



AS BALTIKA

consolidated interim report for the first quarter of 2004

Commercial name	AS Baltika
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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

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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 May 14th, 2004

AS Baltika consolidated interim report for the first 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 in the first quarter of 2004 were EEK 130,62m (EUR 8,35m) and the net profit was EEK 0,59m (EUR 0,04m). Compared to the same period of 2003, the net sales increased by 14.76% (net sales EEK 113.8m, EUR 7.27m, respectively). The first quarter of 2003 was ended with a loss of EEK 19.97m (EUR 1.28m); the result for the first quarter of 2004 was better by EEK 20.56m (EUR 1.31m).

Sales

Retail sales

Based on the sales of its three retail brands, the retail sales result of Baltika for the first quarter was EEK 79.26m (EUR 5.07m), which exceeds the result of the same period of the previous year by 18% (retail sales EEK 67.39m, EUR 4.31m, respectively). Retail sales formed 60.68% of the total sales in the first quarter, compared to 59.2% in the same period of the previous year.

Baltika continues to develop the brands it has launched on the market. 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 14,58m (EUR 0.93m), totalling EEK 25,68m (EUR 1.64m). The results were the best on the Estonian, Latvia, Lithuanian, and Ukrainian markets.

Monton accounted for 63% of the volume in the company's retail system (78% in the previous year); sales amounted to EEK 50m (EUR 3.20m) in the first quarter. Monton sales have increased by over 5% in the Baltic countries. In Poland and Ukraine the rate of sales of previous period was not achieved.

Baltika Group had 71,800 regular customers at the end of the quarter (growth during the quarter 11.9%), including 50,700 members of the Monton customer programme (growth 9.2%), 17,000 CHR/Evermen regular customers (growth 19.3%), and 4,100 Baltman customers (growth 14.5%).

Baltika Group had 10,000 m² of its own shop selling space (67 shops) in Estonia, Latvia, Lithuania, the Ukraine, Poland, and Sweden at the end of March, and a total of 10,966 m² (76 shops) including controlled retail spaces. Four inefficient shops were closed in the system during the first quarter (two in Estonia, one in Lithuania and Poland each), and five new shops were opened (three in Lithuania and two in the Ukraine).

Wholesale

The wholesale sales of own products in the first quarter, of which the CHR/Evermen and Baltman brands accounted for 71.6%, totalled EEK 39.53m (EUR 2.53m), which is EEK 10.33m (EUR 0.66m) more than in the same period of the previous year (sales EEK 29.2m, EUR 1.87m, respectively).

Sales of subcontracted production

The sales volumes of subcontracted production decreased by 28% in the first quarter. Subcontracting sales of the quarter totalled EEK 11.53m (EUR 0.74m); sales in the same period of the previous year amounted to EEK 16,05m (EUR 1,03m). 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.

Financial results

The consolidated net profit of Baltika in the first quarter of 2004 was EEK 0.59m (EUR 0.04m). The net loss for the same period of the previous year was EEK 19.97m (EUR 1.28m).

The first quarter's result was mainly influenced by more successful discount periods in the retail system in January and February, which is why the spring season sales could begin earlier than in the previous year. This had a positive impact on the retail margin and yielded a higher retail income in the entire system.

Higher retail margins were further supported by a 18% retail sales growth and a 35% wholesale growth. In connection with the continuous growth of the retail system, operating expenses increased in the compared period on the account of lease and labour expenses. The cost reduction programme launched in 2003 continued at the same time. As a result, the operating and labour expenses of the markets and the centre decreased by EEK 3.48m (EUR 0.22m) in the first quarter of 2004, compared to the fourth quarter of 2003.

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The quarter's result was also influenced by the strong dollar; foreign exchange gains totalled EEK 1,8m (EUR 0.12m).

Balance sheet

The consolidated balance sheet total of Baltika was EEK 339.3m (EUR 21.69m) as of 31 March 2004; the decreased compared to the beginning of the year was EEK 9,94m (EUR 0,63m).

Accounts receivable increased by EEK 12m (EUR 0.77m) since the beginning of the year, caused by the increased wholesale.

The inventories of goods in the system totalled EEK 148.4m (EUR 9.48m), having decreased by EEK 2,0m (EUR 0,13m) compared to the beginning of the year and by EEK 17,1m (EUR 1,1m) compared to the first quarter of the previous year.

Compared to the beginning of the year, debts have decreased by EEK 1.37m (EUR 0.09m) and accounts payable have increased by EEK 3.4m (EUR 0.22m).

Cash flow

The cash flow from operating activities was EEK +1,41m (EUR +0.09m) in the first quarter, compared to EEK +3,8m (EUR +0.24m) in the same period of the previous year.

As of 31 March 2004, Baltika Group employed 1693 people, including 1050 in production and 485 in retail sale; 340 people worked outside Estonia. Compared to the beginning of the year, the number of employees has decreased by 21 people.

The main ratios of the group were:

	31 March 2004	31 March 2003
Sales growth % in the quarter	14.76	-8.4
Percentage of retail sales in net sales	60.68	59.5
Number of shops	76	68
Retail selling area (m ²)	10,966	10,101
Markets managed via own retail trade organizations	6	6
Operating income / net sales, %	1.94	-15.5
Net profit / net sales, %	0.4	-17.5
Net sales / 12 months' average inventories	3,25	2,83
Return on equity (12 months' net profit / 12 months' average equity), %	-36,1	-13,4
Return on assets (12 months' net profit / 12 months' average assets)	-13,7	-5,7

Ülle Järv

The Member of the Management Board

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Balance sheet

EEK thousand	Note	31.03.2004	31.03.2003	31.03.2003	31.12.2003	31.12.2003
ASSETS						
Current assets			proforma		proforma	
Cash and bank		9 012	9 099	9 099	12 836	12 836
Held for trading investments	1	545	542	542	377	377
Customer receivables	2	57 727	55 338	55 338	45 727	45 727
Other receivables and prepaid expenses		16 253	17 360	17 360	13 822	13 822
Inventories	3	148 396	165 532	168 028	150 424	147 846
Total current assets		231 933	247 871	250 367	223 186	220 608
Non-current assets						
Other long-term assets		8 172	6 043	6 043	5 394	5 394
Tangible fixed assets	4	85 871	96 446	98 491	87 017	89 741
Intangible assets	4	13 337	12 189	12 241	13 779	13 851
Total non-current assets		107 380	114 678	116 775	106 190	108 986
TOTAL ASSETS		339 313	362 549	367 142	329 376	329 594
Liabilities						
Debt obligations	5	67 969	88 249	88 249	69 336	69 336
Customer prepayments		118	119	119	260	260
Trade payables		57 354	40 765	40 765	53 939	53 939
Other tax liabilities		13 374	7 775	7 775	10 634	10 634
Accrued expenses		13 337	11 164	11 164	10 515	10 515
Total current liabilities		152 152	148 072	148 072	144 684	144 684
Non-current liabilities						
Long-term debt		69 482	55 737	55 737	69 482	69 482
Deferred tax liabilities		45	139	141	45	32
Total non-current liabilities		69 527	55 876	55 878	69 527	69 514
TOTAL LIABILITIES		221 679	203 948	203 950	214 211	214 198
Minority interest		7 420	7 024	7 024	7 119	7 119
OWNER'S EQUITY	7	110 214	151 577	156 168	108 046	108 277
Share capital (par value)		54 994	54 599	54 599	54 994	54 994
Share premium		42 491	41 898	41 898	42 490	42 490
Statutory legal reserv		22 884	22 885	22 885	22 885	22 885
Retained earnings		(16 508)	50 938	50 938	50 939	50 939
Net (loss) profit for the year		586	(19 974)	(14 152)	(67 447)	(63 031)
Foreign exchange differences		5 767	1 231	0	4 185	0
TOTAL LIABILITIES AND OWNER'S EQUITY		339 313	362 549	367 142	329 376	329 594

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Balance sheet

EUR thousand	Note	31.03.2004	31.03.2003 proforma	31.03.2003	31.12.2003 proforma	31.12.2003
ASSETS						
Current assets						
Cash and bank		576	582	582	820	820
Held for trading investments	1	35	35	35	24	24
Customer receivables	2	3 689	3 537	3 537	2 922	2 922
Other receivables and prepaid expenses		1 039	1 110	1 110	883	883
Inventories	3	9 484	10 579	10 739	9 614	9 449
Total current assets		14 823	15 842	16 001	14 264	14 099
Non-current assets						
Other long-term assets		522	386	386	345	345
Tangible fixed assets	4	5 488	6 164	6 295	5 561	5 735
Intangible assets	4	852	779	782	881	885
Total non-current assets		6 863	7 329	7 463	6 787	6 965
TOTAL ASSETS		21 686	23 171	23 465	21 051	21 065
LIABILITIES						
Current liabilities						
Debt obligations	5	4 344	5 640	5 640	4 431	4 431
Customer prepayments		8	8	8	17	17
Trade payables		3 666	2 605	2 605	3 447	3 447
Other tax liabilities		855	497	497	680	680
Accrued expenses		852	714	714	672	672
Total current liabilities		9 724	9 464	9 464	9 247	9 247
Non-current liabilities						
Long-term debt		4 441	3 562	3 562	4 441	4 441
Deferred tax liabilities		3	9	9	3	2
Total non-current liabilities		4 444	3 571	3 571	4 444	4 443
TOTAL LIABILITIES		14 168	13 035	13 035	13 691	13 690
Minority interest		474	449	449	455	455
OWNER'S EQUITY						
OWNER'S EQUITY	7	7 044	9 688	9 981	6 905	6 920
Share capital (par value)		3 515	3 490	3 490	3 515	3 515
Share premium		2 716	2 678	2 678	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	3 256	3 256
Net (loss) profit for the year		37	(1 277)	(904)	(4 311)	(4 028)
Foreign exchange differencies		369	79	0	267	0
TOTAL LIABILITIES AND OWNER'S EQUITY		21 686	23 171	23 465	21 051	21 065

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Income statement

EEK thousand	Note	IQ 2004	IQ 2003 proforma	IQ 2003
Revenue				
Net sales	8	130 618	113 814	112 563
Other revenue		2 335	112	112
Total revenue		132 953	113 926	112 675
Expenses				
Materials, raw materials and services		(40 821)	(40 960)	(41 365)
Change in inventories		(5 814)	(3 823)	(3 823)
Other operating expenses		(35 520)	(32 560)	(32 532)
Personnel expenses		(42 406)	(40 140)	(40 141)
Depreciation of fixed assets	4	(5 500)	(6 041)	(6 144)
Other expenses		(359)	(8 018)	(469)
Total expenses		(130 420)	(131 542)	(124 474)
Operating profit (loss)		2 533	(17 616)	(11 799)
Financial income		194	142	594
Financial expenses		(1 840)	(2 524)	(2 520)
Profit (loss) before taxes		887	(19 998)	(13 725)
Income tax expense		0	0	0
Profit (loss) before minority interest		887	(19 998)	(13 725)
Minority interest		301	(24)	427
Net profit (loss)		586	(19 974)	(14 152)
Basic earnings per share (EEK)	9	0,11	(3,66)	(2,59)
Diluted earnings per share (EEK)	9	0,10	(3,66)	(2,59)

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Income Statement

EUR thousand	Note	IQ 2004	IQ 2003 proforma	IQ 2003
Revenue				
Net sales	8	8 348	7 274	7 194
Other revenue		149	7	7
Total revenue		8 497	7 281	7 201
Expenses				
Materials, raw materials and services		(2 609)	(2 618)	(2 644)
Change in inventories		(372)	(244)	(244)
Other operating expenses		(2 270)	(2 081)	(2 079)
Personnel expenses		(2 710)	(2 565)	(2 565)
Depreciation of fixed assets	4	(352)	(386)	(393)
Other expenses		(23)	(512)	(30)
Total expenses		(8 335)	(8 407)	(7 955)
Operating profit (loss)		162	(1 126)	(754)
Financial income		12	9	38
Financial expenses		(118)	(161)	(161)
Profit (loss) before taxes		57	(1 278)	(877)
Income tax expense		0	0	0
Profit (loss) before minority interest		57	(1 278)	(877)
Minority interest		19	(2)	27
Net profit (loss)		37	(1 277)	(904)
Basic earnings per share (EUR)	9	0,01	(0,23)	(0,16)
Diluted earnings per share (EUR)	9	0,01	(0,23)	(0,16)

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**Cash flow statement
(indirect method)**

EEK thousand

Operating activities	Note	3 months 2004	3 months 2003 proforma
Operating profit (loss)		2 533	(17 616)
Adjustment for depreciation	4	5 500	6 041
Profit from the sale of fixed assets		(343)	(70)
Change in receivables		(15 958)	(5 550)
Change in inventories	3	2 028	11 931
Change in payables		8 976	11 313
Interests paid		(1 372)	(2 224)
Income tax paid		(2)	(3)
Cash flow from operating activities		1 362	3 822
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(3 787)	(3 541)
Sale of fixed assets		361	73
Interests received		19	37
Repayments of loans granted		3	2
Other financial income/expenses		0	492
Cash flow from investing activities		(3 349)	(2 474)
Financing activities			
Repayment of loans	5	(2 391)	(3 941)
Loans received	5	968	2 144
Finance lease and installments payments		(414)	(454)
Receipts from contributions into share capital		0	372
Proceeds from repurchase of convertible bonds		(6)	(4)
Cash flow from financing activities		(1 843)	(1 883)
Foreign exchange differences		6	(376)
Total cash flows		(3 824)	(911)
Opening cash and equivalents balance		12 836	10 010
Closing cash and equivalents balance		9 012	9 099

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**Cash flow statement
(indirect method)**

EUR thousand

Operating activities	Note	3 months 2004	3 months 2003 proforma
Operating profit (loss)		162	(1 126)
Adjustment for depreciation	4	352	386
Profit from the sale of fixed assets		(22)	(4)
Change in receivables		(1 020)	(355)
Change in inventories	3	130	763
Change in payables		574	723
Interests paid		(88)	(142)
Income tax paid		(0)	(0)
Cash flow from operating activities		87	244
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(242)	(226)
Sale of fixed assets		4	30
Interests received		23	5
Repayments of loans granted		1	2
Other financial income/expenses		0	0
Cash flow from investing activities		(214)	(158)
Financing activities			
Repayment of loans	5	(153)	(252)
Loans received	5	62	137
Finance lease and installments payments		(26)	(29)
Receipts from contributions into share capital		0	24
Proceeds from repurchase of convertible bonds		(0)	(0)
Cash flow from financing activities		(118)	(120)
Foreign exchange differences		(0)	(24)
Total cash flows		(244)	(58)
Opening cash and equivalents balance		820	640
Closing cash and equivalents balance		576	582

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Statement of Changes in Equity (EEK 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	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	155	233	0	0	0	0	388
Net profit for the accounting period	0	0	0	0	(19 974)	1 231	(18 743)
Balance per 31.03.2003	54 599	41 898	22 885	50 938	(19 974)	1 231	151 577
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
Net profit for the accounting period	0	0	0	0	586	0	586
Foreign exchange changes of consolidation	0	0	0	0	0	1 582	1 582
Balance per 31.03.2004	54 994	42 490	22 885	(16 508)	586	5 767	110 214

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Statement in Changes in Equity (EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Profit/loss for the accounting period	Foreign exchange differences 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	10	15	0	0	0	0	25
Net profit for the accounting period	0	0	0	0	(1 277)	79	(1 198)
Balance per 31.03.2003	3 490	2 678	1 463	3 256	(1 277)	79	9 688
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
Net profit for the accounting period	0	0	0	0	37	0	37
Foreign exchange differences of consolidation	0	0	0	0	0	101	101
Balance per 31.03.2004	3 515	2 716	1 463	(1 055)	37	369	7 044

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Short characteristics of the 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 31.03.2004, the group had 1,693 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.

As of 31.03.2004 the Group comprises the following companies:

	Country of location	Participation 31.03.2004	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 %

Accounting principles and valuation assumptions used in preparing 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 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 quarter of 2003 on the group's results was an additional net loss of EEK 5.8m (EUR 0.37m), whereas operating expenses increased by EEK 7.5m (EUR 0.48m) due to foreign exchange impacts.

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According to the assessment of the management board, the 1st 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 = 15.64664 EEK.

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NOTES TO CONSOLIDATED INTERIM REPORT

Note 1 Short-term shares and securities

'000 EEK

	31.03.2004		31.12.2003	
	Quantity	Fair value	Quantity	Fair value
Shares of AS Tallinna Kaubamaja	5 160	545	5 160	377

'000 EUR

	31.03.2004		31.12.2003	
	Quantity	Fair value	Quantity	Fair value
Shares of AS Tallinna Kaubamaja	5 160	35	5 160	24

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	
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Accounts receivable	58 913	46 922	3 765	2 999
Doubtful accounts	(1 186)	(1 195)	(76)	(76)
Total	57 727	45 727	3 689	2 922

Accounts receivable are carried at nominal value minus discounts.

In evaluating trade receivables, each receivable has been treated separately. Doubtful accounts were not expensed during the accounting quarter. Doubtful accounts expensed in previous periods have been recovered in the amount of 9 thousand EEK (0,6 thousand EUR).

Accounts known to be uncollectible are written off the balance sheet. During the accounting quarter there were no uncollectible receivables.

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.

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Note 3 Inventories of finished goods and materials

	'000 EEK		'000 EUR	
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Raw materials (fabric, accessories, material on the way)	36 469	49 571	2 331	3 168
Write-down provision for inventories of material	(1 130)	(1 335)	(72)	(85)
Work in progress	14 441	12 837	923	820
Finished goods and purchased goods (warehouses, stores)	109 379	105 366	6 991	6 734
Write-down provision for inventories of finished goods	(11 505)	(17 032)	(735)	(1 089)
Prepayments to suppliers	742	1 017	47	65
Total	148 396	150 424	9 484	9 614

Note 4 Tangible and intangible assets

The group's three months' investments in tangible assets amounted to 3 779 thousand EEK (242 thousand EUR), including 271 thousand EEK (17 thousand EUR) in production equipment, 3 335 thousand EEK (213 thousand EUR) in trade, and 173 thousand EEK (11 thousand EUR) in information technology. Tangible asset in the acquisition cost of 55 thousand EEK (3,5 thousand EUR) was acquired on financial lease conditions.

The group sold fixed assets with an acquisition value of 568 thousand EEK (36 thousand EUR). The group wrote off fixed assets, mainly outdated production and IT equipment, with an acquisition value of 327 thousand EEK (21 thousand EUR) and with a residual value of 6 thousand EEK (0,4 thousand EUR).

Tangible Fixed Assets movements in the Group in 3 months 2004

'000 EEK	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	Total
Acquisition cost 31.12.2003	3 004	72 107	70 444	41 954	0	224	187 733
Accumulated depreciation 31.12.2003	0	(22 164)	(57 680)	(20 872)	0	0	(100 716)
Residual value 31.12.2003	3 004	49 943	12 764	21 082	0	224	87 017
Acquired during the period	0	1 420	475	1 884	30	0	3 809
Sold during the period	0	0	0	0	0	0	0
Written off during the period	0	(1)	(3)	(2)	0	0	(6)
Reclassification	0	0	0	0	0	(224)	(224)
Depreciation 2004	0	(1 204)	(1 592)	(2 103)	0	0	(4 899)
Foreign exchange differences	0	24	16	134	0	0	174
Acquisition cost 31.03.2004	3 004	73 521	70 571	43 288	30	0	190 414
Accumulated depreciation 31.03.2004	0	23 339	58 911	22 293	0	0	104 543
Residual value 31.03.04	3 004	50 182	11 660	20 995	30	0	85 871

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'000 EUR

	Land	Buildings, facilities	Plant and equipment	Other fixtures	Facilities under construction	Pre-payments	Total
Acquisition cost 31.12.2003	192	4 608	4 502	2 681	0	14	11 998
Accumulated depreciation 31.12.2003	0	(1 417)	(3 686)	(1 334)	0	0	(6 437)
Residual value 31.12.2003	192	3 192	816	1 347	0	44	5 561
Acquired during the period	0	91	30	120	2	0	243
Sold during the period	0	0	0	0	0	0	0
Written off during the period	0	0	0	0	0	0	0
Internal reclassification	0	0	0	0	0	(14)	(14)
Depreciation 2004	0	(77)	(102)	(134)	0	0	(313)
Foreign exchange differences	0	2	1	9	0	0	11
Acquisition cost 31.03.2004	192	4 699	4 510	2 767	2	0	12 170
Accumulated depreciation 31.03.2004	0	1 492	3 765	1 425	0	0	6 681
Residual value 31.03.2004	192	3 207	745	1 342	2	0	5 488

See note 5 concerning pledged assets.

Intangible Assets movements in the Group in 3 months 2004

The investments made in new software during 3 months amounted to 202 thousand EEK (13 thousand EUR).

Intangible assets with an acquisition value of 899 thousand EEK (57 thousand EUR) and with a residual value of 4 thousand EEK were wrote 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	202	0	0	202
Written off during the period	(4)	0	0	0
Depreciation 2004	(601)	(48)	0	(649)
Acquisition cost 31.03.2004	17 312	1 742	(919)	18 135
Accumulated depreciation 31.03.2004	(4 284)	(1 434)	919	(3 799)
Residual value 31.03.2004	13 028	308	0	13 336

'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	13	0	0	13

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Written off during the period	0	0	0	0
Depreciation 2004	(38)	(3)	0	(41)
Acquisition cost 31.12.2003	1 106	111	(59)	1 159
Accumulated depreciation 31.12.2003	(274)	(92)	59	(241)
Residual value 31.12.2003	833	20	0	852

Note 5 Debt obligations

Short-term debt	'000 EEK		'000 EUR	
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Current portion of long-term debt	13 064	15 455	835	988
Short-term loans from banks	35 606	34 638	2 276	2 214
Short-term leasing liabilities	939	1 298	60	83
Convertible bonds	501	507	32	32
Commercial papers	17 859	17 438	1 141	1 114
Total	67 969	69 336	4 344	4 431

Long-term debt	'000 EEK		'000 EUR	
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Long-term loans from banks	68 917	68 917	4 405	4 405
Long-term leasing liabilities	565	565	36	36
Total	69 482	69 482	4 441	4 441

Bank loans (EEK '000)

Creditor	Loan debt 31.03.04	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	8 547	1 350	7 197	3 months Euribor+2,5%
Nordea Bank	9 377	3 749	5 628	6 months Euribor+2,5%
Hansabank	53 343	5 822	47 521	6 months EURIBOR + 2,25%
Hansabank	11 000	11 000	0	4,5%
Hansabank	10 714	2 143	8 571	6 months EURIBOR + 2,35%
Hansabank (overdraft facility)	24 606	24 606	0	4,5%
Total	117 587	48 670	68 917	

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Bank loans ('000 EUR)

Creditor	Loan debt 31.03.2004	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	546	86	460	3 months Euribor+2,5%
Nordea Bank	599	240	360	6 months Euribor+2,5%
Hansabank	3 409	372	3 037	6 months EURIBOR + 2,25%
Hansabank	703	703	0	4,5%
Hansabank	685	137	548	6 months EURIBOR + 2,35%
Hansabank (overdraft facility)	1 573	1 573	0	4,5%
Total	7 515	3 111	4 405	

During the accounting quarter AS Baltika made loan repayments of 450 thousand EEK (29 thousand EUR) to Nordea Bank and 1 941 thousand EEK (124 thousand EUR) to Hansabank.

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 31.03.2004, the overdraft facility had been used to the extent of 24.6 million EEK (1,6 million EUR).

The group's interest expenses during the first three months of 2004 amounted to 1 792 thousand EEK (114,5 thousand EUR); the respective amount for the same period of 2003 was 2 091 thousand EEK (134 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.

3 types of convertible bonds in total number of 576 000 were issued as follows:

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	Issue date	Issue price (value) (in EEK thousand)	Bond conversion period	Converted into shares (in EEK thousand)	Redeemed (in EEK thousand)	Convertible bonds 31.03.2004 (in EEK thousand)
A-bond	01.05.2001	192	01.05.2002- 01.05.2004	55	0	137
B-bond	01.05.2002	192	01.05.2003- 01.05.2005	0	3	189
C-bond	01.05.2003	192	01.05.2004- 01.05.2006	0	17	175
Total		576		55	20	501

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.

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 the bond conditions, an employee who leaves the company within a year must sell the bonds back to the company. 6 000 bonds have been redeemed in the first quarter of 2004.

Closed issue of bonds

	Quantity	Nominal EEK	Issue price	Balance 31.03.2004	Coupon rate %	Maturity
Bonds	1 750	10 000	9 873,69	17 859	7,0	17.03.2006

	Quantity	Nominal EEK	Issue price	Balance 31.03.2004	Coupon rate %	Maturity
Bonds	1 750	639	631,04	1 141	7,0	17.03.2006

On 26 September 2003, AS Baltika issued bonds in an amount of 17.5 million EEK (1.1million EUR). The maturity date of the bonds is 17 March 2006. Coupon rate is 7.0% and payment dates March 17, 2005 and March 17, 2006. Effective interest rate is about 7,8%. The bonds are unsecured.

Note 7 Owner's equity

Share capital

	31.03.2004	31.12.2003
Share capital (EEK '000)	54 995	54 995
Number of shares (pc)	5 499 450	5 499 450
Nominal value of shares (EEK)	10.00	10.00
	31.03.2004	31.12.2003
Share capital (EUR '000)	3 515	3 515
Number of shares (pc)	5 499 450	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.

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The general meeting of shareholders on April 30, 2004 decided to transfer the loss for 2003 to retained earnings.

Note 8 Segments

Business Segment Report by areas of operation for 3 months 2004 - Primary

'000 EEK

	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	79 519	51 099		130 618
Intersegmental sales	0	85 165	(85 165)	0
Total sales	79 519	136 264	(85 165)	130 618
Operating profit of the segment	152	8 220		8 372
Unallocated expenses				(5 839)
Total operating profit				2 533
Other financial income (expenses)				(1 646)
Income tax				0
Profit before minority shareholding				887
Minority interest				301
Net profit				586
Assets	133 886	192 546	(330)	326 102
Unallocated assets of the group				13 211
Total assets				339 313
Liabilities	137 586	71 591	(125 226)	83 951
Unallocated liabilities of the group				137 728
Total liabilities				221 679
Acquisition of fixed assets in the accounting period	2 188	1 793		3 981
Depreciation and amortization in the accounting period	2 323	3 177		5 500
Other major non-monetary expenses	5 527	214		5 741

Business Segment Report by areas of operation for 3 months 2004 - Primary

'000 EUR

	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	5 082	3 266		8 348
Intersegmental sales	0	5 443	(5443)	0

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Total sales	5 082	8 709	(5443)	8 348
Operating profit of the segment	10	525	0	535
Unallocated expenses				(373)
Total operating profit				162
Other financial income (expenses)				(105)
Income tax				0
Profit before minority shareholding				57
Minority interest				19
Net profit				37
Assets	8 557	12 306	(21)	20 842
Unallocated assets of the group				844
Total assets				21 686
Liabilities	8 793	4 575	(8 003)	5 365
Unallocated liabilities of the group				8 802
Total liabilities				14 168
Acquisition of fixed assets in the accounting period	140	115	0	254
Depreciation and amortization in the accounting period	148	203	0	352
Other major non-monetary expenses	353	14	0	367

Business Segment Report by areas of operation for 3 months 2003 - Primary

'000 EEK	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	67 812	46 002		113 814
Intersegmental sales	0	64 717	(64 717)	0
Total sales	67 812	110 719	(64 717)	113 814
Operating profit of the segment	(18 636)	7 974	0	(10 662)
Unallocated expenses				(6 954)
Total operating profit				(17 616)
Other financial income (expenses)				(2 382)
Income tax				0
Profit before minority shareholding				(19 998)
Minority interest				(24)
Net profit				(19 974)
Assets	140 256	221 764	(10 831)	351 189
Unallocated assets of the group				11 360
Total assets				362 549

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Liabilities	112 942	52 192	(105 565)	59 569
Unallocated liabilities of the group				144 379
Total liabilities				203 948
Acquisition of fixed assets in the accounting period	1 442	1 459		2 901
Depreciation and amortization in the accounting period	379	2 662		6 041
Other major non-monetary expenses		(805)		(805)

Business Segment Report by areas of operation for 3 months 2003 - Primary

'000 EUR

	Retail trade	Production, wholesale and subcontracting	Intersegmental transactions	TOTAL
Extra-group sales	4 334	2 940	0	7 274
Intersegmental sales	0	4 136	(4 136)	0
Total sales	4 334	7 076	(4 136)	7 274
Operating profit of the segment	(1 191)	510	0	(681)
Unallocated expenses				(444)
Total operating profit				(1 126)
Other financial income (expenses)				(152)
Income tax				0
Profit before minority shareholding				(1 278)
Minority interest				(2)
Net profit				(1 277)
Assets	8 964	14 173	(692)	22 445
Unallocated assets of the group				726
Total assets				23 171
Liabilities	7 218	3 336	(6 747)	3 807
Unallocated liabilities of the group				9 227
Total liabilities				13 035
Acquisition of fixed assets in the accounting period	92	93	0	185
Depreciation and amortization in the accounting period	216	170	0	386
Other major non-monetary expenses	0	(51)	0	(51)

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.

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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

<u>'000 EEK</u>	Sales		Fixed assets		Capital expenditure	
	3 months 2004	3 months 2003	31.03.04	31.12.03	31.03.04	31.12.03
Estonia	30 045	27 445	72 363	75 096	687	1 139
Latvia	13 399	11 664	3 574	3 586	155	41
Lithuania	22 491	18 189	9 425	8 339	1 911	1 225
Russia	19 140	9 080	0	0	0	0
The Ukraine	15 069	12 155	4 962	4 218	1 147	0
Finland	11 626	11 551	352	371	0	463
Sweden	4 589	7 556	89	100	0	0
England	4 951	4 349	0	0	0	0
Poland	8 976	11 783	8 443	9 086	81	33
Other markets	332	42	0	0	0	0
Total	130 618	113 814	99 208	100 796	3 981	2 901

<u>'000 EUR</u>	Sales		Fixed assets		Capital expenditure	
	3 months 2004	3 months 2003	31.03.04	31.12.03	31.03.04	31.12.03
Estonia	1 920	1 754	4 625	4 799	44	73
Latvia	856	745	228	229	10	3
Lithuania	1 437	1 162	602	533	122	78
Russia	1 223	580	0	0	0	0
The Ukraine	963	777	317	270	73	0
Finland	743	738	22	24	0	30
Sweden	293	483	6	6	0	0
England	316	278	0	0	0	0
Poland	574	753	540	581	5	2
Other markets	21	3	0	0	0	0
Total	8 348	7 274	6 341	6 442	254	185

Fixed assets include either tangible or intangible fixed assets.

Note 9 Earnings per share

Basic earnings per share

		<u>IQ 2004</u>	<u>IQ 2003</u>
Weighted average number of shares	pc	5 499 450	5 457 367
Net profit/loss	'000 EEK	586	(19 974)
	'000 EUR	37	(1 277)
Basic earnings per share	EEK	0,11	(3,66)
	EUR	0,01	(0,23)

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Diluted earnings per share

		IQ 2004	IQ 2003
Weighted average number of shares	pc	5 499 450	5 457 367
Net profit (loss)	'000 EEK	586	(19 974)
	'000 EUR	37	(1 277)
Diluted earnings per share	EEK	0,10	(3,66)
	EUR	0,01	(0,23)

In calculating the diluted earnings per share the 576 000 convertible bonds issued within the framework of the executives' share option program in 2001-2003, have been taken into account. The convertible bonds entitle their holders to exchange them for the same amount of shares of AS Baltika.

The average market price of the Baltika share in the first three months of 2004 was 24,75 EEK (1,58 EUR), the average in the first three months of 2003 was 37,57 EEK (2,40 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 19,97% of the shares of AS Baltika.

In the first quarter of 2004, goods in the amount of 1 074 thousand EEK (68 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 31 thousand EEK (2 thousand EUR).

In the first quarter of 2003 from OÜ Maisan goods were purchased in the amount of 966 thousand EEK (62 thousand EUR) and services were rendered in amount of 29 thousand EEK (2 thousand EUR).

In the first quarter of 2004, sewing services and goods in the amount of 4 630 thousand EEK (296 thousand EUR) were sold to and services in amount of 207 thousand EEK (13 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 4 368 thousand EEK (279 thousand EUR) and purchased for 144 thousand EEK (9 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 31.03.2004, 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:

	'000 EEK		'000 EUR	
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Liabilities	11 659	9 387	745	600
Receivables	89 712	65 401	5 734	4 180