

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

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The Management Board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 19 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 26 April 2002.

AS Baltika consolidated interim report for the 1st quarter of 2002. In thousands of Estonian kroons, in thousands of euros.

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

The unaudited consolidated net sales of Baltika in the first quarter of 2002 were mEEK 124.3 (mEURO 7.94) and the net profit was mEEK 7.8 (mEURO 0.5). Compared to the same period of 2001, the net sales increased by 13.7% (mEEK 15.0; mEURO 0.96) and the net profit by 17.5% (mEEK 1.2; mEURO 0.08). The net sales within the first three months of 2001 were mEEK 109.3 and the net profit was mEEK 6.64.

The share of retail sales of own shops in the total net sales of Baltika Group increased to 40%, totalling mEEK 49.8 (mEURO 3.18). The wholesales comprised mEEK 61.2 (mEURO 3.91) and the sales of subcontracted products were mEEK 12.1 (mEURO 0.77). Compared to the same period of the previous year, the sales of our own products increased by 31% up to mEEK 111.13 (mEURO 7.1), while the sales of subcontracted products downsized by almost 50%. The changes are related to the activities arising from the strategy of the company — the transformation of Baltika Group from a production company into a trade organisation. As of the end of March, Baltika Group had operable retail space in seven countries with a total area of 6431 m<sup>2</sup>, of which the sales spaces of own shops accounted for 4205 m<sup>2</sup> (33 stores). In March a shop in Viru Street was closed and the right of pre-emption in respect of the immovable was sold. The sales transaction yielded income in the amount of mEEK 4.9 (mEURO 0.3).

On 1 April a new sewing factory was launched in Ahtme, investments in which totalled mEEK 22 (mEURO 1.41). The factory has 2500 m<sup>2</sup> of production area and it employs 250 people. Based on the needs of retail policy of Baltika Group, the factory was built with the purpose of increasing the output of own products and improving the quality of products.

The main ratios of AS Baltika Group as of 31 March 2002 were as follows:

	31.03.2002	31.03.2001
- operating profitability (operating profit / net sales)	8.09 %	7.7%
- net profitability (net profit / net sales)	6.3%	6.1%
- return on owner's equity (net profit / owner's equity – 12 months' average)	12.4%	13.3%
- return on total assets (net profit / average cost of assets – 12 months' average)	6.1%	7.3%
- solvency ratio (current assets - stocks / short-term obligations)	0.91	0.85

Ülle Järv  
Member of management board

AS Baltika consolidated interim report for the 1st quarter of 2002. In thousands of Estonian kroons, in thousands of euros.

## Balance sheet

thou EEK	Note	Group		
		31.03.2002	31.03.2001	31.12.2001
<b>Current assets</b>				
Cash and bank		11 850	3 740	12 626
Shares and securities	1	516	479	574
Customer receivables	2	70 912	72 405	56 115
Other receivables and prepaid expenses		15 518	10 637	10 802
Inventories	3	139 508	94 394	131 145
<b>Total current assets</b>		<b>238 304</b>	<b>181 655</b>	<b>211 262</b>
<b>Noncurrent assets</b>				
Long-term financial assets		2 570	980	2 600
Noncurrent physical assets	4	88 549	60 141	78 390
Intangible assets	4	5 038	2 231	5 180
<b>Total noncurrent assets</b>		<b>96 157</b>	<b>63 352</b>	<b>86 170</b>
<b>TOTAL ASSETS</b>		<b>334 461</b>	<b>245 007</b>	<b>297 432</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Debt obligations	5	53 384	64 733	34 721
Customer prepayments for goods and services		165	104	154
Supplier payables		40 717	22 762	40 544
Other tax liabilities		4 309	4 200	5 081
Accrued expenses		10 015	10 935	6 641
Provisions		0	120	0
<b>Total current liabilities</b>		<b>108 590</b>	<b>102 854</b>	<b>87 141</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities	5	71 296	1 344	63 723
<b>Total noncurrent liabilities</b>		<b>71 296</b>	<b>1 344</b>	<b>63 723</b>
<b>TOTAL LIABILITIES</b>		<b>179 886</b>	<b>104 198</b>	<b>150 864</b>
Minority interest		6 811	6 342	6 632
<b>OWNERS' EQUITY</b>		<b>147 764</b>	<b>134 467</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	32 030	28 430
Net profit for the accounting period		7 828	6 642	15 711
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>334 461</b>	<b>245 007</b>	<b>297 432</b>

AS Baltika consolidated interim report for the 1st quarter of 2002. In thousands of Estonian kroons, in thousands of euros.

## Balance sheet

thou EUR	Note	31.03.2002	Group 31.03.2001	31.12.2001
<b>Current assets</b>				
Cash and bank		757	239	807
Shares and securities	1	33	31	37
Customer receivables	2	4 532	4 628	3 586
Other receivables and prepaid expenses		992	680	690
Inventories	3	8 916	6 033	8 382
<b>Total current assets</b>		<b>15 230</b>	<b>11 610</b>	<b>13 502</b>
<b>Noncurrent assets</b>				
Long-term financial assets		164	63	166
Noncurrent physical assets	4	5 659	3 844	5 010
Intangible assets	4	322	143	331
<b>Noncurrent assets total</b>		<b>6 146</b>	<b>4 049</b>	<b>5 507</b>
<b>TOTAL ASSETS</b>		<b>21 376</b>	<b>15 659</b>	<b>19 009</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Debt obligations	5	3 412	4 137	2 219
Customer prepayments for goods and services		11	7	10
Supplier payables		2 602	1 455	2 591
Other tax liabilities		275	268	325
Accrued expenses		640	699	424
Provisions		0	8	0
<b>Total current liabilities</b>		<b>6 940</b>	<b>6 574</b>	<b>5 569</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities	5	4 557	86	4 073
<b>Total noncurrent liabilities</b>		<b>4 676</b>	<b>86</b>	<b>4 073</b>
<b>TOTAL LIABILITIES</b>		<b>11 497</b>	<b>6 659</b>	<b>9 642</b>
Minority interest		435	405	424
<b>OWNERS' EQUITY</b>		<b>9 444</b>	<b>8 594</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	2 047	1 817
Net profit for the financial year		500	425	1 004
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>21 376</b>	<b>15 659</b>	<b>19 009</b>

AS Baltika consolidated interim report for the 1st quarter of 2002. In thousands of Estonian kroons, in thousands of euros.

## Income statement

thou EEK	Note	Group		
		3 months 2002	3 months 2001	2001
<b>Revenue</b>				
Net sales	7	124 306	109 323	414 437
Other revenue		5 030	1 530	1 303
<b>Total revenue</b>		<b>129 336</b>	<b>110 853</b>	<b>415 740</b>
<b>Expenses</b>				
Materials, consumables and supplies		(58 710)	(42 535)	(166 506)
Change in inventories		5 315	(4 254)	2 649
Other operating expenses		(26 025)	(19 386)	(84 578)
Personnel expenses		(35 210)	(32 234)	(126 222)
Depreciation of noncurrent assets	4	(4 336)	(3 312)	(14 241)
Other expenses		(313)	(1 016)	(3 717)
<b>Total expenses</b>		<b>(119 279)</b>	<b>(102 737)</b>	<b>(392 614)</b>
<b>Operating profit</b>		<b>10 057</b>	<b>8 116</b>	<b>23 126</b>
Financial income		118	459	484
Financial expenses		(2 168)	(1 539)	(6 764)
<b>Profit before taxes</b>		<b>8 007</b>	<b>7 036</b>	<b>16 846</b>
Declared income tax		0	0	(185)
<b>Profit before minority interest</b>		<b>8 007</b>	<b>7 036</b>	<b>16 661</b>
Minority interest		179	394	950
<b>Net profit of the group</b>	6	<b>7 828</b>	<b>6 642</b>	<b>15 711</b>
<b>Basic earnings per share (kr)</b>	8	<b>1,63</b>	<b>1,38</b>	<b>3,27</b>
<b>Diluted earnings per share (kr)</b>	8	<b>1,61</b>	<b>1,38</b>	<b>3,25</b>

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## Income statement

thou EUR	Note	3 months 2002	Group 3 months 2001	2001
<b>Revenue</b>				
Net sales	7	7 945	6 987	26 487
Other revenue		321	98	83
<b>Total revenue</b>		<b>8 266</b>	<b>7 085</b>	<b>26 571</b>
<b>Expenses</b>				
Materials, consumables and supplies		(3 752)	(2 718)	(10 642)
Change in inventories		340	(272)	169
Other operating expenses		(1 663)	(1 239)	(5 406)
Personnel expenses		(2 250)	(2 060)	(8 067)
Depreciation of noncurrent assets	4	(277)	(212)	(910)
Other expenses		(20)	(65)	(238)
<b>Total Expenses</b>		<b>(7 623)</b>	<b>(6 566)</b>	<b>(25 093)</b>
<b>Operating profit</b>		<b>643</b>	<b>519</b>	<b>1 478</b>
Financial income		8	29	31
Financial expenses		(139)	(98)	(432)
<b>Profit before taxes</b>		<b>512</b>	<b>450</b>	<b>1 077</b>
Declared income tax		0	0	(12)
<b>Profit before minority interest</b>			<b>450</b>	<b>1 065</b>
Minority interest		11	25	61
<b>Net profit of the group</b>	6	<b>500</b>	<b>425</b>	<b>1 004</b>
<b>Basic earnings per share (kr)</b>	8	<b>0,10</b>	<b>0,09</b>	<b>0,21</b>
<b>Diluted earnings per share (kr)</b>	8	<b>0,10</b>	<b>0,09</b>	<b>0,21</b>

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## CONSOLIDATED CASH FLOW STATEMENT

(indirect method)

thou EEK

	Notes	01.01- 31.03.2002	01.01- 31.03.2001	01.01- 31.12.2001
<b>Operating activities</b>				
Operating profit		10 057	8 116	23 126
Adjustment for depreciation	4	4 336	3 312	14 241
Profit from the sale of noncurrent assets		(4 919)	(33)	133
Foreign exchange difference		0	(345)	0
Change in receivables		(17 442)	(29 267)	(17 679)
Change in inventories	3	(8 363)	11 107	(25 644)
Change in payables		2 137	(4 402)	9 805
Interests paid		(1 495)	(1 160)	(5 433)
Income tax paid		0	0	527
<b>Cash flow from operating activities</b>		<b>(15 689)</b>	<b>(12 672)</b>	<b>(924)</b>
<b>Investing activities</b>				
Acquisition of noncurrent physical assets	4	(16 846)	(8 755)	(39 574)
Sale of noncurrent assets		11	80	1 045
Termination of capital lease agreement		5 501	0	0
Finance lease and instalments payments	5	(954)	0	(943)
Acquisition of subsidiaries		0	(1 719)	(1 719)
Sale of long-term investments		0	0	0
Interests received		54	30	124
Dividends received		0	0	9
Securities purchased		0	0	0
Securities sold		95	0	0
Repayments of loans granted		3	11	75
Loans granted		0	(3)	(53)
<b>Cash flow from investing activities</b>		<b>(12 136)</b>	<b>(10 356)</b>	<b>(41 036)</b>
<b>Financing activities</b>				
Repayment of loans		0	0	(45 925)
Loans received	5	27 191	13 096	66 802
Proceeds from treasury stock		0	(1 575)	0
Payments for treasury stock of subsidiary		0	(51)	(1 626)
Dividends paid		0	0	(3 894)
Proceeds from payments into share capital		0	0	5
Received from sale of commercial papers		0	0	24 301
Received from sale of convertible bonds		0	0	190
<b>Cash flow from financing activities</b>		<b>27 191</b>	<b>11 470</b>	<b>39 853</b>
Foreign exchange change		(142)		(565)
<b>Total cash flows</b>		<b>(776)</b>	<b>(11 558)</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>11 850</b>	<b>3 740</b>	<b>12 626</b>

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## CONSOLIDATED CASH FLOW STATEMENT

(indirect method)

thou EUR

	Noted	01.01- 31.03.2002	01.01- 31.03.2001	01.01- 31.12.2001
<b>Operating activities</b>				
Operating profit		643	519	1 478
Adjustment for depreciation		277	212	910
Profit from the sale of noncurrent assets		(314)	(2)	9
Foreign exchange difference		0	(22)	0
Change in receivables		(1 115)	(1 870)	(1 130)
Change in inventories		(534)	710	(1 639)
Change in payables		137	(281)	627
Interests paid		(96)	(74)	(347)
Income tax paid		0	0	34
<b>Cash flow from operating activities</b>		<b>(1 003)</b>	<b>(810)</b>	<b>(59)</b>
<b>Investing activities</b>				
Acquisition of noncurrent physical assets		(1 077)	(560)	(2 529)
Sale of noncurrent assets		1	5	67
Termination of capital lease agreement		352	0	0
Finance lease and instalments payments		(61)	0	(60)
Acquisition of subsidiaries		0	(110)	(110)
Sale of long-term investments		0	0	0
Interests received		3	2	8
Dividends received		0	0	1
Securities purchased		0	0	0
Securities sold		6	0	0
Repayments of loans granted		0	1	5
Loans granted		0	0	(3)
<b>Cash flow from investing activities</b>		<b>(776)</b>	<b>(662)</b>	<b>(2 623)</b>
<b>Financing activities</b>				
Repayment of loans		0	0	(2 935)
Loans received		1 738	837	4 269
Proceeds from treasury stock		0	(101)	0
Payments for treasury stock of subsidiary		0	(3)	(104)
Dividends paid		0	0	(249)
Proceeds from payments into share capital		0	0	0
Received from sale of commercial papers		0	0	1 553
Received from sale of convertible bonds		0	0	12
<b>Cash flow from financing activities</b>		<b>1 738</b>	<b>733</b>	<b>2 547</b>
Foreign exchange change		(9)	0	(36)
<b>Total cash flows</b>		<b>(50)</b>	<b>(739)</b>	<b>(171)</b>
<b>Opening cash balance</b>		<b>807</b>	<b>978</b>	<b>978</b>
<b>Closing cash balance</b>		<b>757</b>	<b>239</b>	<b>807</b>



AS Baltika consolidated interim report for the 1st quarter of 2002. In thousands of Estonian kroons, in thousands of euros.

**REPORT ON CHANGES IN OWNERS' EQUITY (thou 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	6 642	6 642
<b>Balance 31.03.2001</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>38 672</b>	<b>134 467</b>
<b>Balance 31.12.2001</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	7 828	7 828
<b>Balance 31.03.2002</b>	<b>48 000</b>	<b>24 910</b>	<b>22 885</b>	<b>0</b>	<b>51 969</b>	<b>147 764</b>

**REPORT ON CHANGES IN OWNERS' EQUITY (thou 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	425	425
<b>Balance 31.03.2001</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>2 472</b>	<b>8 594</b>
<b>Balance 31.12.2001</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	500	500
<b>Balance 31.03.2002</b>	<b>3 068</b>	<b>1 592</b>	<b>1 463</b>	<b>0</b>	<b>3 321</b>	<b>9 444</b>

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### 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 the 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 31.03.2002 the Group comprised of the following commercial undertakings:

	Country of location	Shareholding 31.03.2002	Shareholding 31.12.2000
AS Baltika (parent company)	Estonia		
AS Baltman	Estonia	100 %	100 %
Baltmano Prekiba	Lithuania	100 %	100 %
Baltika <i>Sweden</i>	Sweden	100 %	100 %
Baltika <i>Ukraine</i>	The Ukraine	99 %	99 %
AS Virulane	Estonia	75.02%	60,88 %
Baltika <i>Poland</i>	Poland	100 %	100 %
AS Elina STC	Estonia	50.10%	37,50 %
OY Baltinia AB	Finland	100 %	100 %

### 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 and 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 believes that the interim report of Baltika Group for the first quarter of 2002 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

	31.03.2002			31.12.2001	
	Acquisition value	Quantity	Book value	Quantity	Book value
Shares of AS Tallinna Kaubamaja	5 160	5 160	294 688	5 160	308 310
Shares of AS Hansapank	136 224	1 056	221 400	1 056	170 808
Total	<b>141 384</b>		<b>516 088</b>		<b>479 118</b>

##### EUR

	31.03.2002			31.12.2001	
	Acquisition value	Quantity	Book value	Quantity	Book value
Shares of AS Tallinna Kaubamaja	330	5 160	18 834	5 160	19 705
Shares of AS Hansapank	8 706	1 056	14 150	1 056	10 917

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Total **9 036** **32 984** **30 621**

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

**Note 2**

**Customer receivables**

	Thou EEK		Thou EUR	
	31.03.2002	31.12.2001	31.03.2002	31.12.2001
Accounts receivable	73 341	58 546	4 687	3 742
Allowance for doubtful accounts	(2 429)	(2 431)	(155)	(155)
<b>Total</b>	<b>70 912</b>	<b>56 115</b>	<b>4 532</b>	<b>3 586</b>

In evaluating accounts receivable each receivable has been treated separately. Uncollectable accounts were not written off in the accounting period and 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**

	Thou EEK		Thou EUR	
	31.03.2002	31.12.2001	31.03.2002	31.12.2001
Raw materials (fabric, furniture, accessories, material on the way)	35 815	44 049	2 289	2 815
Allowance for materials	(788)	(1 199)	(50)	(77)
Work-in-progress	13 979	11 681	893	747
Finished goods (warehouses, stores) and purchased goods	89 822	77 249	5 741	4 937
Allowance for finished goods	(1 136)	(1 131)	(73)	(72)
Prepayments to suppliers	1 816	496	116	32
<b>Total</b>	<b>139 508</b>	<b>131 145</b>	<b>8 916</b>	<b>8 382</b>

Of the balance of inventories set out in the balance sheet as of 31.03.2002, inventories worth mEEK 8.5 (mEUR 0.54) are presented in their net sales value, of them mEEK 7.3 (mEUR 0.46) finished goods and mEEK 1.2 (mEUR 0.08) materials. As of 31.12.2001 inventories of finished goods worth mEEK 9.4 (mEUR 0.60) were presented in their net sales value.

**Note 4**

**Noncurrent physical assets and intangible assets**

In the accounting period, production equipment for a total of mEEK 2.83 (mEUR 0.2), IT equipment and software for mEEK 0.98 (mEURO 0.06) were purchased.

New retail outlets were renovated and furnished in Estonia and Poland for mEEK 2.49 (mEUR 0.2).

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 mEEK 4.92 (mEUR 0.31).

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Self-constructed physical assets under construction in the amount of mEEK 19.9 (mEUR 1.3) represent the construction works on Ahtme sewing factory (the works actually performed are not verified by a deed) to the extent of mEEK 17.3 (mEUR 1.1). The factory was commissioned on 1 April 2002.

#### Activity in noncurrent assets in the first quarter of 2002

##### Noncurrent physical assets (thou EEK)

	Land	Buildings, facilities	Plant and equipment	Other inventories	Self-constructed physical assets 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)
<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	373	2 853	2 930	11 098	40	17 294
Sold during the period	0	0	(1)	(243)	0	0	(244)
Written off during the period	0	0	0	0	0	0	0
Taken into use	0	0	0	0	(815)	(2 056)	(2 871)
Depreciation 2002	0	(836)	(1 699)	(1 493)	0	0	(4 028)
Exchange differences				7			7
Acquisition cost 31.03.2002	3 004	44 980	70 594	27 859	19 931	676	167 044
Accumulated depreciation 31.03.2002	0	(12 711)	(53 092)	(12 692)	0	0	(78 495)
<b>Residual value 31.03.2002</b>	<b>3 004</b>	<b>32 269</b>	<b>17 502</b>	<b>15 167</b>	<b>19 931</b>	<b>676</b>	<b>88 549</b>

##### Noncurrent physical assets (thou EUR)

	Land	Buildings, facilities	Plant and equipment	Other inventories	Self-constructed physical assets 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)
<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	24	182	187	709	3	1 105
Sold during the period	0	0	0	(16)	0	0	(16)
Written off during the period	0	0	0	0	0	0	0
Taken into use	0	0	0	0	(52)	(131)	(183)
Depreciation 2002	0	(53)	(109)	(95)	0	0	(257)
Exchange differences	0	0	0	4	0	0	4
	0	0	0	0	0	0	0
Acquisition cost 31.03.2002	192	2 875	4 512	1 781	1 274	43	10 676
Accumulated depreciation 31.03.2002	0	812	3 393	811	0	0	5 017
<b>Residual value 31.03.2002</b>	<b>192</b>	<b>2 062</b>	<b>1 119</b>	<b>969</b>	<b>1 274</b>	<b>43</b>	<b>5 659</b>

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**Intangible assets (thou EEK)**

	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)
<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	281	0	0	281
Depreciation 2002	(307)	0	0	(307)
Depreciation of positive goodwill*	0	(116)		(116)
Depreciation of negative goodwill*	0	0	86	86
Acquisition cost 31.03.2002	6 463	2 337	0	8 800
Accumulated depreciation 31.03.2002	(2 108)	(1 654)	0	(3 762)
<b>Residual value 31.03.2002</b>	<b>4 355</b>	<b>683</b>	<b>0</b>	<b>5 038</b>

**Intangible assets (thou EUR)**

	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)
<b>Residual value 31.12.2001</b>	<b>280</b>	<b>51</b>	<b>0</b>	<b>331</b>
Purchased during the accounting year	18	0	0	18
Depreciation 2002	(20)	0	0	(20)
Depreciation of positive goodwill*	0	(7)	0	(7)
Depreciation of negative goodwill*	0		5	5
Acquisition cost 31.03.2002	413	149	0	62
Accumulated depreciation 31.03.2002	(135)	(106)	0	(240)
<b>Residual value 31.03.2002</b>	<b>278</b>	<b>44</b>	<b>0</b>	<b>322</b>

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

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**Note 5**

**Debt obligations**

**Current liabilities**

	Thou EEK		Thou EUR	
	31.03.2002	31.12.2001	31.03.2002	31.12.2001
Debt to the Estonian Privatisation Agency	0	941	0	60
Current period long-term bank loan repayment		1 874	0	120
Short-term loans from banks	28 134	6 639	1 798	424
Short-term leasing debt	58	74	4	5
Convertible bonds	192	192	12	12
Commercial papers	25 000	25 000	1 598	1 598
<b>Total:</b>	<b>53 384</b>	<b>34 720</b>	<b>3 412</b>	<b>2 219</b>

**Long-term liabilities**

	Thou EEK		Thou EUR	
	31.03.2002	31.12.2001	31.03.2002	31.12.2001
Long-term loans from banks	71 187	63 617	4 550	4 066
Long-term leasing debt	109	106	7	7
<b>Total</b>	<b>71 296</b>	<b>63 723</b>	<b>4 557</b>	<b>4 073</b>

In the accounting period the interest expenditure of the Group was 1 894 thousand kroons (121.0 thou euros), in the same period in 2001, interest was paid in the amount of 1 053 thousand kroons (67.3 thou EUROS).

**Bank loans (thou EEK)**

Creditor	Loan debt 31.03.02	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	15 000	2 739	12 261	6-months' Euribor +3.25%	31.12.2008
Hansapank (credit line)	23 521	23 521	0	7.60%	30.10.2002
<b>Total</b>	<b>99 321</b>	<b>28 134</b>	<b>71 187</b>		

**Bank loans (thou EUR)**

Creditor	Loan debt 31.03.02	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
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)	1 503	1 503	0	7.60%	30.10.2002
<b>Total</b>	<b>6 348</b>	<b>1 798</b>	<b>4 550</b>		

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AS Baltika has opened a group account with Hansapank whose overdraft limit is mEEK 25.0 (mEUR 1.6). As of 31.03.2001, the overdraft facility had been used to the extent of mEEK 23.5 (mEUR 1.5). The loans and the overdraft facility are secured by commercial pledge totalling 67,680 thou kroons (4,326 thou euros) and a mortgage on the registered immovable at Veerenni 24 in the amount of mEEK 40 (mEUR 2.5).

AS Virulane has concluded a long-term loan agreement with Hansapank to finance the construction of the Ahtme factory; the loan limit is 959 thou euros. 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 Õpetajate 5 in Ahtme plus the surety of AS Baltika.

During the accounting period AS Baltika paid to the Privatisation Agency (into the special account of Harju County Government) the entire instalment debt 941 thou kroons (60 thou euros) for land at Veerenni 24.

#### **Note 6**

##### **Owners' equity**

##### **Share capital**

The share capital 48,000,000 kroons (3,067,751 euros) is divided into 4,800,000 common shares with a nominal value of 10 kroons (0.64 euros) 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 31.03.2002, the retained earnings were 51,969 thou kroons (3,321 thou euros).

#### **Note 7**

##### **Segments**

The primary segment of the Group is the business segment by areas of operation and the 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 quarter of 2002 by areas of operation**

thou EEK

	<b>Retail trade</b>	<b>Production and wholesale</b>	<b>Intersegmental transactions</b>	<b>TOTAL</b>
	<b>3 months 2002</b>	<b>3 months 2002</b>	<b>3 months 2002</b>	<b>3 months 2002</b>
Sales outside the Group	50 081	74 225		124 306
Sales between the segments	0	52 111	(52 111)	0
Sales total	50 081	126 336	(52 111)	124 306
Operating profit of the segment	6 045	6 892		12 937
Unallocated business expenses				(2 880)
Total operating profit				10 057
Other financial income				118

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Other financial expenses				(2 168)
Income tax				0
Profit before minority interest				8 007
Minority interest				179
Net profit				7 828
Assets	99 237	227 871	(2 051)	325 057
Unallocated assets of the Group				9 404
TOTAL ASSETS				334 461
Liabilities	86 691	66 255	(75 399)	77 547
Unallocated liabilities of the Group				102 339
TOTAL LIABILITIES				179 886
Acquisition of noncurrent assets	3 263	3 174	0	6 437
Depreciation	1 993	2 343	0	4 336
Other significant nonmonetary expenses				4 353

**Business segment report for the first quarter of 2002 by areas of operation**

**thou EUR**

	<b>Retail trade 3 months 2002</b>	<b>Production and wholesale 3 months 2002</b>	<b>Intersegmental transactions 3 months 2002</b>	<b>TOTAL 3 months 2002</b>
Sales outside the Group	3 201	4 744	0	7 945
Sales between the segments	0	3 330	(3 330)	0
Sales total	3 201	8 074	(3 330)	7 945
Operating profit of the segment	386	440	0	827
Unallocated business expenses				(184)
Total operating profit				643
Other financial income				8
Other financial expenses				(139)
Income tax				0
Profit before minority interest				512
Minority interest				11
Net profit				500
Assets	6 342	14 564	(131)	20 775
Unallocated assets of the Group				601
TOTAL ASSETS				21 376
Liabilities	5 541	4 234	(4 819)	4 956
Unallocated liabilities of the Group				6 541
TOTAL LIABILITIES				11 497
Acquisition of noncurrent assets	209	203	0	411
Depreciation	127	150	0	277



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Other significant nonmonetary expenses 278

**Business segment report for the first quarter of 2001 by areas of operation**

thou EEK

	<b>Retail trade</b>	<b>Production and wholesale</b>	<b>Intersegmental transactions</b>	<b>TOTAL</b>
	<b>3 months 2001</b>	<b>3 months 2001</b>	<b>3 months 2001</b>	<b>3 months 2001</b>
Sales outside the Group	28 112	81 211		109 323
Sales between the segments	0	38 398	(38 398)	0
Sales total	28 112	119 609	(38 398)	109 323
Operating profit of the segment	7 148	3 294		10 442
Unallocated business expenses				(2 326)
Total operating profit				8 116
Other financial income				459
Other financial expenses				(1 539)
Income tax				0
Profit before minority interest				7 036
Minority interest				394
Net profit				6 642
Assets	64 991	172 669	(2 450)	235 210
Unallocated assets of the Group				9 797
TOTAL ASSETS				245 007
Liabilities	49 903	28 859	(40 534)	38 228
Unallocated liabilities of the Group				65 970
TOTAL LIABILITIES				104 198
Acquisition of noncurrent assets	3 106	5 350		8 456
Depreciation	1 009	2 303		3 312
Other significant nonmonetary expenses				4 755

**Business segment report for the first quarter of 2001 by areas of operation**

thou EUR

	<b>Retail trade</b>	<b>Production and wholesale</b>	<b>Intersegmental transactions</b>	<b>TOTAL</b>
	<b>3 months 2001</b>	<b>3 months 2001</b>	<b>3 months 2001</b>	<b>3 months 2001</b>
Sales outside the Group	1 797	5 190	0	6 987
Sales between the segments	0	2 454	(2 454)	0
Sales total	1 797	7 644	(2 454)	6 987
Operating profit of the segment	457	211	0	667
Unallocated business expenses				(149)
Total operating profit				519

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Other financial income				29
Other financial expenses				(98)
Income tax				0
Profit before minority interest				450
Minority interest				25
Net profit				425
Assets	4 154	11 036	(157)	15 033
Unallocated assets of the Group				626
TOTAL ASSETS				15 659
Liabilities	3 189	1 844	(2 591)	2 443
Unallocated liabilities of the Group				4 216
TOTAL LIABILITIES				6 659
Acquisition of noncurrent assets	199	342	0	540
Depreciation	64	147	0	212
Other significant nonmonetary expenses				304

The retail trade 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 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.

#### **Sales profit by the geographical segment – secondary**

	Thou EEK		Thou EUR	
	3 months 2002	3 months 2001	3 months 2002	3 months 2001
Estonia	31 835	28 874	2 035	1 845
Latvia	14 225	11 986	909	766
Lithuania	16 967	9 561	1 084	611
Russia	18 094	16 390	1 156	1 048
The Ukraine	12 923	5 813	826	372
Finland	16 041	19 169	1 025	1 225
Sweden	4 816	8 084	308	517
England	4 017	7 217	257	461
Poland	5 374	918	343	59
Norway	10	12	1	1
Austria	4	8	0	1
USA	0	1 291	0	83
<b>Total</b>	<b>124 306</b>	<b>109 323</b>	<b>7 945</b>	<b>6 987</b>

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

**Note 8**

**Net profit per share**

**Conventional net profit per share**

		<b>31.03.02</b>	<b>31.03.01</b>	<b>31.12.01</b>
Weighted average number of shares	pc	4 800 000	4 800 000	4 800 000
Net profit	thou EEK	<b>7 828</b>	<b>6 642</b>	<b>15 711</b>
	thou EUR	500	425	1 004
<b>Basic earnings per share</b>	<b>EEK</b>	<b>1,63</b>	<b>1,38</b>	<b>3,27</b>
	<b>EUR</b>	0,10	0,09	0,21

Diluted earnings per share as of the balance sheet date was 1.61 kroons (0.10 euros).

When calculating the diluted earnings per share, the 192,000 convertible bonds issued within the framework of the top executives' share option programme in 2001 have been taken into account. The convertible bonds entitle their holders to exchange them for the same amount of shares in Baltika. The option price was 25 kroons. The average market price of a Baltika share in the 1<sup>st</sup> quarter was 34.32 kroons (2.19 euros).

As of 31.03.01, the diluted earnings per share were equal to the basic earnings per share.

**Note 9**

**Connected parties**

Goods for 1,244 thou kroons (79.5 thou euros) were purchased in the accounting period from OÜ Maisan which is controlled by the members of the management board.

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