



AS BALTIKA

consolidated interim report for the third quarter of 2003

Commercial name	AS Baltika
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Auditor	AS PricewaterhouseCoopers
Reporting period	01.01.2003-31.12.2003
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 2003. In '000 EEK and in '000 EUR.

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The Management Board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 26 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 11th, 2003

Comments on AS Baltika financial results for third quarter of 2003

The retail strategy implementation plan of AS Baltika prescribes the following main goals for 2003:

- to improve the efficiency of operation of retail sales space;
- to reduce the percentage of old (older than one season) inventories in the system;
- to increase sales (particularly in the retail system);
- to ensure a positive cash flow and strengthen it.

General results

The unaudited consolidated net sales of AS Baltika in the first nine months of 2003 were EEK 144.27m (EUR 9.22m) and the net loss was EEK 6.97m (EUR 0.45m). Compared to the same period of 2002, the net sales increased by 11.2% (the net sales were EEK 129.78m or EUR 8.29m), loss increased by EEK 3.1m (EUR 0.19m) (the loss for the third quarter of 2002 was EEK 3.86m/EUR 0.25m).

“Owing to strong retail sales, the third quarter proved to be the best of this year,” said Meelis Milder, Chairman of the Management Board of Baltika, about the third quarter results.

Sales

Owing to the good sales results of the third quarter, the sales for the first nine months of the year increased by EEK 3.86m (EUR 0.25m) compared to the same period of the previous year (1.1%) and amounted to EEK 365.24m (EUR 23.24m); the net sales for the first nine months of 2002 were EEK 361.38 (EUR 23.1m).

Retail sales increased in the third quarter by 57% compared to the same period of the previous year and amounted to EEK 81.9m (EUR 5.23m). The retail sales of the third quarter of 2002 amounted to EEK 52.02m (EUR 3.32m); the retail sales of the first nine months formed 62% of total sales (total EEK 226.5m / EUR 12.48m); the percentage for the same period of the previous year was 47% (EEK 171.17m / EUR 10.93m),

The sales of the Monton retail brand, which celebrated its first anniversary in 2003, formed 75.3% of the first nine months' retail sales of Baltika Group, totalling EEK 170.58m (EUR 10.90m). As of 30 September 2003, 36,560 members in five countries had joined the Monton customer programme; 9360 new customers were added during the third quarter.

CHR/EV and Baltman, the other retail concepts of Baltika Group, which were renewed in the first half of the year, have established themselves well. Three new CHR/EV shops were opened in response to the market demand in the third quarter: one in Latvia and two in the Ukraine.

Baltika Group had 8870 m² of retail sales space in Estonia, Latvia, Lithuania, the Ukraine, Poland, and Sweden (56 shops) at the end of September; the sales space including controlled retail space totals 10,174 m² (71 shops).

The wholesale sales of Baltika's own products in the third quarter, of which CHR/EV and Baltman brand products accounted for 55%, totalled EEK 47.28m (EUR 3.02m), which was less than in the previous year by EEK 11.5m (EUR 0.74m); yet, the volume of wholesale contracts approved in the second half of the year was greater than in the first half.

The sales volumes of subcontracted products decreased by 5% in the third quarter. Subcontracting sales totalled EEK 14.36 (EUR 0.92m) in the third quarter; the result of the same period of the previous year was EEK 15.18m (EUR 0.97m).

Financial results

The autumn season sales that began in August show that the first half-year's decisions and actions for improving the income basis are becoming reality.

For the first time this year, Baltika Group earned a total of EEK 5.67m (EUR 0.36m) of profit in August and September on a monthly basis. The total net loss of Baltika for the third quarter was EEK 6.97m (EUR 0.45m). The net loss for the same period of the previous year was EEK 3.86m (EUR 0.25m).

The negative result of the third quarter was influenced by the exceptionally hot July and August on all the five retail markets of Baltika Group, which is why the sale of end-of-season inventories continued in order to start the autumn season with a lower inventory level of a higher quality. Fluctuations in the retail margins and efficiency by market also influenced the third quarter's results. The best results have been achieved on the Lithuanian market; efficiency indicators have significantly improved also in the Ukraine,

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compared to the first half of the year. The efficiency indicators (sales/m²) are lower than expected on the Polish market.

The net loss for the nine months totalled EEK 30.40m (EUR 1.94m); the result for the same period of the previous year was a profit of EEK 5.72m (EUR 0.37m), which included EEK 4.9m (EUR 0.31m) of income from the sale of real estate. Operating costs have increased in proportion to the entire system's growth when compared to the first nine months of the previous year. Depreciation costs have increased because of the large investments of 2002 in retail sale, production, and information technology. The fall of EURIBOR and achievement of better loan agreement conditions has reduced interest costs by EEK 0.6m (EUR 0.04m) compared to the first nine months of the previous year. Exchange rate fluctuations have also had an impact on the results of Baltika Group.

Balance sheet

The consolidated balance sheet total of Baltika was EEK 391.55m (EUR 25.02m) as of 30.09.2003; the decrease compared to the beginning of the year was EEK 18.61m (EUR 1.19m). Inventories have decreased in the system by EEK 14.6m (EUR 0.93m) since the beginning of the year.

Inventories worth EEK 5.4m (EUR 0.35m) have been recorded at net sales value; a write-down reserve of EEK 0.72m has been formed for these inventories.

The reason for the increase in cash balances and short-term and long-term debts was the formation of funds for financing the redemption of commercial papers in October, of which EEK 17.5m (EUR 1.12m) was used to issue long-term bonds and increase a long-term bank loan by EEK 9.0m (EUR 0.58m).

Cash flow

The cash flow from operations was +EEK 9.3m (EUR 0.59m) for the first nine months; the cash flow was negative in the same period of the previous year: -EEK 29.7m (-EUR 1,90m). The activities that BG uses to ensure a stronger cash flow are: reduction of investments, more exact planning of financing activities, and improvement of the inventories management system.

The concern employed dated by end of September was 1778 employees, from that 417 in retail, 1078 in manufacturing and in foreign countries totally 292 employees.

The main ratios of AS Baltika Group as of 30.09.2003 were:

	30.09.2003	30.09.2002
Increase in turnover % quarter	11,2	9,4
Increase in turnover % from beginning of the year	1,1	19,3
Share of retail sales in net turnover %	62	47
Number of shops	71	65
Retail premises managed (m ²)	10 174	8 361
Markets managed through own retail organisations	6	6
Operating profit to net sales %	-6,6	4,0
Net profit to net turnover %	-8,3	1,6
Return on equity ROE (net profit/average equity capital of 12 months) %	-18,8	8,5
Return on assets (net profit/average cost of assets of 12 months) %	-8,0	3,7

Ülle Järv

The Member of the Management Board

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Balance sheet

`000 EEK	Note	30.09.2003	Group 30.09.2002	31.12.2002
ASSETS				
Current assets				
Cash and bank		32 254	16 269	10 010
Shares and other securities	1	357	476	542
Customer receivables	2	64 863	71 851	47 609
Other receivables and prepaid expenses		20 302	18 534	19 456
Inventories	3	161 258	174 687	175 857
Total current assets		279 034	281 817	253 474
Non-current assets				
Long-term investments		6 022	2 566	6 160
Tangible fixed assets	4	92 647	101 784	108 382
Intangible fixed assets	4	13 844	4 258	4 921
Total non-current assets		112 513	108 608	119 463
TOTAL ASSETS		391 547	390 425	372 937
LIABILITIES AND OWNER'S EQUITY				
Current liabilities				
Debt obligations	5,6	94 537	68 435	90 633
Customer prepayments for goods and services		150	126	149
Accounts payable		53 933	53 337	33 708
Other tax liabilities		10 842	4 966	8 086
Accrued expenses		11 196	11 809	7 769
Total current liabilities		170 658	138 673	140 345
Non-current liabilities				
Long-term debt	5	72 397	74 199	55 469
Provisions		141	0	141
Total non-current liabilities		72 538	74 199	55 610
TOTAL LIABILITIES		243 196	212 872	195 955
Minority interest		7 438	8 701	7 049
OWNER'S EQUITY				
Share capital (par value)	7	54 995	48 000	54 444
Unregistered share capital		0	23 200	0
Share premium		42 490	24 910	41 665
Other restricted equity		22 885	22 885	22 885
Retained profit		50 938	44 141	44 141
Profit (loss) for the accounting period		(30 395)	5 716	6 798
TOTAL LIABILITIES AND OWNER'S EQUITY		391 547	390 425	372 937

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Balance sheet

`000 EUR	Lisa	30.09.2003	Kontsern 30.09.2002	31.12.2002
ASSETS				
Current assets				
Cash and bank		2 061	1 040	640
Shares and other securities	1	23	30	35
Customer receivables	2	4 145	4 592	3 043
Other receivables and prepaid expenses		1 298	1 185	1 243
Inventories	3	10 306	11 165	11 239
Total current assets		17 833	18 011	16 200
Non-current assets				
Long-term investments		385	164	394
Tangible fixed assets	4	5 921	6 505	6 927
Intangible fixed assets	4	885	272	315
Total non-current assets		7 191	6 941	7 635
TOTAL ASSETS		25 024	24 953	23 835
LIABILITIES AND OWNER'S EQUITY				
Current liabilities				
Debt obligations	5,6	6 042	4 374	5 792
Customer prepayments for goods and services		10	8	10
Accounts payable		3 447	3 409	2 154
Other tax liabilities		693	317	517
Accrued expenses		716	755	497
Total current liabilities		10 907	8 863	8 970
Non-current liabilities				
Long-term debt	5	4 627	4 742	3 545
Provisions		9	0	9
Total non-current liabilities		4 636	4 742	3 554
TOTAL LIABILITIES		15 543	13 605	12 524
Minority interest		475	556	451
OWNER'S EQUITY				
Share capital (par value)	7	3 515	3 068	3 480
Unregistered share capital		0	1 483	0
Share premium		2 716	1 592	2 663
Other restricted equity		1 463	1 463	1 463
Retained profit		3 256	2 821	2 821
Profit (loss) for the accounting period		(1 943)	365	434
TOTAL LIABILITIES AND OWNER'S EQUITY		25 024	24 953	23 835

Income Statement BG 9m 2003 (consolidated)

'000 EEK	Note	Group				
		IIIQ 2003	IIIQ 2002	9m 2003	9m 2002	2002
Revenue						
Net sales	8	144 267	129 779	365 237	361 381	485 440
Other revenue		232	50	485	5 952	6 023
Total revenue		144 499	129 829	365 722	367 333	491 463
Expenses						
Materials, raw materials and services		(64 072)	(34 510)	(149 465)	(136 452)	(179 500)
Change in inventories		(2 915)	(16 386)	(3 124)	(733)	1 621
Other operating expenses		(34 817)	(35 332)	(99 057)	(88 695)	(126 096)
Personnel expenses		(42 986)	(37 237)	(120 512)	(110 394)	(151 043)
Depreciation of fixed assets	4	(3 951)	(5 448)	(16 553)	(14 587)	(19 230)
Other expenses		(359)	(725)	(1 264)	(2 095)	(3 460)
Total expenses		(149 100)	(129 638)	(389 975)	(352 956)	(477 708)
Operating profit (loss)		(4 601)	191	(24 253)	14 377	13 755
Financial income		211	54	546	285	763
Financial expenses		(1 725)	(2 535)	(6 161)	(7 110)	(9 036)
Profit (loss) before taxes		(6 115)	(2 290)	(29 868)	7 552	5 482
Income tax expense		0	(3)	(21)	(268)	2 150
Profit (loss) before minority interest		(6 115)	(2 293)	(29 889)	7 284	7 632
Minority interest		859	1 571	506	1 568	834
Net profit (loss)		(6 974)	(3 864)	(30 395)	5 716	6 798
Basic earnings per share	9	(1,27)	(0,79)	(5,55)	1,18	1,36
Diluted earnings per share	9	(1,27)	(0,79)	(5,55)	1,17	1,34

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Income Statement BG 9m 2003 (consolidated)

'000 EUR	Note	Group				
		IIIQ 2003	IIIQ 2002	9m 2003	9m 2002	2002
Revenue						
Net sales	8	9 220	8 294	23 343	23 096	31 025
Other revenue		15	3	31	380	385
Total revenue		9 235	8 298	23 374	23 477	31 410
Expenses						
Materials, raw materials and services		(4 095)	(2 206)	(9 553)	(8 721)	(11 472)
Change in inventories		(186)	(1 047)	(200)	(47)	104
Other operating expenses		(2 225)	(2 258)	(6 331)	(5 669)	(8 059)
Personnel expenses		(2 747)	(2 380)	(7 702)	(7 055)	(9 653)
Depreciation of fixed assets	4	(253)	(348)	(1 058)	(932)	(1 229)
Other expenses		(23)	(46)	(81)	(134)	(221)
Total expenses		(9 529)	(8 285)	(24 924)	(22 558)	(30 531)
Operating profit (loss)		(294)	12	(1 550)	919	879
Financial income		13	3	35	18	49
Financial expenses		(110)	(162)	(394)	(454)	(578)
Profit (loss) before taxes		(391)	(146)	(1 909)	483	350
Income tax expense		0	0	(1)	(17)	137
Profit (loss) before minority interest		(391)	(147)	(1 910)	466	488
Minority interest		55	100	32	100	53
Net profit (loss)		(446)	(247)	(1 943)	365	434
Basic earnings per share (EUR)	9	(0,08)	(0,05)	(0,35)	0,08	0,09
Diluted earnings per share (EUR)	9	(0,08)	(0,05)	(0,35)	0,07	0,09

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**Cash flow statement
(indirect method)**

'000 EEK

		Group	
	Note	9 months 2003	9 months 2002
Operating activities			
Operating profit (loss)		(24 253)	14 377
Adjustment for depreciation	4	16 553	14 587
Profit from the sale of fixed assets		(146)	(4 777)
Change in receivables		(17 958)	(20 977)
Change in inventories	3	14 599	(43 542)
Change in payables		26 507	17 609
Interests paid		(4 051)	(6 691)
Income tax paid		(7)	(256)
Cash flow from operating activities		11 244	(29 670)
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(9 691)	(35 662)
Sale of fixed assets		298	7 399
Acquisition of subsidiaries		0	(1 516)
Interests received		110	175
Dividends received		11	56
Sale of marketable securities	1	290	95
Repayments of loans granted		8	20
Other financial income/expenses		190	0
Cash flow from investing activities		(8 321)	(29 433)
Financing activities			
Repayment of loans	5	(6 973)	(714)
Loans received	5	8 997	37 433
Finance lease and installments payments		(1 220)	(1 409)
Dividends paid		(117)	0
Receipts from contributions into share capital		1 320	23 200
Redemption of commercial papers		0	(25 000)
Received from sale of commercial papers	6	17279	29 306
Received from sale of convertible bonds	6	192	192
Proceeds from repurchase of convertible bonds		(14)	0
Cash flow from financing activities		19 464	63 008
Foreign exchange change		(143)	(262)
Total cash flows		22 244	3 643
Opening cash and equivalents balance		10 010	12 626
Closing cash and equivalents balance		32 254	16 269

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**Cash flow statement
(indirect method)**

'000 EUR

		Group	
	Note	9 months 2003	9 months 2002
Operating activities			
Operating profit (loss)		(1 550)	919
Adjustment for depreciation	4	1 058	932
Profit from the sale of fixed assets		(9)	(305)
Change in receivables		(1 148)	(1 341)
Change in inventories	3	933	(2 783)
Change in payables		1 694	1 125
Interests paid		(259)	(428)
Income tax paid		(0)	(16)
Cash flow from operating activities		719	(1 896)
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(619)	(2 279)
Sale of fixed assets		30	0
Acquisition of subsidiaries		19	473
Interests received		0	(97)
Dividends received		7	11
Dividends received		1	4
Sale of marketable securities	1	19	6
Repayments of loans granted		1	1
Other financial income/expenses		12	0
Cash flow from investing activities		(532)	(1 881)
Financing activities			
Repayment of loans	5	(446)	(46)
Loans received	5	575	2 392
Finance lease and installments payments		(78)	(90)
Dividends paid		(7)	0
Receipts from contributions into share capital		84	1 483
Redemption of commercial papers		0	(1 598)
Received from sale of commercial papers	6	1 104	1 873
Received from sale of convertible bonds	6	12	12
Proceeds from repurchase of convertible bonds		(1)	0
Cash flow from financing activities		1 244	4 027
Foreign exchange change		(9)	(17)
Total cash flows		1 422	233
Opening cash and equivalents balance		640	807
Closing cash and equivalents balance		2 061	1 040

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Statement in Changes in Equity ('000 EEK)

	Share capital	Un-registered share capital	Share premium	Reserves	Retained earnings	Profit/loss for the accounting period	Total
Balance per 31.12.2001	48 000	0	24 910	22 885	28 430	15 711	139 936
Appropriation of 2001 profit	0	0	0	0	15 711	(15 711)	0
Net profit for the accounting period	0	0	0	0	0	5 716	5 716
Contribution to share capital	0	23 200	0	0	0	0	23 200
Balance per 30.09.2002	48 000	23 200	24 910	22 885	44 141	5 716	168 852
Balance per 31.12.2002	54 444	0	41 665	22 885	44 141	6 798	169 933
Appropriation of 2002 profit	0	0	0	0	6 798	(6 798)	0
Contribution to share capital	550	0	825	0	0	0	1 375
Net profit for the accounting period	0	0	0	0	0	(30 395)	(30 395)
Balance per 30.09.2003	54 995	0	42 490	22 885	50 938	(30 395)	140 913

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Statement in Changes in Equity ('000 EUR)

	Share capital	Un-registered share capital	Share premium	Reserves	Retained earnings	Profit/loss for the accounting period	Total
Balance per 31.12.2001	3 068	0	1 592	1 463	1 817	1 004	8 944
Appropriation of 2001 profit	0	0	0	0	1 004	(1 004)	0
Net profit for the accounting period	0	0	0	0	0	365	365
Contribution to share capital	0	1 483	0	0	0	0	1 483
Balance per 30.09.2002	3 068	1 483	1 592	1 463	2 821	365	10 792
Balance per 31.12.2002	3 480	0	2 663	1 463	2 821	434	10 861
Appropriation of 2002 profit	0	0	0	0	434	(434)	0
Contribution to share capital	35	0	53	0	0	0	88
Net profit for the accounting period	0	0	0	0	0	(1 943)	(1 943)
Balance per 30.09.2003	3 515	0	2 716	1 463	3 256	(1 943)	9 006

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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 71 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.

The average number of employees in the Group was 1677 in the first half-year accounted for.

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.

As of 30.09.2003 the Group comprises the following companies:

	Country of location	Participation 30.09.2003	Participation 31.12.2002
AS Baltika (parent)	Estonia		
OÜ Baltman	Estonia	100 %	100 %
Baltika Lietuva	Lithuania	100 %	100 %
Baltika Sweden	Sweden	100 %	100 %
Baltika Ukraina	Ukraine	99 %	99 %
AS Virulane	Estonia	79,23%	79,23 %
Baltika Poland	Poland	100 %	100 %
AS Elina STC	Estonia	50,10%	50,10 %
OY Baltinia AB	Finland	100 %	100 %
Baltika Latvija	Latvia	75%	75 %

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 31.12.2002.

According to the assessment of the management board, the 3rd quarter 2003 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.

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NOTES TO CONSOLIDATED INTERIM REPORT

Note 1 Short-term shares and securities

'000 EEK

	30.09.2003		31.12.2002		
	Acquisition value	Quantity	Book value	Quantity	Book value
Shares of AS Tallinna Kaubamaja	5	5 160	357	5 160	278
Shares of AS Hansapank	136	0	0	1 056	264
Total			357		542

'000 EUR

	30.09.2003		31.12.2002		
	Acquisition value	Quantity	Book value	Quantity	Book value
Shares of AS Tallinna Kaubamaja	0	5 160	23	5 160	18
Shares of AS Hansapank	9	0	0	1 056	17
Total			23		35

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

Note 2 Accounts receivable

	'000 EEK		'000 EUR	
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
Accounts receivable	66 050	48 912	4 221	3 126
Doubtful accounts	(1 187)	(1 303)	(76)	(83)
Total	64 863	47 609	4 145	3 043

In evaluating trade receivables, each receivable has been treated separately. Doubtful accounts were not expensed during the accounting quarter. Doubtful accounts in the amount of 120 thousand EEK (7,7 thousand EUR) have been expensed in previous periods.

Accounts known to be uncollectible are written off the balance sheet. Uncollectible receivables of 82 thousand EEK (5 thousand EUR) were expensed and written off the balance sheet during the accounting quarter. 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	
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
Raw materials (fabric, accessories, material on the way)	38 327	45 996	2 450	2 940
Write-down provision for inventories of material	(89)	(354)	(6)	(23)
Work in progress	15 630	7 322	999	468
Finished goods and purchased goods (warehouses, stores)	76 519	89 662	4 890	5 730
		(1)		
Write-down provision for inventories of finished goods	(494)	529)	(32)	(98)
Purchased goods	31 270	34 851	1 999	2 227
Write-down provision for inventories of purchased goods	(137)	(237)	(9)	(15)
Prepayments to suppliers	232	146	15	9
Total	161 258	175 857	10 306	11 239

Of the balance of inventories set out in the balance sheet as of 30.09.2003, inventories worth 5.4 million EEK (0.3 million EUR) are presented in their net realisable value, including 5.3 million EEK (0.3 million EUR) of finished goods and 0.1million EEK (0.01million EUR) of materials.

Note 4 Tangible and intangible assets

The group's nine months' investments in tangible assets amounted to 4 819 thousand EEK (308 thousand EUR), including 402 thousand EEK (26 thousand EUR) in buildings, 1 723 thousand EEK (110 thousand EUR) in production equipment, 1 388 thousand EEK (89 thousand EUR) in trade, and 501 thousand EEK (32 thousand EUR) in information technology. Acquisitions of other fixed assets amounted to 805 thousand EEK (51 thousand EUR) and included one motor car with a value of 463 thousand EEK (30 thousand EUR), acquired by financial lease.

The group sold fixed assets with an acquisition value of 1 345 thousand EEK (85 thousand EUR) and with a residual value of 150 thousand EEK (10 thousand EUR) during the accounting period.

The group wrote off fixed assets, mainly outdated IT equipment, with an acquisition value of 1506 thousand EEK (96 thousand EUR) and with a residual value of 20 thousand EEK (1 thousand EUR).

Tangible Fixed Assets movements in the Group in 9 months 2003

`000 EEK

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	Total
Acquisition cost 31.12.2002	3 004	73 868	73 060	41 333	6 251	63	197 579
Accumulated depreciation 31.12.2002	0	(15 809)	(56 514)	(16 875)	0	0	(89 198)
Residual value 31.12.2002	3 004	58 059	16 546	24 458	6 251	63	108 381
Acquired during the period	0	400	2 589	1 829	875	885	6 578
Sold during the period	0	0	(77)	(87)	0	0	(164)

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Written off during the period	0	0	0	(20)	0	0	(20)
Internal reclassification	0	(944)	0	944	(6 251)	0	(6 251)
Commissioned	0	0	0	0	0	(766)	(766)
Depreciation 2003	0	(4 239)	(4 957)	(5 921)	0	0	(15 117)
Foreign exchange differences	0	0	0	6	0	0	6
Acquisition cost 30.09.03	3 004	73 149	73 851	43 566	875	182	194 627
Accumulated depreciation 30.09.03	0	19 873	59 750	22 357	0	0	101 980
Residual value 30.09.03	3 004	53 276	14 101	21 209	875	182	92 647

'000 EUR

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	Total
Acquisition cost 31.12.2002	192	4 721	4 669	2 642	400	4	12 628
Accumulated depreciation 31.12.2002	0	(1 010)	(3 612)	(1 079)	0	0	(5 701)
Residual value 31.12.2002	192	3 711	1 057	1 563	400	4	6 927
Acquired during the period	0	26	165	117	56	57	420
Sold during the period	0	0	(5)	(6)	0	0	(10)
Written off during the period	0	0	0	(1)	0	0	(1)
Internal reclassification	0	(60)	0	60	(400)	0	(400)
Commissioned	0	0	0	0	0	(49)	(49)
Depreciation 2003	0	(271)	(317)	(378)	0	0	(966)
Foreign exchange differences	0	0	0	0	0	0	0
Acquisition cost 30.09.03	192	4 675	4 720	2 784	56	12	12 439
Accumulated depreciation 30.09.03	0	1 270	3 819	1 429	0	0	6 518
Residual value 30.09.03	192	3 405	901	1 355	56	12	5 921

See note 5 concerning pledged assets.

Intangible Assets movements in the Group in 9 months 2003

The investments made in tangible fixed assets during 9 months amounted to 11 148 thousand EEK (712 thousand EUR). In June AS Baltika commissioned new software in the amount of 8 578 thousand EEK (548 thousand EUR), which is presented as intangible fixed assets in the balance sheet. Great share of the work to implement the software was done in 2002 already.

New software was implemented in some subsidiaries in Latvia and Lithuania also.

'000 EEK

	Intangible assets	Prepayments for intangible assets	Uncapitalized intangible assets	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2002	6 475	992	0	2 337	(919)	8 885
Accumulated depreciation 31.12.2002	(2 633)	0	0	(1 790)	459	(3 964)
Residual value 31.12.2002	3 842	992	0	547	(460)	4 921
Acquired during the period	11 149	0	3 265	0	0	14 414

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Sold during the period	0	0	0	0	0	0
Internal reclassification	0	0	6 251	0	0	6 251
Commissioned	0	(992)	(9 516)	0	0	(10 508)
Depreciation 2003	(1 434)	0	0	0	0	(1 434)
Amortization of positive goodwill	0	0	0	(143)	0	(143)
Amortization of negative goodwill	0	0	0	0	345	345
Acquisition cost 30.09.03	17 562	0	0	2 337	(919)	18 980
Accumulated depreciation 30.09.03	(4 007)	0	0	(1 933)	804	(5 136)
Residual value 30.09.03	13 555	0	0	404	(115)	13 844

'000 EUR

	Intangible assets	Prepayments for intangible assets	Uncapitalized intangible assets	Positive goodwill	Negative goodwill	Total
Acquisition cost 31.12.2002	414	63	0	149	(59)	568
Accumulated depreciation 31.12.2002	(168)	0	0	(114)	29	(253)
Residual value 31.12.2002	246	63	0	35	(29)	315
Acquired during the period	713	0	209	0	0	921
Sold during the period	0	0	0	0	0	0
Internal reclassification	0	0	400	0	0	400
Commissioned	0	(63)	(608)	0	0	(672)
Depreciation 2003	(92)	0	0	0	0	(92)
Amortization of positive goodwill	0	0	0	(9)	0	(9)
Amortization of negative goodwill	0	0	0	0	22	22
Acquisition cost 30.09.03	1 122	0	0	149	(59)	1 213
Accumulated depreciation 30.06.03	(256)	0	0	(124)	51	(328)
Residual value 30.09.03	866	0	0	26	(7)	885

Amortization of intangible assets is reflected in the income statement under depreciation of fixed assets; amortization of goodwill is recorded under financial expenses and income.
Negative goodwill is recorded in the balance sheet as a negative intangible asset.

Note 5 Debt obligations

Short-term debt	'000 EEK		'000EUR	
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
Current portion of long-term debt	3 715	17 908	237	1 145
Short-term loans from banks	22 422	22 865	1 433	1 461
Short-term leasing liabilities	393	1 418	25	91
Convertible bonds	507	384	32	25
Commercial papers	67 500	48 058	4 314	3 071
Total	94 537	90 633	6 042	5 792

Long-term debt	'000 EEK		'000 EUR	
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
Long-term loans from banks	70 534	53 874	4 508	3 443

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Long-term leasing liabilities	1 863	1 595	119	102
Total	72 397	55 469	4 627	3 545

Bank loans (EEK '000)

Creditor	Loan debt 30.09.03	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	8 997	1 350	7 647	3 months Euribor+2,5%
Nordea Bank	10 314	937	9 377	6 months Euribor+2,5%
Hansabank	42 796	0	42 796	6 months EURIBOR + 2,25%
Hansabank	12 143	1 429	10 714	6 months EURIBOR + 2,35%
Hansabank (overdraft facility)	22 421	22 421	0	5,25
Total	96 671	26 137	70 534	

Bank loans ('000 EUR)

Creditor	Loan debt 30.09.03	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	575	86	489	3 months Euribor+2,5%
Nordea Bank	659	60	599	6 months Euribor+2,5%
Hansabank	2 735	0	2 735	6 months EURIBOR + 2,25%
Hansabank	776	91	685	6 months EURIBOR + 2,35%
Hansabank (overdraft facility)	1 433	1 433	0	5,25
Total	6 178	1 670	4 508	

During the accounting quarter, AS Baltika received a long-term (five-year) loan of EUR 575,000 from Nordea Bank, of which the short-term part as of the balance sheet date was 1 350 thousand EEK (86 thousand EUR).

In 2003, AS Baltika made loan repayments of 2 812 thousand EEK (180 thousand EUR) to Nordea Bank, including 937 thousand EEK (60 thousand EUR) during the accounting quarter. AS Baltika repaid 3 004 thousand EEK (192 thousand EUR) of its loan from Hansabank in 2003. AS Virulane has a long-term loan facility from Hansabank with a limit of 959 thousand EUR for financing the construction of a plant at Ahtme. During the accounting quarter, AS Virulane repaid 714 thousand EEK (45 thousand EUR) of the loan.

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The Hansabank loan contracts were revised in the second quarter to reduce the interest rates of the loans of AS Baltika and AS Virulane, and change the repayment terms for AS Baltika. The short-term part of the loan, 9 012 thousand EEK (576 thousand EUR) changed into a long-term liability on the balance sheet as a result.

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 40million 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 25million EEK (1.6 million EUR). As of 30 September 2003, the overdraft facility had been used to the extent of 22.4 million EEK (1.4 million EUR).

The group's interest expenses during the first nine months of 2003 amounted to 5 869 thousand EEK (375 thousand EUR); the respective amount for the same period of 2002 was 6 454 thousand EEK (412 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 management of the company had the right to subscribe for the convertible bonds. Each bond entitles the holder to subscribe for one share in Baltika with the nominal value of EEK 10.00.

Bond subscription terms:

- 192,000 A-bonds by 15 April 2001 at the latest;
- 192,000 B-bonds by 15 April 2002 at the latest;
- 192,000 C-bonds by 15 April 2003 at the latest.

As a result of the subscription, the share capital of AS Baltika may be increased by a maximum of 576,000 new shares, that is a maximum of EEK 5,760,000.

Share subscription terms:

- for A-bonds from 1 May 2002 to 1 May 2004;
- for B-bonds from 1 May 2003 to 1 May 2005;
- for C-bonds from 1 May 2004 to 1 May 2006.

The redemption price of the shares in the first year was EEK 25 per share. In the following two years, the redemption price of the shares is the weighted average trading price of the Baltika share on the Tallinn Stock Exchange from 1 January to 31 March 2002 in the case of B-bonds (EEK 34.32; EUR 2.19), and from 1 January to 31 March 2003 in the case of C-bonds (EEK 37.57; EUR 2.40). No interest accrues on the bonds until the maturity date.

In April 2003, subscriptions were made for 192,000 C-bonds, which have been 100% paid for. B-bonds are freely transferable since May 2003 and entail the right to subscribe for shares at a price of EEK 34.32 per share.

According to the bond conditions, an employee who leaves the company within a year must sell the bonds back to the company. 14,000 bonds have been redeemed in 2003.

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The owners of 55,000 A-bonds have wished to exercise their share subscription rights in 2003. According to the intent of the owners, the management board decided to increase the share capital of AS Baltika by 55,000 shares. After the increases of the share capital, the amount of the share capital is EEK 54,994,500, consisting of 5,499,450 shares with a nominal value of EEK 10. The premium of the transaction was EEK 592,500 (EUR 37,868).

Distribution of convertible bonds:

	30.09.2003			31.12.2002		
	Quantity	Sum EEK	Sum EUR	Quantity	Sum EEK	Sum EUR
Members of management board	327,500	327,500	20,931	236,000	236,000	15,083
Other management	185,500	185,500	11,856	134,500	134,500	8,596
Third parties	4,000	4,000	256	13,500	13,500	863
Baltika	4,000	4,000	256	0	0	0
Redeemed by Baltika	(14,000)	(14,000)	(895)	0	0	0
Total	507,000	507,000	32,403	384,000	384,000	24,542

Closed issue of bonds

In 2002, AS Baltika issued zero coupon rate bonds during a closed bond issue that lasted for 365 days; the maturity date was 14 October 2003. The issue totalled 50 million EEK (3.2 million EUR). The bonds had been redeemed by the date of the interim report.

On 26 September 2003, AS Baltika made a placing of bonds in an amount of 17.5 million EEK (1.1million EUR). The maturity date of the bonds is 17 March 2006 and their coupon interest is 7.0%. The initial distribution of the bonds took place in the course of a private placement and the underwriter was Hansapank.

The bonds will be listed on the Tallinn Stock Exchange within six months.

The proceeds will be used to redeem the commercial papers of 14 October 2003.

The debt obligation is not secured.

	Quantity	Nominal EEK	Sum EEK	Selling price	Yield %	Maturity
Commercial papers	5,000	10,000	50,000,000	9,522.11	4.95	14.10.2003
Commercial papers	1,750	10,000	17,500,000	9,873.69	7.5	17.03.2006
			67,500,000			

	Quantity	Nominal EEK	Sum EEK	Selling price	Yield %	Maturity
Commercial papers	5,000	639	3,195,574	609	4.95	14.10.2003
Commercial papers	1,750	639	1,118,451	631	7.5	17.03.2006
			4,314,025			

Note 7 Owner's equity

Share capital

	30.09.2003	31.12.2002
Share capital (EEK '000)	54 995	54 444
Number of shares (pc)	5 499 450	5 444 450
Nominal value of shares (EEK)	10.00	10.00

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	<u>30.09.2003</u>	<u>31.12.2002</u>
Share capital (EUR '000)	3 515	3 480
Number of shares (pc)	5 499 450	5 444 450
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.

The owners of 55,000 A-bonds have wished to exercise their share subscription rights in 2003. According to the intent of the owners, the management board decided to increase the share capital of AS Baltika by 55,000 shares. After the increases of the share capital, the amount of the share capital is EEK 54,994,500, consisting of 5,499,450 shares with a nominal value of EEK 10. The premium of the transaction was EEK 592,500 (EUR 37,868).

Retained earnings

Retained earnings amounted to 20 543 thousand EEK (1 313 thousand EUR) as of 30 September 2003 and 49 857 thousand EEK (3 186 thousand EUR) as of 30 September 2002.
The general meeting of shareholders of 22 May decided not to distribute the profit for 2002 and to transfer it to retained earnings.

Note 8 Segments

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

'000 EEK

	Retail trade	Production and wholesale	Intersegmental transactions	TOTAL
Extra-group sales	227 055	138 182		365 237
Intersegmental sales	0	180 136	(180 136)	
Total sales	227 055	318 318	(180 136)	365 237
Operating profit of the segment	(23 034)	19 355	0	(3 679)
Indivisible expenses				(20 574)
Total operating profit				(24 253)
Other financial income				546
Other financial expenses				(6 161)
Income tax				(21)
Profit before minority shareholding				(29 889)
Minority shareholding				506
Net profit				(30 395)
Assets	143 001	247 453	(10 056)	380 398
Indivisible assets of the group				11 149
Total assets				391 547
Liabilities	112 044	68 109	(104 293)	75 860
Indivisible liabilities of the group				167 336
Total liabilities				243 196

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Acquisition of fixed assets in the accounting period	3 539	12 428	15 967
Depreciation in the accounting period	8 889	7 664	16 553
Other major non-monetary expenses		(1 685)	(1 685)

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

'000 EUR

	Retail trade	Production and wholesale	Intersegmental transactions	TOTAL
Extra-group sales	14 511	8 831		23 343
Intersegmental sales	0	11 513	(11 513)	0
Total sales	14 511	20 344	(11 513)	23 343
Operating profit of the segment	(1 472)	1 237	0	(235)
Indivisible expenses				(1 315)
Total operating profit				(1 550)
Other financial income				35
Other financial expenses				(394)
Income tax				(1)
Profit before minority shareholding				(1 910)
Minority shareholding				32
Net profit				(1 943)
Assets	9 139	15 815	(643)	24 312
Indivisible assets of the group				713
Total assets				25 024
Liabilities	7 161	4 353	(6 666)	4 848
Indivisible liabilities of the group				10 695
Total liabilities				15 543
Acquisition of fixed assets in the accounting period	226	794	0	1 020
Depreciation in the accounting period	568	490	0	1 058
Other major non-monetary expenses	0	(108)	0	(108)

Business Segment Report by areas of operation for 9 months 2002 - Primary

'000 EEK

	Retail trade	Production and wholesale	Intersegmental transactions	TOTAL
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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
Operating profit of the segment	12 172	14 456	0	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		46 749
Depreciation in the accounting period	5 697	8 890		14 587
Other major non-monetary expenses				6 126

Business Segment Report by areas of operation for 9 months 2002 - Primary

'000 EUR

	Retail trade	Production and wholesale	Intersegmental transactions	TOTAL
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
Minority shareholding				100

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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	0	0	0	392

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 factory shops of the production enterprises 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 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.

Other significant non-monetary expenses are the expenses arising from the write-down of inventories and doubtful accounts.

Sales and assets by Geographical segment – Secondary

<u>'000 EEK</u>	Sales		Fixed assets		Other assets	
	9 months 2003	9 months 2002	30.09.03	30.09.02	30.09.03	30.09.02
Estonia	94 525	94 334	77 963	83 046	204 987	204 485
Latvia	40 261	34 646	3 745	1 293	9 553	8 137
Lithuania	56 417	50 697	6 878	7 986	16 523	21 214
Russia	29 020	43 851	0	0	0	0
The Ukraine	45 268	40 932	5 444	5 011	27 133	28 410
Finland	33 074	47 579	394	0	3 877	3 016
Sweden	17 947	16 599	102	156	1 007	2 685
England	12 630	12 790	0	0	0	0
Poland	35 079	18 440	11 965	8 550	21 976	16 436
Other markets	1 016	1 513	0	0	0	0
Total	365 237	361 381	106 491	106 042	285 056	284 383

<u>'000 EUR</u>	Sales		Fixed assets		Other assets	
	9 months 2003	9 months 2002	30.09.03	30.09.02	30.09.03	30.09.02
Estonia	6 041	6 029	4 983	5 308	13 101	13 069
Latvia	2 573	2 214	239	83	611	520
Lithuania	3 606	3 240	440	510	1 056	1 356

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Russia	1 855	2 803	0	0	0	0
The Ukraine	2 893	2 616	348	320	1 734	1 816
Finland	2 114	3 041	25	0	248	193
Sweden	1 147	1 061	7	10	64	172
England	807	817	0	0	0	0
Poland	2 242	1 179	765	546	1 405	1 050
Other markets	65	97	0	0	0	0
Total	23 343	23 096	6 806	6 777	18 218	18 175

Fixed assets include either tangible or intangible fixed assets.

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

		30.09.03	30.09.02
Weighted average number of shares	pc	5 478 839	4 835 803
Net profit/loss	'000 EEK	(30 395)	5 716
	'000 EUR	(1 943)	365
Basic earnings per share	EEK	(5,55)	1,18
	EUR	(0,35)	0,08

Diluted earnings per share

		30.09.03	30.09.02
Weighted average number of shares	pc	5 478 839	4 835 803
Net profit (loss)	'000 EEK	(30 395)	5 716
	'000 EUR	(1 943)	365
Diluted earnings per share	EEK	(5,55)	1,17
	EUR	(0,35)	0,07

The diluted net profit for 2002 was calculated, taking into account the 384,000 convertible bonds issued under the management share option programme in 2001–2002, which entitle the holder to convert the bonds for the same number of Baltika shares.

The average market price of the Baltika share in the first nine months of 2003 was EEK 32.73 (EUR 2.09); the first nine months' average in 2002 was EEK 35.26 (EUR 2.25).

Note 10 Related parties

Goods worth 2 809 thousand EEK (180 thousand EUR) were purchased from OÜ Maisan, a company controlled by a member of the management board, during the first nine months of 2003.

Sewing services were sold to and purchased from The Major Oak Clothing Co, a company controlled by a member of the supervisory board, for 12 689 thousand EEK (811 thousand EUR) and 509 thousand EEK (33 thousand EUR), respectively, during the first nine months of 2003. The respective amounts in the first nine months of 2002 were 12 836 thousand EEK (820 thousand EUR) and 710 thousand EEK (45 thousand EUR).

The subsidiaries AS Virulane, AS Elina STC and OÜ Baltman are bound by the group account agreement of AS Baltika. The group uses an overdraft facility with a limit of 25million EEK via the group account. The users of the group account bear joint and several liability for performance of the group account agreement.

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Liabilities and Receivables of Parent Company to/from Subsidiaries:

	`000 EEK		`000 EUR	
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
Liabilities	10 056	9 474	643	605
Receivables	104 293	109 636	6 666	7 007