)	112 645	105 366	7 199	6 734
Write-down provision for inventories of finished goods	(11 505)	(17 032)	(735)	(1 089)
Prepayments to suppliers	1 473	1 017	94	65
Total	146 669	150 424	9 374	9 614

Note 4 Tangible and intangible assets

The group's investments in tangible assets during 9 months of 2004 amounted to 6 978 thousand EEK (446 thousand EUR), including 787 thousand EEK (50 thousand EUR) in production equipment, 5 450 thousand EEK (348 thousand EUR) in retail trade, and 309 thousand EEK (20 thousand EUR) in information technology. Tangible assets in the acquisition cost of 118 thousand EEK (7,5 thousand EUR) were acquired on financial lease conditions.

Due to acquired participation in OOO Kompania "Baltman Rus" groups assets in whole have increased mainly by shops inventory in amount of 991 thousand EEK (63 thousand EUR).

During 9 months of 2004 the group sold fixed assets, mainly shops inventory, with an acquisition value of 2 225 thousand EEK (142 thousand EUR), with residual value 484 thousand EEK (31 thousand EUR).

The group wrote off fixed assets, mainly outdated production and IT equipment, shops inventory and other tangible assets, with an acquisition value of 1 333 thousand EEK (85 thousand EUR) and with a residual value of 220 thousand EEK (14 thousand EUR).

Tangible Fixed Assets movements in the Group in 9 months 2004

'000 EEK	Land	Buildings, facilities	Plant and equipment	Other fixtures	Pre-payments	Total
Acquisition cost 31.12.2003	3 004	72 107	70 444	41 954	224	187 733
Accumulated depreciation 31.12.2003	0	(22 164)	(57 680)	(20 872)	0	(100 716)
Residual value 31.12.2003	3 004	49 943	12 764	21 082	224	87 017
Acquired during the period	0	2 297	879	3 561	241	6 978
Acquired participation in subsidiary	0	0	301	690	0	991
Sold during the period	0	0	(5)	(479)	0	(484)
Written off during the period	0	(36)	(3)	(181)	0	(220)
Reclassification	0	0	0	0	(224)	(224)

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Depreciation 2004	0	(3 777)	(4 713)	(6 211)	0	(14 701)
Foreign exchange differences	0	373	107	193	0	673
Acquisition cost 30.09.2004	3 004	75 113	70 988	44 250	241	193 596
Accumulated depreciation 30.09.2004	0	26 312	61 658	25 595	0	113 565
Residual value 30.09.04	3 004	48 801	9 330	18 655	241	80 031

'000 EUR

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Pre-payments	Total
Acquisition cost 31.12.2003	192	4 608	4 502	2 681	14	11 998
Accumulated depreciation 31.12.2003	0	(1 417)	(3 686)	(1 334)	0	(6 437)
Residual value 31.12.2003	192	3 192	816	1 347	14	5 561
Acquired during the period	0	147	56	228	15	446
Acquired participation in subsidiary	0	0	19	44	0	63
Sold during the period	0	0	0	(31)	0	(31)
Written off during the period	0	(2)	0	(12)	0	(14)
Reclassification	0	0	0	0	(14)	(14)
Depreciation 2004	0	(241)	(301)	(397)	0	(940)
Foreign exchange differences	0	24	7	12	0	43
Acquisition cost 30.09.2004	192	4 801	4 537	2 828	15	12 373
Accumulated depreciation 30.09.2004	0	1 682	3 941	1 636	0	7 258
Residual value 30.09.04	192	3 119	596	1 192	15	5 115

See note 5 concerning pledged assets.

Intangible Assets movements in the Group in 9 months 2004

The investments made in new software during 9 months amounted to 624 thousand EEK (40 thousand EUR).

Intangible assets with an acquisition cost of 899 thousand EEK (57 thousand EUR) and with a residual value of 4 thousand EEK (0,3 thousand EUR) were written off.

'000 EEK

	Licences and software	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2003	17 999	1 742	(919)	18 822
Accumulated depreciation 31.12.2003	(4 576)	(1 386)	919	(5 043)
Residual value 31.12.2003	13 423	356	0	13 779
Acquired during the period	624	0	0	624
Acquired participation in subsidiary	0	15 318	0	15 318
Written off during the period	(4)	0	0	(4)
Depreciation 2004	(1 788)	(143)	0	(1 931)
Foreign exchange differences	15	0	0	15

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Acquisition cost 30.09.2004	17 749	17 060	(919)	33 890
Accumulated depreciation 30.09.2004	(5 479)	(1 529)	919	(6 089)
Residual value 30.09.2004	12 270	15 531	0	27 801

'000 EUR

	Licences and software	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2003	1 150	111	(59)	1 203
Accumulated depreciation 31.12.2003	(292)	(89)	59	(322)
Residual value 31.12.2003	858	23	0	881
Acquired during the period	40	0	0	40
Acquired participation in subsidiary	0	979	0	979
Written off during the period	0	0	0	0
Depreciation 2004	(114)	(9)	0	(123)
Foreign exchange differences	1	0	0	1
Acquisition cost 30.09.2004	1 134	1 090	(59)	2 166
Accumulated depreciation 30.09.2004	350	(98)	59	389
Residual value 30.09.2004	784	993	0	1 777

Note 5 Debt obligations

Short-term debt	'000 EEK		'000 EUR	
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Current portion of long-term debt	4 861	15 455	311	988
Short-term bank loans	35 564	34 638	2 273	2 214
Short-term lease liabilities	295	1 298	19	83
Convertible bonds	416	507	27	32
Bonds	18 541	17 438	1 185	1 114
Total	59 677	69 336	3 814	4 431

Long-term debt	'000 EEK		'000 EUR	
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Long-term bank loans	69 540	68 917	4 444	4 405
Long-term lease liabilities	604	565	39	36
Total	70 144	69 482	4 483	4 441

Bank loans ('000 EEK)

Creditor	Loan debt	Current	Long-term	Interest
	30.09.04	portion up to 1 year	portion 1-5 years	
Nordea Bank	7 647	450	7 197	3 kuu Euribor+2,5%
Nordea Bank	7 293	1 042	6 251	6 kuu

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Hansabank	49 461	1 941	47 520	Euribor+2,5% 6 kuu EURIBOR + 2,25%
Hansabank	11 000	11 000	0	4,5%
Hansabank	10 000	1 428	8 572	6 kuu EURIBOR + 2,35%
Hansabank (overdraft facility)	24 564	24 564	0	4,5%
Total	109 965	40 423	69 540	

Bank loans ('000 EUR)

Creditor	Loan debt 30.09.2004	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	489	29	460	3 kuu Euribor+2,5%
Nordea Bank	466	67	400	6 kuu Euribor+2,5%
Hansabank	3 161	124	3 037	6 kuu EURIBOR + 2,25%
Hansabank	703	703	0	4,5%
Hansabank	639	91	548	6 kuu EURIBOR + 2,35%
Hansabank (overdraft facility)	1 570	1 570	0	4,5%
Total	7 028	2 584	4 444	

During 9 months in 2004 AS Baltika repaid loan to Nordea Bank 3 433 thousand EEK (219 thousand EUR), from which 1 492 thousand EEK (95 thousand EUR) was paid in reporting quarter. Due to change in loan contract between Nordea Bank and AS Baltika short-term loan in amount of 623 thousand EEK (40 thousand EUR) became long-term loan. During nine months AS Baltika made loan repayments to Hansabank 5 823 thousand EEK (372 thousand EUR), from which 1 941 thousand EEK (124 thousand EUR) was paid in reporting quarter.

The loans and overdraft of AS Baltika are secured by a commercial pledge of 69 680 thousand EEK (4 453 thousand EUR) and a mortgage on the registered immovable at Veerenni 24 in an amount of 40 million EEK (2,6 million EUR).

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

AS Baltika has opened a group account with Hansabank with an overdraft limit of 25 million EEK (1,6 million EUR). As of 30.09.2004, the overdraft facility had been used to the extent of 24,6 million EEK (1,6 million EUR).

The group's interest expenses during nine months of 2004 amounted to 5 087 thousand EEK (325 thousand EUR); the respective amount for the same period of 2003 was 5 869 thousand EEK (375 thousand EUR).

Interest expenses are recorded under financial expenses.

Note 6 Debt instruments

Convertible bonds

The general meeting of shareholders of 6 April 2001 decided to issue 576,000 convertible bonds over 2001–2003 (192,000 bonds a year) with a nominal value of EEK 1,00.

The bonds are convertible into ordinary shares as follows:

A-bond into one ordinary share for additional cash payment of 24 EEK;

B-bond into one ordinary share for additional cash payment 33,32 EEK;

C-bond into one ordinary share for additional cash payment 36,57 EEK.

If the bonds are neither converted into ordinary shares nor redeemed during the conversion period, they are exchanged into a loan, which will bear market interest rate. Until that date no interest is paid on the bonds.

According to A-bond owners request to exchange bonds into shares, AS Baltika management board decided on April 30th 2004 to increase share capital in amount of 880 000 EEK issuing 88 000 shares with a nominal value of 10 EEK. Share capital was increased by converting 88 000 A-bonds to shares after receiving bonds value and shares nominal value difference (24 EEK) in cash.

Increase of share capital was registered in Commercial Register on July 15th 2004.

	Issue date	Issue price (value) (in '000 EEK)	Bond conversion period	Converted into shares (in '000 EEK)	Convertible bonds 30.09.2004 (in '000 EEK)	Redeemed 30.09.2004 (in '000 EEK)
A-bond	01.05.2001	192	01.05.2002- 01.05.2004	143	49	0
B-bond	01.05.2002	192	01.05.2003- 01.05.2005	0	192	(17)
C-bond	01.05.2003	192	01.05.2004- 01.05.2006	0	192	0)
Total		576		143	433	(17)

According to the bond conditions, an employee leaving the company within a year must sell the bonds back to the company. 52 500 B- and C-bonds have been redeemed, from which 49 500 bonds have been reissued to employees during nine months of 2004.

Closed issue of bonds

	Quantity	Nominal EEK	Issue price	Balance 30.09.2004	Coupon rate %	Maturity
Bonds	1 750	10 000	9 873,69	18 541	7,0	17.03.2006

	Quantity	Nominal EEK	Issue price	Balance 30.09.2004	Coupon rate %	Maturity
Bonds	1 750	639	631,04	1 185	7,0	17.03.2006

On September 26th 2003, AS Baltika issued bonds in the amount of 17,5 million EEK (1,1million EUR). Maturity date of the bonds is 17 March 2006. Coupon rate is 7,0% and coupon payment dates March 17, 2005 and March 17, 2006. Effective interest rate is about 7,8%. The bonds are unsecured.

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Note 7 Owner's equity

Share capital

	30.09.2004	31.12.2003
Share capital ('000 EEK)	55 874	54 994
Number of shares (pc)	5 587 450	5 499 450
Nominal value of shares (EEK)	10.00	10.00
	30.09.2004	31.12.2003
Share capital ('000 EUR)	3 571	3 515
Number of shares (pc)	5 587 450	5 499 450
Nominal value of shares (EUR)	0.64	0.64

Under the articles of association, the minimum number of shares is 4 000 000 and the maximum number of shares is 16 000 000. All the issued shares have been paid for.

According to A-bond owners request to exchange bonds into shares, AS Baltika management board decided on 30 April 2004 to increase share capital in amount of 880 000 EEK (56 242 EUR) issuing 88 000 shares with a nominal value of 10 EEK (0,64 EUR).

Increased share capital is in total amount of 55 874 500 EEK (3 571 031 EUR). Share premium for the last emission is 15 EEK (0,96 EUR) per share. Increase of share capital was registered in Commercial Register on July 15th 2004.

Emitted shares give right to claim dividends beginning at 2004.

Note 8 Segments

Business Segment Report by areas of operation for 9 months 2004 - Primary

'000 EEK

	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	295 100	133 781	0	428 881
Intersegmental sales	0	237 100	(237 100)	0
Total sales	295 100	370 881	(237 100)	428 881
Operating profit of the segment	9 844	24 242	0	34 086
Unallocated expenses				(22 800)
Total operating profit				11 286
Other financial income (expenses)				(5 375)
Income tax				(201)
Profit before minority shareholding				5 710
Minority interest				351
Net profit				5 359
Assets	120 039	193 643	(2 604)	311 078
Unallocated assets of the group				13 158
Total assets				324 236
Liabilities	141 667	54 089	(128 737)	67 019

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Unallocated liabilities of the group			130 099
Total liabilities			197 118
Acquisition of fixed assets in the accounting period	6 904	1 448	8 352
Depreciation and amortization in the accounting period	6 796	9 691	16 487
Other major non-monetary expenses	(5 527)	(1 363)	(6 888)

Business Segment Report by areas of operation for 9 months 2004 - Primary

'000 EUR

	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	18 860	8 550		27 410
Intersegmental sales	0	15 153	(15 153)	0
Total sales	18 860	23 704	(15 153)	27 410
Operating profit of the segment	629	1 549	0	2 178
Unallocated expenses				(1 457)
Total operating profit				721
Other financial income (expenses)				(344)
Income tax				(13)
Profit before minority shareholding				365
Minority interest				22
Net profit				343
Assets	7 672	12 376	(166)	19 882
Unallocated assets of the group				841
Total assets				20 722
Liabilities	9 054	3 457	(8 228)	4 283
Unallocated liabilities of the group				8 315
Total liabilities				12 598
Acquisition of fixed assets in the accounting period	441	93		534
Depreciation and amortization in the accounting period	434	619		1 054
Other major non-monetary expenses	(353)	(87)		(440)

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Business Segment Report by areas of operation for 9 months 2003 - Primary

'000 EEK	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	221 337	138 182		359 519
Intersegmental sales	0	180 136	(180 136)	0
Total sales	221 337	318 318	(180 136)	359 519
Operating profit of the segment	(32 597)	19 355	0	(13 242)
Unallocated expenses				(20 574)
Total operating profit				(33 816)
Other financial income (expenses)				(5 778)
Income tax				(21)
Profit before minority shareholding				(39 615)
Minority interest				507
Net profit				(40 122)
Assets	136 026	247 453	(10 056)	373 423
Unallocated assets of the group				11 149
Total assets				384 572
Liabilities	112 041	68 109	(104 293)	75 857
Unallocated liabilities of the group				167 336
Total liabilities				243 193
Acquisition of fixed assets in the accounting period	3 539	12 428		15 967
Depreciation and amortization in the accounting period	8 440	7 664		16 104
Other major non-monetary expenses		(1 427)		(1 427)

Business Segment Report by areas of operation for 9 months 2003 - Primary

'000 EUR	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	14 146	8 831		22 977
Intersegmental sales	0	11 513	(11 513)	0
Total sales	14 146	20 344	(11 513)	22 977
Operating profit of the segment	(2 083)	1 237	0	(846)
Unallocated expenses				(1 315)
Total operating profit				(2 161)
Other financial income (expenses)				(369)

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

Income tax				(1)
Profit before minority shareholding				(2 532)
Minority interest				32
Net profit				(2 564)
Assets	8 694	15 815	(643)	23 866
Unallocated assets of the group				713
Total assets				24 579
Liabilities	7 161	4 353	(6 666)	4 848
Unallocated liabilities of the group				10 695
Total liabilities				15 543
Acquisition of fixed assets in the accounting period	226	794	0	1 020
Depreciation and amortization in the accounting period	539	490	0	1 029
Other major non-monetary expenses	0	(91)	0	(91)

The retail segment includes subsidiaries related to retail trade and factory shops belonging to production companies AS Baltika and AS Virulane. The production and wholesale segment includes production, wholesale, subcontracting and other associated operations.

Assets and liabilities of segments do not include financial assets and liabilities, and the revenues and expenses of the segment do not include the revenues and expenses associated with these assets and liabilities.

In the segment report, administrative building is considered as an unallocated asset of the group; long-term loans and interest liabilities are considered as unallocated liabilities of the group; administrative costs of the centre are considered as unallocated costs of the group.

Allowances for inventories and doubtful receivables are recorded under non-monetary expenses.

Sales and assets by Geographical segment (location of clients) – secondary segment

'000 EEK	Sales		Fixed assets		Capital expenditure	
	9 months 2004	9 months 2003	30.09.04	31.12.03	9 months 2004	9 months 2003
Estonia	106 347	94 525	83 618	75 096	2 980	12 439
Latvia	46 675	39 623	3 282	3 586	802	970
Lithuania	76 712	56 417	7 965	8 339	2 074	1 348
Russia	59 661	29 020	742	0	0	0
The Ukraine	51 638	40 690	4 350	4 218	1 421	607
Finland	28 425	33 074	301	371	0	463
Sweden	14 842	17 930	0	100	0	0
England	12 873	12 630	0	0	0	0
Poland	28 883	34 595	7 574	9 086	84	140
Norway	2 421	1 015	0	0	0	0
Other markets	404	0	0	0	0	0
Total	428 881	359 519	107 832	100 796	7 361	15 967

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

<u>'000 EUR</u>	Sales		Fixed assets		Capital expenditure	
	9 months 2004	9 months 2003	30.09.04	31.12.03	9 months 2004	9 months 2003
Estonia	6 797	6 041	5 344	4 800	190	795
Latvia	2 983	2 532	210	229	51	62
Lithuania	4 903	3 606	509	533	133	86
Russia	3 813	1 855	47	0	0	0
The Ukraine	3 300	2 601	278	270	91	39
Finland	1 817	2 114	19	24	0	30
Sweden	949	1 146	0	6	0	0
England	823	807	0	0	0	0
Poland	1 846	2 211	484	581	5	9
Norway	155	65	0	0	0	0
Other markets	26	0	0	0	0	0
Total	27 410	22 977	6 892	6 442	470	1 020

Fixed assets include either tangible or intangible fixed assets.

Note 9 Earnings per share

Basic earnings per share

		<u>9 months 2004</u>	<u>9 months 2003</u>
Weighted average number of shares	pc	5 523 894	5 478 839
Net profit/loss	'000 EEK	5 359	(40 122)
	'000 EUR	343	(2 564)
Basic earnings per share	EEK	0,97	(7,32)
	EUR	0,06	(0,47)

Diluted earnings per share

		<u>9 months 2004</u>	<u>9 months 2003</u>
Weighted average number of shares	pc	5 523 894	5 478 839
Net profit (loss)	'000 EEK	5 359	(40 122)
	'000 EUR	343	(2 564)
Diluted earnings per share	EEK	0,97	(7,32)
	EUR	0,06	(0,47)

The average market price of the Baltika share in nine months of 2004 was 24,26 EEK (1,55 EUR).

433 000 convertible bonds issued in 2001-2003 within the framework of the executives' share option program do not affect the calculations of the diluted earnings per share due to the higher average price they had in exchanging them into shares of AS Baltika.

The average market price of the Baltika share in nine months of 2003 was 32,37 EEK (2,09 EUR).

Note 10 Related parties

For the purpose of this financial statement related parties include shareholders, management or supervisory board members, top management, above mentioned groups family members, enterprises which are under control of management or supervisory board members, subsidiaries.

OÜ BMIG which is controlled by the members of the management and supervisory board held 30.09.2004 19,64% of the shares of AS Baltika.

AS Baltika consolidated interim report for the third quarter of 2004. In '000 EEK and in '000 EUR.

During nine months of 2004, goods in the amount of 2 417 thousand EEK (154 thousand EUR) were purchased from OÜ Maisan, a company that is controlled by a member of the management board. The services were rendered in amount of 54 thousand EEK (3 thousand EUR).

In the same period of 2003 from OÜ Maisan goods were purchased in the amount of 2 809 thousand EEK (180 thousand EUR) and services were rendered in amount of 62 thousand EEK (4 thousand EUR).

In nine months of 2004, sewing services and goods in the amount of 12 570 thousand EEK (803 thousand EUR) were sold to and services in amount of 593 thousand EEK (38 thousand EUR) were purchased from The Major Oak Clothing Co, a company that is controlled by a member of the supervisory board.

In the same period of 2003 services were rendered in amount of 12 689 thousand EEK (811 thousand EUR) and purchased for 509 thousand EEK (33 thousand EUR).

The director of the subsidiary Baltika Lietuva has been granted a loan in the amount of 136 thousand EEK (30 thousand LTL), due date is May 1, 2006. As long as the current employment contract is effective, no interest is to be calculated on the loan.

AS Virulane, AS Elina STC and OÜ Baltman are part of the group account agreement of AS Baltika. The group account has an overdraft facility of 25 million EEK. As of 30.09.2004, only the parent company was using the overdraft. The users of the group account are jointly responsible for fulfilling the terms of the group account agreement.

Liabilities and Receivables of Parent Company to/from Subsidiaries:

	EEK thousand		EUR thousand	
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Liabilities	11 030	9 387	705	600
Receivables	92 161	65 401	5 890	4 180