



AS BALTIKA

consolidated interim report for the first quarter of 2005

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Auditor	AS PricewaterhouseCoopers
Reporting period	01.01.2005-31.12.2005
Main fields of activity	Retail and wholesale sales of clothes

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The Management Board hereby confirms that the AS Baltika consolidated interim report presented on pages 2 through 27 are correct and complete:

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

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

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

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

In Tallinn, on April 26th, 2005

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Letter of explanation to interim report

General results

The unaudited consolidated net sales of AS Baltika for the 1st quarter of 2005 were EEK 150.2m (EUR 9,6m) and the net income was EEK 10.4m (EUR 0.67m). Compared to the 1st quarter of 2004, the sales income increased by 15% and the net income increased by EEK 9.8m (EUR 0.63m); the net income of the 1st quarter of 2004 was EEK 0.6m (EUR 0.04 m).

Sales income

The consolidated sales of Baltika Group in the 1st quarter broke down across the segments as follows:

(EEK millions)	1Q2005	1Q2004	Change
Retail sales	111.71	79.26	+ 41%
Wholesale	34.12	39.53	- 14%
Subcontracting	0.54	11.53	- 95%
Other sales income	3.85	0.3	
TOTAL	150.22	130.62	+ 15%

In connection with the establishment of OÜ Baltika Tailor, in which Baltika has a 50% holding, the consolidated net sales for 2005 do not include the subcontracting results of this company. The retail and wholesale sales of Baltika's own brands totalled EEK 145.83m (EUR 9.32m), having grown by 24% compared to the 1st quarter of the previous year.

Retail sales

Baltika had good sales results in the 1st quarter. A better managed discount period in January and February and the successfully launched sale of spring collections in March yielded a sales income of EEK 111.7m (EUR 7.1m) from Baltika's own retail system in the 1st quarter of the year, which is by 41% more (EEK 32.4m) than in the same period last year (retail sales income EEK 79.26m/EUR 5.07m, respectively). The relative share of sales income from Baltika's own retail system increased to 74% of total sales, as compared to 61% in the 1st quarter of last year. Sales efficiency (sales/m²) increased by 19% compared to the 1st quarter of the previous year. Like-for-like sales (sales on comparable areas) increased by 11%. Nearly a half of the increase in sales income was attributable to overall system growth and the rest related to improved efficiency.

Baltika's largest fast fashion brand Monton accounted for 53% of the 1st quarter's retail sales and amounted to EEK 58.6m, which is by EEK 10.4m (+44%) more than in the same period last year. Sales growth was the greatest for CHR/Evermen, i.e. 77% more than in the same period last year, totalling EEK 28.8m. Baltman's sales increased by 59%, the total sales income was EEK 12.1m. Monton and CHR women's collection showed a particular sales success.

The differences in brand sales growth were related to market segmentation – in order to find an optimum structure of the brand portfolio for each retail market.

Retail sales increased in all of Baltika's retail markets in the 1st quarter, especially in Estonia (29%), Latvia (27%) and the Ukraine (24%). The largest retail market according to sales income was the Estonian domestic market (EEK 28.6m), followed by Lithuania (EEK 27.3m) and the Ukraine (EEK 18.7m). The sales on Baltika's newest retail market – Russia – amounted to EEK 12.4m in the 1st quarter.

Baltika Grupp had 76 shops (11,465 m² of sales area) at the end of March, broken down across the markets as follows:

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	Number of shops 31.03.2005
Estonia	23
Lithuania	16
Latvia	10
The Ukraine	11
Russia	8
Poland	8
TOTAL	76

One new shop was opened in Estonia in the 1st quarter and three shops were closed down (one in Estonia, Poland and the Ukraine each) due to the termination of commercial lease contracts. Compared to the 1st quarter of 2004, the retail system of Baltika Group has increased by ten shops, eight of which were added via joint enterprises in Russia.

Wholesale

The wholesale sales of own products in the 1st quarter, of which CHR/EV and Baltman accounted for 63%, totalled EEK 34,12m, which was less than last year by EEK 5.5m.

Financial results

Baltika earned a gross income of EEK 73.3m (EUR 4.7m) in the 1st quarter, which was EEK 15.9m (EUR 1.0m) more than in the same period last year. The growth in gross income was achieved through sales efficiency and growth of the retail system. More successful discount periods, a more exact price policy and higher first price margins compared to the previous year contributed to higher gross margins; the gross margin was 48.8% (43.9% in the 1st quarter of 2004).

The net income of Baltika Group after taxes and minority shareholding was EEK 10.4m (EUR 0.67m).

Operating expenses increased mainly in connection with the system growth; comparable expenses have increased less than the average inflation indicator.

Exchange rate fluctuations did not have a significant impact on the quarter's results, since loss from sales in roubles and hryvnas, was compensated for by an increase of dollar-based purchases from China.

Balance sheet

The consolidated balance sheet total of Baltika as of 31 March 2005 was EEK 321.7m (EUR 20.6m), having increased by EEK 4.5m (EUR 0.29m) since the beginning of the year. Inventories have decreased in the system by EEK 2,9m (EUR 0,2m) since the beginning of the year, totalling EEK 142.5m (EUR 9.1m). Accounts receivable have increased by EEK 13.7m (EUR 0.9m) since the beginning of the year, which is due to the seasonal wholesale cycle.

Loan repayments to banks amounted to EEK 5.4m (EUR 0.35m). An additional EEK 9.3m (EUR 0.59m) of overdraft was used to finance the spring season's purchases and reduce accounts payable.

Accounts payable have decreased by EEK 4,1m (EUR 0.3m) since the beginning of the year, totalling EEK 27m (EUR 1.73m). Accounts payable amounted to EEK 57.4m (EUR 3.7m) at the end of the 1st quarter of 2004, having thus nearly halved in 2005.

Investments

A total of EEK 2.1m (EUR 0.14m) was invested in fixed assets in the 1st quarter, of which EEK 1.3m (EUR 0.1m) was invested in the development of retail trade and EEK 0.5m (EUR 0.04m) was used toward improvements of the information system. Investments in production totalled EEK 0.2m (EUR 0.02m).

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Personnel

As of 31 March 2005, Baltika Grupp employed 1684 people, including 981 in production and 559 in retail sale; 418 people worked outside Estonia. Compared to the beginning of the year, the number of employees has decreased by 20 people.

Change in income statement format

AS Baltika uses a new format of income statement from the year 2005. The need for changing the format arose from the group's strategy to change from a production to a retail sale enterprise. The new format of income statement takes better account of the peculiarities of Baltika Group as a retail group, has a clearer income and expenses structure and allows for a better segmentation of the group's results. The income statements for 2004 are reformatted following the comparability principle. The new format of income statement corresponds to IAS 1 requirements pertaining to mandatory entries and the presentation of financial statements.

The main ratios of the group as of 31 March 2005 were:

	31 March 2005	31 March 2004
Sales growth % in the quarter	15	15
Percentage of retail sales in net sales	74	61
Number of shops	76	66
Retail selling area (m ²)	11 465	10 000
Gross margin % (net sales-cost of goods/net sales)	48,8	43,9
Markets managed via	6	6
Operating income / net sales, %	5,47	1,94
Net profit / net sales, %	6,91	0,45
Net sales / 12 months' average inventories	4,05	2,83
Return on equity (12 months' net profit / 12 months' average equity), %	21,7	-13,4
Return on assets (12 months' net profit / 12 months' average assets)	8,2	-5,7

Ülle Järv
The Member of the Management Board

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Balance sheet

EEK thousand	Note	31.03.2005	31.03.2004	31.12.2004
ASSETS				
Current assets				
Cash and bank		6 350	9 012	12 515
Held for trading investments	1	1 100	545	603
Customer receivables	2	41 239	57 727	27 501
Other receivables and prepaid expenses		11 168	16 253	10 012
Inventories	3	142 534	148 396	145 460
Total current assets		202 391	231 933	196 091
Non-current assets				
Investments in joint venture		2 052	0	1 095
Investment property		7 500	0	7 500
Deferred income tax		4 349	4 876	4 349
Other long-term assets		2 936	3 296	2 837
Tangible fixed assets	4	74 826	85 871	77 325
Intangible assets	4	27 617	13 337	27 983
Total non-current assets		119 280	107 380	121 089
TOTAL ASSETS		321 671	339 313	317 180
LIABILITIES AND OWNER'S EQUITY				
Current liabilities				
Debt obligations	5,6	76 734	67 969	74 504
Trade payables		27 036	57 354	31 154
Tax liabilities		10 158	13 374	12 669
Accrued expenses		13 402	13 337	10 515
Other current liabilities		160	118	924
Total current liabilities		127 490	152 152	129 766
Non-current liabilities				
Long-term debt		45 944	69 527	45 944
Total non-current liabilities		45 944	69 527	45 944
TOTAL LIABILITIES		173 434	221 679	175 710
OWNER'S EQUITY				
	7	148 237	117 634	141 470
Share capital (par value)		56 340	54 994	56 340
Share premium		44 508	42 490	44 508
Statutory legal reserv		4 800	4 800	4 800
Other reservs		21 983	18 085	21 983
Retained earnings		193	(16 508)	(16 508)
Net (loss) profit for the year		10 383	586	16 701
Foreign exchange differences		5 697	5 767	6 622
Minority interest		4 333	7 420	7 024
TOTAL LIABILITIES AND OWNER'S EQUITY		321 671	339 313	317 180

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Balance sheet

EUR thousand	Note	31.03.2005	31.03.2004	31.12.2004
ASSETS				
Current assets				
Cash and bank		406	576	800
Held for trading investments	1	70	35	39
Customer receivables	2	2 636	3 689	1 758
Other receivables and prepaid expenses		714	1 039	640
Inventories	3	9 110	9 484	9 297
Total current assets		12 935	14 823	12 532
Non-current assets				
Investments in joint venture		131	0	70
Investment property		479	0	479
Deferred income tax		278	312	278
Other long-term assets		188	211	181
Tangible fixed assets	4	4 782	5 488	4 942
Intangible assets	4	1 765	852	1 788
Total non-current assets		7 623	6 863	7 739
TOTAL ASSETS		20 559	21 686	20 271
LIABILITIES AND OWNER'S EQUITY				
Current liabilities				
Debt obligations	5,6	4 904	4 344	4 762
Trade payables		1 728	3 666	1 991
Tax liabilities		649	855	810
Accrued expenses		857	852	672
Other current liabilities		10	8	59
Total current liabilities		8 148	9 724	8 294
Non-current liabilities				
Long-term debt		2 936	4 444	2 936
Total non-current liabilities		2 936	4 444	2 936
TOTAL LIABILITIES		11 084	14 168	11 230
OWNER'S EQUITY				
	7	9 474	7 518	9 042
Share capital (par value)		3 601	3 515	3 601
Share premium		2 845	2 716	2 845
Statutory legal reserv		307	307	307
Other reservs		1 405	1 156	1 405
Retained earnings		12	(1 055)	(1 055)
Net (loss) profit for the year		664	37	1 067
Foreign exchange differences		364	369	423
Minority interest		277	474	449
TOTAL LIABILITIES AND OWNER'S EQUITY		20 559	21 686	20 271

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Income statement

EEK thousand	Note	I Q 2005	I Q 2004	2004
Sales	8	150 217	130 618	581 878
Cost of goods sold		76 899	73 241	303 429
Gross profit		73 318	57 377	278 449
Selling and marketing costs		(48 145)	(39 170)	(185 126)
Administrative expenses		(19 229)	(17 650)	(71 155)
Other operating income		3 949	2 823	1 692
Other operating expenses	4	(1 681)	(846)	(5073)
Operating profit/loss		8 212	2 534	18 787
Financial income/expenses		(64)	(1 647)	(4 771)
Financial income from investments in joint venture		957	0	(714)
Financial income from other investments		497	168	3 309
Interest expenses		(1 493)	(1 792)	(6 683)
Foreign exchange gain/loss		(45)	6	(1 501)
Other financial income/expenses		20	(29)	818
Profit/loss before corporate income tax		8 148	887	14 016
Income tax expense		(370)	0	947
Net profit/loss		7 778	887	14 963
Share of net profit belonging to minority interest		(2 605)	301	(1 738)
Share of net profit belonging to parent		10 383	586	16 701
Basic earnings per share		1,84	0,11	3,01
Diluted earnings per share		1,84	0,10	3,01

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Income Statement

EUR thousand	Note	I Q 2005	I Q 2004	2004
Sales	8	9 601	8 348	37 189
Cost of goods sold		4 915	4 681	19 393
Gross profit		4 686	3 667	17 796
Advertising and selling expenses		(3 077)	(2 503)	(11 832)
Administrative expenses		(1 229)	(1 128)	(4 548)
Other operating income		252	180	108
Other operating expenses	4	(107)	(54)	(324)
Operating profit/loss		525	162	1 201
Financial income/expenses		(4)	(105)	(305)
Financial income from investments in joint venture		61	0	(46)
Financial income from other investments		32	11	211
Interest expenses		(95)	(115)	(427)
Foreign exchange profit/loss		(3)	0	(96)
Other financial income/expenses		1	(2)	52
Profit/loss before corporate income tax		521	577	896
Income tax expense		(24)	0	61
Net profit/loss		497	57	956
Share of net profit belonging to minority interest		(166)	19	(111)
Share of net profit belonging to parent		664	37	1 067
Basic earnings per share		0,12	0,01	0,19
Diluted earnings per share		0,12	0,01	0,19

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**Cash flow statement
(indirect method)**

EEK thousand

Operating activities	Note	3 months 2005	3 months 2004
Operating profit (loss)		8 212	2 533
Adjustment for depreciation	4	5 290	5 500
Profit from the sale of fixed assets		46	(343)
Change in receivables		(16 131)	(15 958)
Change in inventories	3	2 926	2 028
Change in payables		(4 616)	8 976
Interests paid		(2 845)	(1 372)
Income tax paid		(197)	(2)
Cash flow from operating activities		(7 315)	1 362
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(2 573)	(3 787)
Sale of fixed assets		63	361
Interests received		24	19
Repayments of loans granted		0	3
Cash flow from investing activities		(8 972)	(13 124)
Financing activities			
Repayment of loans	5	(5 373)	(2 391)
Loans received	5	9 304	968
Finance lease and installments payments		(262)	(414)
Payments of repurchased convertible bonds		0	(6)
Cash flow from financing activities		3 669	(1 843)
Changes in foreign currency exchange rate		(45)	6
Total cash flows		(6 165)	(3 824)
Opening cash and equivalents balance		12 515	12 836
Closing cash and equivalents balance		6 350	9 012

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**Cash flow statement
(indirect method)**

EUR thousand

Operating activities	Note	3 months 2005	3 months 2004
Operating profit (loss)		525	162
Adjustment for depreciation	4	338	352
Profit from the sale of fixed assets		3	(22)
Change in receivables		(1 031)	(1 020)
Change in inventories	3	187	130
Change in payables		(295)	574
Interests paid		(182)	(88)
Income tax paid		(13)	0
Cash flow from operating activities		(468)	87
Investing activities			
Acquisition of tangible and intangible assets incl. acquisition on conditions of capital lease	4	(164)	(242)
Sale of fixed assets		4	23
Interests received		2	1
Repayments of loans granted		0	0
Cash flow from investing activities		(158)	(214)
Financing activities			
Repayment of loans	5	(343)	(153)
Loans received	5	595	62
Finance lease and installments payments		(17)	(26)
Payments of repurchased convertible bonds		0	0
Cash flow from financing activities		234	(118)
Changes in foreign currency exchange rate		(3)	6
Total cash flows		(394)	(244)
Opening cash and equivalents balance		800	820
Closing cash and equivalents balance		406	576

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Statement of Changes in Equity (EEK thousand)

	Share capital	Share premium	Reserves	Retained earnings	Net profit/loss for the accounting period	Unrealised foreign exchange differencies	Minority interest	Total
Balance as of 31.12.2003	54 944	42 490	22 885	50 939	(67 447)	4 185	7 119	115 165
Appropriation of 2003 profit	0	0	0	(67 447)	67 447	0	0	0
Net profit (loss) for the accounting period	0	0	0	0	586	0	301	887
Unrealised foreign exchange differencies	0	0	0	0	0	1 582	0	1 582
Balance as of 31.03.2004	54 994	42 490	22 885	(16 508)	586	5 767	7 420	117 634
Balance as of 31.12.2004	56 340	44 508	26 783	(16 508)	16 701	6 622	7 024	141 470
Appropriation of 2004 loss	0	0	0	16 701	(16 701)	0	0	0
Net profit for the accounting period	0	0	0	0	10 383	0	(2 604)	7 779
Unrealised foreign exchange differencies	0	0	0	0	0	(925)	(87)	(1 012)
Balance as of 31.03.2005	56 340	44 508	26 783	193	10 383	5 697	4 333	148 237

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Statement of Changes in Equity (EUR thousand)

	Share capital	Share premium	Reserves	Retained earnings	Net profit/loss for the accounting period	Unrealised foreign exchange differences	Minority interest	Total
Balance as of 31.12.2003	3 515	2 716	1 463	3 256	(4 311)	267	455	7 360
Appropriation of 2003 profit	0	0	0	(4 311)	4 311	0	0	0
Net profit (loss) for the accounting period	0	0	0	0	37	0	19	57
Unrealised foreign exchange differences	0	0	0	0	0	101	0	101
Balance as of 31.03.2004	3 515	2 716	1 463	(1 055)	37	369	474	7 518
Balance as of 31.12.2004	3 601	2 845	1 712	(1 055)	1 067	423	449	9 042
Appropriation of 2004 loss	0	0	0	1 067	(1 067)	0	0	0
Net profit for the accounting period	0	0	0	0	664	0	(166)	497
Unrealised foreign exchange differences	0	0	0	0	0	(59)	(6)	(65)
Balance as of 31.03.2005	3 601	2 845	1 712	12	664	364	277	9 474

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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 76 shops at six countries – Estonia, Latvia, Lithuania, Poland, the Ukraine, Russia. 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 31.03.2005, the group had 1,684 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.

The Group comprises the following companies:

	Country of location	Participation 31.03.2005	Participation 31.12.2004
AS Baltika (parent)	Estonia		
<u>Subsidiaries</u>			
OÜ Baltman	Estonia	100 %	100 %
Baltika Lietuva	Lithuania	100 %	100 %
Baltika Latvija	Latvia	75%	75 %
Baltika Sweden	Sweden	100 %	100 %
Baltika Ukraina	Ukraine	99 %	99 %
Baltika Poland	Poland	100 %	100 %
OY Baltinia AB	Finland	100 %	100 %
AS Elina STC	Estonia	50,10%	50,10 %
AS Virulane	Estonia	79,23%	79,23 %
Kompania "Baltman Rus" *	Russia	50,10%	-
<u>Joint-venture</u>			
OÜ Baltika Tailor	Estonia	50%	-

*Baltman Rus has eight subsidiaries.

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

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

The same accounting principles are used as in the annual report for year ended at 31.12.2004.

Changed is the format of income statement – income statement scheme no. 2 has been taken into use. Comparable data for last year have been changed respectively.

According to the assessment of the management board, the first quarter 2005 interim report of Baltika Group presents a true and fair view of the company's economic results in compliance with the going-concern assumption. This interim report has not been audited or otherwise reviewed by auditors.

This interim report has been prepared in thousands of Estonian kroons and thousands of euros unless another currency is specified. The Estonian kroon is pegged to the euro at the rate 1 EUR = 15.6466 EEK.

NOTES TO CONSOLIDATED INTERIM REPORT

Note 1 Short-term shares and securities

'000 EEK

	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Shares of AS Tallinna Kaubamaja	1 100	603	70	39

Short-term investments are initially recognised at cost on the transaction date and subsequently measured at their fair value: in the case of shares listed on the stock exchange at the purchase price of the listed shares of the Tallinn Stock Exchange as of the balance sheet date.

Unrealised gains and losses arising on the revaluation of shares are recorded in the income statement as Financial income/expenses.

Note 2 Accounts receivable

	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Accounts receivable	41 312	25 576	2 640	1 762
Allowance for doubtful receivables	(73)	(75)	(5)	(5)
Total	41 239	27 501	2 636	1 758

Trade receivables are carried at original invoice amount on the date when the receivable arose (transaction date) and in amortised cost thereafter. When it is probable that the Group is unable to collect all amounts due according to the original terms of receivables, an allowance is provided for the impairment of these receivables.

In evaluating trade receivables, each receivable has been treated separately. During the accounting quarter doubtful accounts were not expensed, doubtful accounts expensed in previous periods have been recovered in amount of EEK 2 thousand (EUR 0,1 thousand). In first quarter 2004 no doubtful accounts were expensed, doubtful accounts expensed in previous periods were recovered in amount of EEK 9 thousand (EUR 0,6 thousand).

Accounts known to be uncollectible are written off the balance sheet. During the accounting quarter and first quarter 2004 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.

Note 3 Inventories of finished goods and materials

	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Raw materials and materials	41 236	53 4011	2 635	3 413
Write-down of inventories of materials	(1 294)	(1 435)	(83)	(92)
Work-in-progress	863	1 193	55	76
Finished goods	102 840	92 493	6 573	5 911
Write-down of inventories of finished goods	(2 402)	(2 402)	(154)	(154)

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Prepayments to suppliers	1 291	2 210	83	141
Total	142 534	145 460	9 110	9 297

As AS Baltika has changed into managerial company in the end of 2004, materials of parent company, which are in the process of manufacture at subcontractors, are shown in the balance sheet as inventories of raw materials.

Work-in-progress is shown in the balance sheet of Group's manufacturing companies AS Virulane and AS Elina STC.

In the accounting quarter, the write-down of materials in the Group amounted to EEK 125 thousand (EUR 8 thousand). During the same period in 2004 the write-down was EEK 1 thousand (EUR 0,06 thousand). Due to sale of materials, the write-down of inventories decreased in accounting quarter by 266 EEK thousand (EUR 17 thousand), during the same period in 2004 by EEK 227 thousand (EUR 15 thousand).

The write-down of inventories of finished goods in accounting quarter has not changed. In the first quarter of 2004 the write-down expense of finished goods was EEK 4 931 thousand (EUR 315 thousand).

Note 4 Tangible and intangible assets

The Group's investments in tangible assets in the accounting quarter amounted to EEK 2 144 thousand (EUR 137 thousand). The biggest amount of EEK 1 306 thousand (EUR 83 thousand) was invested in retail trade. Investments in production equipment amounted to EEK 190 thousand (EUR 12 thousand), in information technology EEK 113 thousand (EUR 7 thousand).

The group sold fixed assets during the accounting quarter with an acquisition value of EEK 145 thousand (EUR 9 thousand), shops' inventory was written off with an acquisition value of EEK 182 thousand (EUR 12 thousand).

Tangible Fixed Assets movements in the Group in 3 months 2005

'000 EEK

	Land	Building and structures	Machinery and equipment	Other fixtures	Construction in progress	Pre-payments	Total
Acquisition cost 31.12.2004	3 004	69 628	70 706	47 902	68	0	191 308
Accumulated depreciation 31.12.2004	0	(22 454)	(62 353)	(29 176)	0	0	(113 983)
Residual value 31.12.2004	3 004	47 174	8 353	18 726	68	0	77 325
Acquired during the period	0	1 150	279	280	111	100	1 920
Sold during the period	0	0	0	(39)	0	0	(39)
Written off during the period	0	(45)	0	(24)	0	0	(69)
Taken into use	0	0	0	68	(68)	0	0
Regrouping	0	0	133	(133)	0	0	0
Depreciation 2005	0	(1 467)	(1 310)	(1 807)	0	0	(4 584)
Foreign exchange rate differences	0	84	21	168	0	0	273
Acquisition cost 31.03.2005	3 004	70 790	72 072	47 248	111	0	193 325
Accumulated depreciation 31.03.2005	0	(23 894)	(64 596)	(30 009)	0	0	(118 499)
Residual value 31.03.2005	3 004	46 896	7 476	17 239	111	0	74 826

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'000 EUR

	Land	Building and structures	Machinery and equipment	Other fixtures	Constructio n in progress	Pre- payments	Total
Acquisition cost 31.12.2004	192	4 450	4 519	3 061	4	0	12 227
Accumulated depreciation 31.12.2004	0	(1 435)	(3 985)	(1 865)	0	0	(7 285)
Residual value 31.12.2004	192	3 015	534	1 197	4	0	4 942
Acquired during the period	0	73	18	18	7	6	123
Sold during the period	0	0	0	(2)	0	0	(2)
Written off during the period	0	(3)	0	(2)	0	0	(4)
Taken into use	0	0	0	4	(4)	0	0
Regrouping	0	0	9	(9)	0	0	0
Depreciation 2005	0	(94)	(84)	(115)	0	0	(293)
Foreign exchange rate differences	0	5	1	11	0	0	17
Acquisition cost 31.03.2005	192	4 524	4 606	3 020	7	6	12 356
Accumulated depreciation 31.03.2005	0	(1 527)	(4 128)	(1 918)	0	0	(7 574)
Residual value 31.03.2005	192	2 997	478	1 102	7	6	4 782

See note 5 concerning pledged assets.

Intangible Assets movements in the Group in 3 months 2005

Investments into new software in the accounting quarter amounted to EEK 367 thousand (EUR 23 thousand).

'000 EEK

	Licences and software	Prepayment for intangible assets	Positive goodwill	Total
Acquisition cost 31.12.2004	20 070	0	13 924	33 994
Accumulated depreciation 31.12.2004	(6 011)	0	0	(6 011)
Residual value 31.12.2004	14 059	0	13 924	27 983
Acquired during the period	367	0	0	367
Depreciation 2005	(707)	0	0	(707)
Foreign exchange rate differences	1	0	(27)	(26)
Acquisition cost 31.03.2005	20 435	0	13 897	34 332
Accumulated depreciation 31.03.2005	(6 715)	0	0	(6 715)
Residual value 31.03.2005	13 720	0	13 897	27 617

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'000 EUR

	Licences and software	Prepayment for intangible assets	Positive goodwill	Total
Acquisition cost 31.12.2004	1 283	0	890	2 173
Accumulated depreciation 31.12.2004	(384)	0	0	(384)
Residual value 31.12.2004	899	0	890	1 788
Acquired during the period	23	0	0	23
Depreciation 2005	(45)	0	0	(45)
Foreign exchange rate differences	0	0	(2)	(2)
Acquisition cost 31.03.2005	1 306	0	888	2 194
Accumulated depreciation 31.03.2005	(429)	0	0	(429)
Residual value 31.03.2005	877	0	888	1 765

Note 5 Debt obligations

Short-term debt	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Current portion of long-term debt	18 264	23 637	1 167	1 511
Short-term bank loans	40 504	31 200	2 589	1 994
Short-term lease liabilities	190	440	12	28
Convertible bonds	377	380	24	24
Commercial papers	17 397	18 847	1 112	1 205
Total	76 732	74 504	4 904	4 762

Long-term debt	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Long-term bank loans	45 903	45 903	2 934	2 934
Long-term lease liabilities	20	20	1	1
Other long-term liabilities	21	21	1	1
Total	45 944	45 944	2 936	2 936

Bank loans ('000 EEK)

Creditor	Loan debt	Current	Long-term	Interest
	31.03.05	portion up to 1 year	portion 1-5 years	
Nordea Bank	6 748	1 350	5 398	3 month Euribor+2,5%
Nordea Bank	5 209	3 125	2 084	6 month Euribor+2,5%
Hansabank	43 638	11 645	31 993	6 month Euribor + 2,25%

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Hansabank	11 000	11 000	0	4,5%
Hansabank	8 571	2 143	6 428	6 month Euribor + 2,35%
Hansabank (overdraft facility)	29 504	29 504	0	4,2%
Total	104 670	58 767	45 903	

Bank loans ('000 EUR)

Creditor	Loan debt 31.03.2005	Current portion up to 1 year	Long-term portion 1-5 years	Interest
Nordea Bank	431	86	345	3 month Euribor+2,5%
Nordea Bank	333	200	133	6 month Euribor+2,5%
Hansabank	2 789	744	2 045	6 month Euribor + 2,25%
Hansabank	703	703	0	4,5%
Hansabank	548	137	411	6 month Euribor + 2,35%
Hansabank (overdraft facility)	1 886	1 886	0	4,2%
Total	6 690	3 756	2 934	

During the reporting quarter AS Baltika has made loan repayments of EEK 1 492 thousand (EUR 95 thousand) to Nordea Bank and EEK 3 882 thousand (EUR 248 thousand) to Hansabank.

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

The loan of AS Virulane is secured by mortgages on the registered immovables at Kalda 10A in Rakvere in an amount of EEK 7,4 million (EUR 0,5 million) and at Õpetajate 5 in Ahtme in an amount of EEK 12 million (EUR 0,8 million) plus the surety of AS Baltika.

AS Baltika has opened a group account in Hansabank with an overdraft limit of EEK 30 million (EUR 1,9 million). As of 31.03.2005 the overdraft facility had been used to the extent of EEK 29,5 million (EUR 1,9 million).

The group's interest expenses in first quarter of 2005 amounted to EEK 1 494 thousand (EUR 95 thousand); the respective amount in the first quarter of 2004 was EEK 1 792 thousand (EUR 115 thousand). 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 were issued.

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	Issue date	Total value of issue ('000 EEK)	Bond conversion period	Bonds converted into shares ('000 EEK)	Redeemed bonds 31.03.2005 ('000 EEK)	Convertible bonds 31.03.2005 ('000 EEK)
A-bond	01.05.2001	192	01.05.2002-01.05.2004	189,5	0	0
B-bond	01.05.2002	192	01.05.2003-01.05.2005	0	(27)	192
C-bond	01.05.2003	192	01.05.2004-01.05.2006	0	0	192
Total		576		189,5	(27)	384

	Issue date	Total value of issue ('000 EUR)	Bond conversion period	Bonds converted into shares ('000 EUR)	Redeemed bonds 31.03.2005 ('000 EUR)	Convertible bonds 31.03.2005 ('000 EUR)
A-bond	01.05.2001	12,3	01.05.2002-01.05.2004	12,1	0	0
B-bond	01.05.2002	12,3	01.05.2003-01.05.2005	0	(1,7)	12,3
C-bond	01.05.2003	12,3	01.05.2004-01.05.2006	0	0	12,3
Total		36,8		12,1	(1,7)	24,7

A-bonds were converted into ordinary shares for additional cash payment of EEK 24 (EUR 1,53) per share. B- and C-bonds are convertible into shares under the following terms:

B-bond into one ordinary share for additional cash payment EEK 33,09 (EUR 2,11);

C-bond into one ordinary share for additional cash payment EEK 36,57 (EUR 2,34).

If the bonds are neither converted into ordinary shares nor redeemed during the conversion period, they will become interest bearing loans according to the agreement by both parties. Until then no interest is calculated on bonds.

In accordance with the terms of the bonds, an employee who has left the company during the year has the obligation to sell back bonds to the company. 27 000 B-bonds were redeemed during the year 2004.

At the Extraordinary Meeting of Shareholders held on December 7th 2004, it was decided to issue 200 000 D-type convertible bonds with the nominal value EEK 0,10 (EUR 0,006) to the executives of the company.

	Issue date	Total value of issue ('000 EEK)	Bond conversion period	Bonds converted into shares ('000 EEK)	Redeemed bonds 31.03.2005 ('000 EEK)	Convertible bonds 31.03.2005 ('000 EEK)
D-bond	21.12.2004	20	01.07.2006-30.12.2006	0	0	20

	Issue date	Total value of issue ('000 EUR)	Bond conversion period	Bonds converted into shares ('000 EUR)	Redeemed bonds 31.03.2005 ('000 EUR)	Convertible bonds 31.03.2005 ('000 EUR)
D-bond	21.12.2004	1,3	01.07.2006-30.12.2006	0	0	1,3

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The bonds are convertible into shares at the price EEK 28,95 (EUR 1,85) equalling the weighted average price of AS Baltika share on the Tallinn Stock Exchange on the trading date preceding the adoption of the resolution.

The requirement for the conversion of bonds into shares is that the market price AS Baltika's shares equals at least EEK 45,00 (EUR 2,88) per share.

Closed issue of Bonds

	Quantity	Nominal EEK	Issue price	Balance 31.03.2005	Coupon interest rate %	Maturity date
Bonds	1 750	10 000	9 873,69	17 397	7,0	17.03.2006

	Quantity	Nominal EEK	Issue price	Balance 31.03.2005	Coupon interest rate %	Maturity date
Bonds	1 750	639	631,04	1 112	7,0	17.03.2006

On September 26th 2003, AS Baltika issued bonds in the amount of EEK 17,5 million (EUR 1,1million). The maturity date of bonds is on 17 March 2006. The coupon rate of bonds is 7,0% and coupon payment dates March 17, 2005 and March 17, 2006.

Coupon payments to bond owners in the amount of EEK 1 804 thousand (EUR 115 thousand) were made on 17.03.2005.

The effective interest rate on the bonds is approximately 7,7%. The borrowings are unsecured.

Note 7 Owner's equity

Share capital

	31.03.2005	31.12.2004
Share capital ('000 EEK)	56 340	56 340
Number of shares (pcs)	5 633 950	5 633 950
Nominal value of shares (EEK)	10.00	10.00
Statutory reserve capital ('000 EEK)	4 800	4 800
Revaluation reserve of investment property	3 898	3 898
Other voluntary reserves ('000 EEK)	18 085	18 085
	31.03.2005	31.12.2004
Share capital ('000 EUR)	3 601	3 601
Number of shares (pcs)	5 633 950	5 633 950
Nominal value of shares (EUR)	0.64	0.64
Statutory reserve capital ('000 EEK)	307	307
Revaluation reserve of investment property	249	249
Other voluntary reserves ('000 EEK)	1 156	1 156

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 retained earnings of the company as of 31.03.2005 amounted to EEK 193 thousand (EUR 12 thousand).

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Note 8 Segments

Business Segment Report by areas of operation for 3 months 2005 - Primary

'000 EEK

	Retail trade	Wholesale trade and other	Production	Intersegment transactions	TOTAL
Non-group sales	111 710	37 963	544	0	150 217
Intersegment sales	0	94 362	7 413	(101 775)	0
Total sales	111 710	132 325	7 957	(101 775)	150 217
Operating profit of segment	8 200	15 712	0	0	23 912
Unallocated operating expenses					(15 700)
Total operating profit					8 212
Other financial income (expenses)					(63)
Corporate income tax					(370)
Profit before minority interest					7 779
Minority interest					(2 605)
Net profit					10 383
Assets	131 611	117 278	67 217	(9 703)	306 403
Unallocated assets of the Group					15 268
Total assets					321 671
Liabilities	149 946	27 602	9 117	(136 289)	50 376
Unallocated liabilities of the Group					123 059
Total liabilities					173 435
Acquisition of fixed assets in the accounting period	1 306	648	190		2 144
Depreciation in the accounting period	2 919	1 650	722		5 291
Other significant non-monetary expenses	0	(143)	0		(143)

Business Segment Report by areas of operation for 3 months 2005 - Primary

'000 EUR

	Retail trade	Wholesale trade and other	Production	Intersegment transactions	TOTAL
Non-group sales	7 140	2 426	35		9 601
Intersegment sales	0	6 031	474	(6 505)	0
Total sales	7 140	8 457	509	(6 505)	9 601
Operating profit of segment	524	1 004	0	0	1 528

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Unallocated operating expenses					(1 003)
Total operating profit					525
Other financial income (expenses)					(4)
Corporate income tax					(24)
Profit before minority interest					497
Minority interest					(166)
Net profit					664
Assets	8 411	7 495	4 296	(620)	19 583
Unallocated assets of the Group					976
Total assets					20 559
Liabilities	9 583	1 764	583	(8 710)	3 220
Unallocated liabilities of the Group					7 865
Total liabilities					11 085
Acquisition of fixed assets in the accounting period	83	41	12		137
Depreciation in the accounting period	187	105	46		338
Other significant non- monetary expenses	0	(9)	0		(9)

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

	Retail trade	Wholesale trade and other	Production	Intersegment transactions	TOTAL
Non-group sales	79 260	39 828	11 530		130 618
Intersegment sales		78 496	6 669	(85 165)	0
Total sales	79 260	118 324	18 199	(85 165)	130 618
Operating profit of segment	3 400	11 802	(1 400)	0	13 802
Unallocated operating expenses					(11 269)
Total operating profit					2 533
Other financial income (expenses)					(1 646)
Corporate income tax					0
Profit before minority interest					887
Minority interest					301
Net profit					586
Assets	133 886	118 301	85 567	(11 659)	326 095
Unallocated assets of the Group					13 218
Total assets					339 313

AS Baltika consolidated interim report for the first quarter of 2005. In '000 EEK and in '000 EUR.

Liabilities	137 586	59 672	11 919	(125 226)	83 951
Unallocated liabilities of the Group					137 728
Total liabilities					221 679
Acquisition of fixed assets in the accounting period	3 335	375	271		3 981
Depreciation in the accounting period	2 323	2 334	843		5 500
Other significant non-monetary expenses	(5 527)	(235)	21		(5 741)

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

	Retail trade	Wholesale trade and other	Production	Intersegment transactions	TOTAL
Non-group sales	5 066	2 545	737	0	8 348
Intersegment sales	0	5 017	426	(5 443)	0
Total sales	5 066	7 562	1 163	(5 443)	8 348
Operating profit of segment	217	754	(89)	0	882
Unallocated operating expenses					(720)
Total operating profit					162
Other financial income (expenses)					(105)
Corporate income tax					0
Profit before minority interest					57
Minority interest					19
Net profit					37
Assets	8 557	7 561	5 469	(745)	20 841
Unallocated assets of the Group					845
Total assets					21 686
Liabilities	8 793	3 814	762	(8 003)	5 365
Unallocated liabilities of the Group					8 802
Total liabilities					14 168
Acquisition of fixed assets in the accounting period	213	24	17	0	254
Depreciation in the accounting period	148	149	54	0	352
Other significant non-monetary expenses	(353)	(15)	1	0	(367)

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The retail segment includes subsidiaries related to retail trade and factory shops belonging to AS Baltika and production company AS Virulane. The wholesale trade and other segment includes assets, liabilities, revenue and expenses deriving from wholesale and other activities of AS Baltika.

In the production segment assets, liabilities, revenue and expenses of clothing manufacture of AS Virulane and AS Elina STC are included.

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

Unallocated assets of the group include administrative building, financial assets, corporate income tax receivables; unallocated liabilities include long-term loans, dividend and interest liabilities. Unallocated operating costs are administrative costs of the centre and development and logistical expenses which are made either for retail or wholesale segment.

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>	Net sales		Fixed assets		Capital expenditure	
	3 months 2005	3 months 2004	31.03.05	31.12.04	3 months 2005	3 months 2004
Estonia	39 992	30 045	79 021	80 942	922	687
Latvia	16 735	13 399	3 410	3 703	17	155
Lithuania	26 907	22 491	7 880	7 724	888	1 911
Russia	31 148	19 140	901	918	87	0
The Ukraine	18 747	15 069	3 613	3 645	212	1 147
Finland	6 700	11 626	0	0	0	0
Sweden	0	4 589	0	0	0	0
England	0	4 951	0	0	0	0
Poland	9 951	8 976	7 618	8 376	18	81
Other markets	37	332	0	0	0	0
Total	150 217	130 618	102 443	105 308	2 144	3 981

<u>'000 EUR</u>	Net sales		Fixed assets		Capital expenditure	
	3 months 2005	3 months 2004	31.03.05	31.12.04	3 months 2005	3 months 2004
Estonia	2 556	1 920	5 050	5 173	59	44
Latvia	1 070	856	218	237	1	10
Lithuania	1 720	1 437	504	494	57	122
Russia	1 991	1 223	58	59	6	0
The Ukraine	1 198	963	231	233	14	73
Finland	428	743	0	0	0	0
Sweden	0	293	0	0	0	0
England	0	316	0	0	0	0
Poland	636	574	487	535	1	5
Other markets	2	21	0	0	0	0
Total	9 601	8 348	6 547	6 730	137	254

Fixed assets include either tangible or intangible fixed assets.

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Note 9 Earnings per share

Basic earnings per share

		I Q 2005	I Q 2004
Weighted average number of shares	pc	5 633 950	5 499 450
Net profit/loss	'000 EEK	10 383	586
	'000 EUR	664	37
Basic earnings per share	EEK	1,84	0,11
	EUR	0,12	0,01

Diluted earnings per share

		I Q 2005	I Q 2004
Weighted average number of shares	pc	5 633 950	5 499 450
Net profit (loss)	'000 EEK	10 383	586
	'000 EUR	664	37
Diluted earnings per share	EEK	1,84	0,10
	EUR	0,12	0,01

384 000 of convertible bonds issued in 2001-2004 within the framework of the executives' share option program did not impact the calculations of the diluted net profit as the average market price of bonds in the first quarter was lower than the price for which the executives could have acquired the shares. The average market price of the share of AS Baltika in the first quarter of 2005 was EEK 29,04 (EUR 1,86). Average market price in first quarter of 2004 was EEK 24,75 (EUR 2,40).

Note 10 Related parties

For the purpose of this interim report related parties include:

- a) owners;
- b) members of the management, the management board and the supervisory board;
- c) close relatives of the persons mentioned above;
- d) entities under the control of the members of the management board and the supervisory board;
- e) subsidiaries;
- f) joint ventures.

During the first quarter of 2005 parent company AS Baltika has purchased sewing services, materials and sold its goods and rendered services (management services, other services) to the following related parties:

<u>'000 EEK</u>	IQ 2005		IQ 2004	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods				
Subsidiaries	10 194	83 130	9 781	68 416
Joint-venture	0	1 698	0	0
Companies related to the members of the management and supervisory board	0	0	1 074	0
Total purchases and sales of goods	10 194	84 828	10 855	68 416
Purchases and sales of services				
Subsidiaries	7 413	730	6 669	331
Joint-venture	8 851	1 817	0	0
Companies related to the members of the management and supervisory board	0	0	207	4 630
Total purchases and sales of services	16 264	2 547	6 876	4 961

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<u>'000 EUR</u>	IQ 2005		IQ 2004	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods				
Subsidiaries	652	5 313	625	4 373
Joint-venture	0	109	0	0
Companies related to the members of the management and supervisory board	0	0	69	0
Total purchases and sales of goods	652	5 421	694	4 373
Purchases and sales of services				
Subsidiaries	474	47	426	21
Joint-venture	566	116	0	0
Companies related to the members of the management and supervisory board	0	0	13	296
Total purchases and sales of services	1 039	163	439	317

In addition to the transactions with the parent company, transactions were also concluded with the Group companies - sewing services were sold and purchased in the amount of EEK 497 thousand (EUR 32 thousand) and raw materials in the amount of EEK 2 thousand (EUR 0,1 thousand).

As of 31.03.2005 the management board had been issued and subscribed for 329 953 B, C and D convertible bonds, in the amount of EEK 239 953 (EUR 15 336).

Loans	'000 EEK		'000 EUR	
	I Q 2005	I Q 2004	I Q 2005	I Q 2004
<u>Loans to the members of management</u>				
Balance at the beginning of period	574	136	37	9
Balance at the end of period	574	136	37	9

In 2004, a loan was granted to the manager of the Ukrainian subsidiary of Baltika. The maturity date of the loan is on 15.03.2007 and no interest is computed during the validity of the employment contract.

Balances with the related parties:

	'000 EEK		'000 EUR	
	31.03.2005	31.12.2004	31.03.2005	31.12.2004
Subsidiaries	103 881	94 539	6 639	6 042
Joint-venture	4 010	2 495	256	159
Companies related to the members of the management and supervisory board	5 034	1 288	322	82
Total current receivables	112 925	98 322	7 217	6 284
Subsidiaries	9 703	7 536	620	482
Joint-venture	1 768	714	113	46
Companies related to the members of the management and supervisory board	0	0	0	0
Total current liabilities	11 471	8 250	733	527

The company's management estimates that the prices used in related party transactions do not materially differ from the market price.