



AS BALTIKA

Consolidated interim report for the second quarter of 2005

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Accounting year	01.01.2005 - 31.12.2005
Core business	Clothing retail and wholesale

Table of contents

Management report	3
Consolidated balance sheet	7
Consolidated income statement.....	9
Consolidated cash flow statement.....	11
Consolidated statement of changes in shareholders' equity	13
Overview of Baltika Group.....	15
Accounting principles and basis of the preparation of the consolidated interim report	15
Notes to consolidated interim report	16
Note 1 Short-term shares and securities	16
Note 2 Accounts receivable	16
Note 3 Inventories of finished goods and materials	16
Note 4 Tangible and intangible assets.....	17
Note 5 Debt obligations	18
Note 6 Debt instruments	20
Note 7 Shareholders' equity.....	21
Note 8 Segments	22
Note 9 Earnings per share	25
Note 10 Related parties	26

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

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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

Tallinn, 9 August 2005

MANAGEMENT REPORT

Consolidated financial results, 6 months 2005

The consolidated half year sales of Baltika Group totalled EEK 310.5 million (EUR 19.8mln), up 15.3% yoy. The increase was driven by growth in retail sales across all the key markets. The Group's operating profit reached EEK 26.7 million (EUR 1.7mln) compared with last year's six month result of EEK 5.0mln (EUR 320 thousand). Net profit amounted to EEK 28.2 million (EUR 1.8mln) compared with EEK 1.7 million (EUR 110 thousand) in the same period last year. Gross and operating margins in the first six months of 2005 stood at 51.9% and 8.6%, respectively (46.2% and 1.9% in 6m 2004).

The 2Q 2005 sales of Baltika totalled EEK 160.3 million (EUR 10.2mln), growing 15.5% compared with the corresponding period of last year. The gross margin reached 54.8% (48.4% in 2Q 2004). Operating margin stood at 11.5% in 2Q and operating profit amounted to EEK 18.5 million/EUR 1.2mln (EEK 2.5mln/EUR 158 thousand in 2Q 2004). 2Q 2005 net margin expanded to 11.1% and net profit reached EEK 17.8 million (EUR 1.1mln). In the second quarter of last year, net profit amounted to EEK 1.1 million (EUR 73 thousand).

SALES

Sales breakdown by segment

EEK million	2Q 2005	2Q 2004	Change	6m 2005	6m 2004	Change
Retail sales	140.6	109.0	29.0%	252.3	188.3	34.0%
Wholesale	16.6	17.7	-6.0%	50.7	57.2	-11.3%
Subcontracting	0	11.7	-100%	0.5	23.2	-97.7%
Other sales	3.0	0.3	879%	6.9	0.6	1029%
Total	160.3	138.7	15.5%	310.5	269.3	15.3%

1 EUR = 15.6466 EEK

Due to the establishment of a joint venture on the basis of Baltika's production unit Baltika Tailor OÜ in November 2004, the consolidated sales results do not include subcontracting figures starting from December 2004. Thus, in comparable terms, net sales of the first six months of this year grew by 23.4% yoy.

RETAIL SALES

In the first six months of 2005, Baltika's retail sales grew faster than in the comparable period last year, registering a 34.0% yoy increase to EEK 252.3 million/EUR 16.1mln (EEK 188.3mln/EUR 12.0mln, +28.9% in 6m 2004). Sales efficiency (sales/m²) increased by 20% compared with the first half of 2004 while the average retail space grew 11% yoy in the same period. Like-for-like sales (sales on comparable areas) increased 19% yoy in 6m 2005.

Well managed mid-season sale in April, precisely timed summer collection launch and successful campaigns of special products helped to drive the second quarter sales. Also, higher store traffic continues to be seen in Baltika stores this year if compared with the previous year. The share of retail sales in overall sales has increased to 81% in the first six months of 2005 compared to 70% in the same period last year.

In terms of store concepts, the sales of Baltika's largest fashion brand Monton accounted for 53% of the total retail sales in the first half of 2005 and amounted to EEK 134 million (EUR 8.6mln), up 25% on last year's figure. The sales of CHR/Evermen grew 56% yoy amounting to EEK 67 million (EUR 4.3mln) and the sales of Baltman increased 46% yoy to EEK 27 million (EUR 1.7mln).

All the bigger retail markets posted solid sales growth in the first half of the year. The largest retail markets by sales were Estonia with EEK 72 million/EUR 4.6mln (+30% yoy), followed by Lithuania (EEK 59mln/EUR 3.8mln, +23%) and Ukraine (EEK 43mln/EUR 2.7mln, +31%). Baltika's newest retail market Russia, launched in May 2004, generated retail sales of EEK 25 million (EUR 1.6mln) in the first six months of 2005. The smallest market Poland that comprises 7% of total sales posted a 3% sales growth.

SHOPS AND SALES AREA

As of the end of June, Baltika Group operated 76 shops in six countries, with a total area of 11,340 m². At the end of June 2004, Baltika's retail system comprised of 78 shops with a total area of 10,907 m².

Number of shops by country

	30.06.2005
Estonia	23
Latvia	10
Lithuania	16
Ukraine	12
Russia	7
Poland	8
Total	76

During the second quarter, two stores were closed and two opened and thus, the number of stores remained the same in the retail system. Two store openings took place in Ukraine, while one closing occurred in Ukraine and one in Russia.

WHOLESALE

The share of wholesale sales in Baltika's total sales has decreased to 16% in the first half of 2005 from the year ago figure of 21%. The wholesale sales of own products in the first half of 2005 totalled EEK 50.7 million (EUR 3.2mln), decreasing 11.3% compared with the corresponding period last year. The drop is mainly due to the acquisition of a 50.1% holding in the Russian retail company in April 2004 as a result of which part of Baltika's Russian wholesale sales are recorded as retail sales starting from May 2004.

EARNINGS AND MARGINS

Baltika Group achieved solid profitability improvements in 2Q 2005. In the first six months of this year, the Group's gross profit increased by 29.4% to EEK 161.1 million (EUR 10.3mln). Half year gross profit margin improved to 51.9% from last year's corresponding figure of 46.2%. The results were driven by growth of the retail system and improved sales efficiency. More exact price policy, higher first price margins and improved inventory management contributed to the enhanced gross margin.

The gains in gross profitability translated into solid first half operating profit that totalled EEK 26.7 million (EUR 1.7mln). In the first six months of last year, operating profit amounted to EEK 5.0 million (EUR 320 thousand). Operating margin rose to 8.6% in the review period from 1.9% in 6m 2004.

The exchange rate fluctuations did not have a significant impact on the quarter's results, since higher costs from dollar-based purchases from China were compensated for by an increase in export sales in Ukraine and Russia.

The Group's net financial expenses were EEK -1.0 million (EUR -66 thousand) including interest expense of EEK 2.8 million/EUR 178 thousand (EEK 3.5mln/EUR 222 thousand in 6m 2004). Interest expenses have declined in conjunction with the decrease in total debt obligations and the reduced cost of borrowing as well as the lower than average usage of the bank's overdraft.

Net profit of the Group after taxes and minority shareholding grew from EEK 1.7 million (EUR 110 thousand) in 6m 2004 to EEK 28.2 million (EUR 1.8mln) for the first half of 2005. In the review period net profit margin enhanced to 9.1% from 0.6% a year ago.

BALANCE SHEET

On 30 June 2005, the total assets of Baltika Group amounted to EEK 318.1 million (EUR 20.3mln), staying almost at the same level in comparison with the end of last year. Inventories have increased in the system by EEK 1.1 million (EUR 70 thousand) during the first six months of 2005, totalling EEK 146.6 million (EUR 9.4mln). In this period, the inventories of finished goods and merchandise in the retail system have decreased whereas with the start of the new season, the inventories of the next season's materials and purchased merchandise for sale have increased.

Accounts receivable increased by EEK 3.0 million (EUR 195 thousand) since the end of the last year, amounting to EEK 30.5 million (EUR 2.0mln). In the same period, accounts payable grew by EEK 0.7 million (EUR 44 thousand), totalling EEK 31.8 million (EUR 2.0mln).

At the end of the period, the Group's total borrowings amounted to EEK 92.1 million (EUR 5.9mln) and net debt was EEK 77.7 million (EUR 5.0mln). The net debt to equity ratio was 46.8% (75.9% at the end of 2004).

INVESTMENTS

The Group's investments during the first half of the year amounted to EEK 4.4 million (EUR 0.3mln). The majority of investments (EEK 1.8mln/EUR 0.1mln) were focussed on the development of the retail sales space. Investments into production totalled EEK 0.8 million (EUR 52 thousand) and into information system EEK 241 thousand (EUR 15 thousand).

PERSONNEL

As of 30 June 2005, Baltika Group employed 1,630 people, including 932 in production and 556 in retail; 412 people worked outside Estonia. At the same time last year, the number of employees stood at 1,734, including 1,015 in production and 575 in retail.

ENLARGEMENT OF THE SHARE CAPITAL

In accordance with the terms of the convertible bond program adopted by the General Meeting of Baltika on 6 April 2001, 189,000 B-bonds were converted into shares in May 2005. As a result, 189,000 new registered shares with a nominal value of EEK 10.00 (EUR 0.64) per share were issued and the share capital of the company was increased by EEK 1,890,000 (EUR 120,793). The total issue price of the shares was EEK 34.09 (EUR 2.18) per share including a premium of EEK 24.09 (EUR 1.54) per share. The new amount of the share capital after the increase is EEK 58,229,500 (EUR 3,721,543) and the number of shares is 5,822,950.

ANNUAL GENERAL MEETING

Baltika's Annual General Meeting, held on 18 May 2005, approved the company's annual report for 2004 and the proposal for profit distribution. It was resolved to pay a dividend of EEK 0.75 (EUR 0.048) per share out of the retained earnings of the previous periods, totalling EEK 4.37 million (EUR 0.28mln). The list of shareholders entitled to dividend was fixed at 08:00 on 1 June 2005. The dividend payout date was 7 June 2005.

The Annual general Meeting re-elected the members of the Council for the next three-year term in full including Miles Burger, Joakim Helenius, Claire Chabrier and Reet Saks.

AS PricewaterhouseCoopers was appointed as the auditor of Baltika in 2005 and 2006.

OUTLOOK AND GOALS FOR THE REMAINDER OF 2005

The Annual General Meeting also presented the goals of Baltika Group in 2005 as follows:

- Net sales of the group min EEK 640 million (EUR 41mln);
- Growth of retail sales min 20%;
- Increase of retail efficiency (sales/m²) more than 10%;
- Better sourcing: improvement of the first price margin;
- Improved stock management: stock turnover ratio over 4 times;
- Preparation of the group's strategy for 2006-2008;
- Expand the retail area by ca 1,700 m² in 2005 (ca 10-12 new shops) implying investments into the system of EEK 12-13 million (EUR 0.8mln);
- Investments for developing IT-systems and production in the amount of ca EEK 4 million (EUR 0.3mln).

CHANGE IN INCOME STATEMENT FORMAT

From the beginning of 2005, Baltika uses a new income statement format. The need to change the format arose from the Group's strategy to transform from a production company to a retail enterprise. The new format of income statement allows for a better presentation of the financial position of Baltika as a retail group. The income statements of the previous financial year are restated to make them comparable with the new format. The new income statement format is in accordance with the IAS 1 requirements pertaining to mandatory entries and the presentation of financial statements.

KEY FIGURES OF THE GROUP (6 months 2005)

	30.06.2005	30.06.2004	Change, %
Sales (EEK mln)	310.5	269.4	15.3%
Retail sales (EEK mln)	252.3	188.3	34.0%
Share of retail sales in total sales	81%	70%	
Number of shops	76	78	-2.6%
Retail sales area (m2)	11,340	10,907	4.0%
Gross margin, %	51.9%	46.2%	
Operating margin, %	8.6%	1.9%	
Net margin, %	9.1%	0.6%	
Inventory turnover	4.27	3.50	22.0%
Return on equity	32.5%	-30.5%	
Return on assets	13.5%	-10.9%	

Definitions of key indicators

Gross margin = (Net sales-COGS)/Net sales
Operating margin = Operating income/Net sales
Net margin = Net profit/Net sales
Inventory turnover* = Net sales/Average inventories
Return on equity* = Net profit /Average equity
Return on assets* = Net profit /Average total assets
*Based on 12-month average

1 EUR = 15.6466 EEK

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CONSOLIDATED BALANCE SHEET

(unaudited, in EEK thousand)

	Note	30.06.2005	30.06.2004	31.12.2004
ASSETS				
Current assets				
Cash and cash equivalents		13,381	8,227	12,515
Held for trading investments	1	1,062	548	603
Customer receivables	2	30,545	20,252	27,501
Other receivables and prepaid expenses		8,252	14,621	10,012
Inventories	3	146,595	164,312	145,460
Total current assets		199,835	207,960	196,091
Non-current assets				
Investments in joint ventures		2,028	0	1,095
Investment property		7,500	0	7,500
Deferred income tax		4,349	4,876	4,349
Other non-current assets		4,615	3,190	2,837
Tangible fixed assets	4	72,290	84,341	77,325
Intangible assets	4	27,469	26,775	27,983
Total non-current assets		118,251	119,182	121,089
TOTAL ASSETS		318,086	327,142	317,180
EQUITY AND LIABILITIES				
Current liabilities				
Debt obligations	5,6	29,871	62,903	74,504
Accounts payable		31,838	42,882	31,154
Tax liabilities		12,369	15,858	12,669
Accrued expenses		15,797	12,902	10,515
Other current liabilities		124	129	924
Total current liabilities		89,999	134,674	129,766
Non-current liabilities				
Long-term debt		62,244	70,191	45,944
Total non-current liabilities		62,244	70,191	45,944
TOTAL LIABILITIES		152,243	204,865	175,710
SHAREHOLDERS' EQUITY				
Share capital (par value)		58,230	54,994	56,340
Unregistered share capital		0	880	0
Share premium		49,061	43,811	44,508
Mandatory legal reserve		5,634	4,800	4,800
Other reserves		3,898	18,085	21,983
Retained earnings		13,076	-16,508	-16,508
Net profit for the period		28,160	1,724	16,701
Exchange rate differences		4,326	5,974	6,622
Minority interest		3,458	8,517	7,024
TOTAL EQUITY	7	165,843	122,277	141,470
TOTAL LIABILITIES AND EQUITY		318,086	327,142	317,180

CONSOLIDATED BALANCE SHEET

(unaudited, in EUR thousand)

	Note	30.06.2005	30.06.2004	31.12.2004
ASSETS				
Current assets				
Cash and cash equivalents		855	526	800
Held for trading investments	1	68	35	39
Customer receivables	2	1,952	1,294	1,758
Other receivables and prepaid expenses		527	934	640
Inventories	3	9,369	10,501	9,297
Total current assets		12,772	13,291	12,532
Non-current assets				
Investments in joint ventures		130	0	70
Investment property		479	0	479
Deferred income tax		278	312	278
Other non-current assets		295	204	181
Tangible fixed assets	4	4,620	5,390	4,942
Intangible assets	4	1,756	1,711	1,788
Total non-current assets		7,558	7,617	7,739
TOTAL ASSETS		20,329	20,908	20,271
EQUITY AND LIABILITIES				
Current liabilities				
Debt obligations	5,6	1,909	4,020	4,762
Accounts payable		2,035	2,741	1,991
Tax liabilities		791	1,014	810
Accrued expenses		1,010	825	672
Other short-term liabilities		8	8	59
Total current liabilities		5,752	8,607	8,294
Non-current liabilities				
Long-term debt		3,978	4,486	2,936
Total non-current liabilities		3,978	4,486	2,936
TOTAL LIABILITIES		9,730	13,093	11,230
SHAREHOLDERS' EQUITY				
Share capital (par value)		3,722	3,515	3,601
Unregistered share capital		0	56	0
Share premium		3,136	2,800	2,845
Mandatory legal reserve		360	307	307
Other reserves		249	1,156	1,405
Retained earnings		836	-1,055	-1,055
Net profit for the period		1,800	110	1,067
Exchange rate differences		276	382	423
Minority interest		221	544	449
TOTAL EQUITY	7	10,599	7,815	9,042
TOTAL LIABILITIES AND EQUITY		20,329	20,908	20,271

CONSOLIDATED INCOME STATEMENT

(unaudited, in EEK thousand)

	Note	2Q 2005	2Q 2004	6m 2005	6m 2004	2004
Net sales	8	160,271	138,732	310,488	269,350	581,878
Cost of goods sold		72,491	71,566	149,390	144,807	303,429
Gross profit		87,780	67,166	161,098	124,543	278,449
Selling and marketing expenses		-48,616	-47,339	-96,761	-86,509	-185,126
Administrative expenses		-23,128	-16,404	-42,357	-34,054	-71,155
Other operating income		2,838	28	5,682	1,913	1,692
Other operating expenses		-420	-979	-996	-887	-5,073
Operating profit		18,454	2,472	26,666	5,006	18,787
Financial income (expenses)		-970	-1,638	-1,034	-3,285	-4,771
Financial income from investments in JV		-23	0	934	0	-714
Financial income from other investments		-39	3	459	171	3,309
Interest expenses		-1,297	-1,678	-2,790	-3,471	-6,683
Foreign exchange gain (loss)		51	75	5	81	-1,501
Other financial income (expenses)		338	-38	358	-66	818
Profit before income tax		17,484	834	25,632	1,721	14,016
Income tax		-342	-138	-712	-137	947
Net profit		17,142	696	24,920	1,584	14,963
Net profit attributable to minority interest		-635	-442	-3,240	-140	-1,738
Net profit attributable to parent		17,777	1,138	28,160	1,724	16,701
Basic earnings per share	9	3.10	0.21	4.96	0.31	3.01
Diluted earnings per share	9	2.87	0.20	4.67	0.31	3.01

CONSOLIDATED INCOME STATEMENT

(unaudited, in EUR thousand)

	Note	2Q 2005	2Q 2004	6m 2005	6m 2004	2004
Net sales	8	10,243	8,867	19,844	17,215	37,189
Cost of goods sold		4,633	4,574	9,548	9,255	19,393
Gross profit		5,610	4,293	10,296	7,960	17,796
Selling and marketing expenses		-3,107	-3,026	-6,184	-5,529	-11,832
Administrative expenses		-1,478	-1,048	-2,707	-2,176	-4,548
Other operating income		181	2	363	122	108
Other operating expenses		-27	-63	-64	-57	-324
Operating profit		1,179	158	1,704	320	1,201
Financial income (expenses)		-62	-105	-66	-210	-305
Financial income from investments in JV		-1	0	60	0	-46
Financial income from other investments		-2	0	29	11	211
Interest expenses		-83	-107	-178	-222	-427
Foreign exchange gain (loss)		3	5	0	5	-96
Other financial income (expenses)		22	-2	23	-4	52
Profit before income tax		1,117	53	1,638	110	896
Income tax		-22	-9	-46	-9	61
Net profit		1,096	44	1,593	101	956
Net profit attributable to minority interest		-41	-28	-207	-9	-111
Net profit attributable to parent		1,136	73	1,800	110	1,067
Basic earnings per share	9	0.20	0.01	0.32	0.02	0.19
Diluted earnings per share	9	0.18	0.01	0.30	0.02	0.19

CONSOLIDATED CASH FLOW STATEMENT
(unaudited, in EEK thousand)

	Note	6m 2005	6m 2004
Operating activities			
Operating profit		26,666	5,006
Depreciation	4	10,489	11,065
Profit (loss) from sale of fixed assets		130	-203
Change in receivables		-6,470	10,675
Change in inventories	3	-1,135	-13,888
Change in payables		4,861	-3,538
Interest paid		-3,803	-2,695
Income tax paid		-581	-13
Cash flow from operating activities		30,157	6,409
Investing activities			
Acquisition of tangible and intangible assets including capital lease	4	-4,514	-6,449
		444	118
Sale of fixed assets		192	414
Interest received		41	19
Loans granted		0	-652
Repayment of loans granted		6	5
Cash flow from investing activities		-3,831	-6,545
Financing activities			
Repayment of loans	5	-27,098	-5,824
Loans received	5	0	86
Payments of finance lease and instalments		-494	-787
Dividends paid		-4,474	0
Receipts from contributions into share capital		6,254	2,112
Proceeds from sale of convertible bonds		353	0
Repurchase of convertible bonds		-6	-141
Cash flow from financing activities		-25,465	-4,554
Effect of foreign exchange rate changes		5	81
Total cash flows		866	-4,609
Cash and cash equivalents at the beginning of the period		12,515	12,836
Cash and cash equivalents at the end of the period		13,381	8,227

CONSOLIDATED CASH FLOW STATEMENT
(unaudited, in EUR thousand)

	Note	6m 2005	6m 2004
Operating activities			
Operating profit		1,704	320
Depreciation	4	670	707
Profit (loss) from sale of fixed assets		8	-13
Change in receivables		-414	682
Change in inventories	3	-73	-888
Change in payables		311	-226
Interest paid		-243	-172
Income tax paid		-37	-1
Cash flow from operating activities		1,927	410
Investing activities			
Acquisition of tangible and intangible assets including capital lease	4	-288	-412
		28	8
Sale of fixed assets		12	26
Interest received		3	1
Loans granted		0	-42
Repayment of loans granted		0	0
Cash flow from investing activities		-245	-418
Financing activities			
Repayment of loans	5	-1,732	-372
Loans received	5	0	5
Payments of finance lease and instalments		-32	-50
Dividends paid		-286	0
Receipts from contributions into share capital		400	135
Proceeds from sale of convertible bonds		23	0
Repurchase of convertible bonds		0	-9
Cash flow from financing activities		-1,628	-291
Effect of foreign exchange rate changes		0	5
Total cash flows		55	-295
Cash and cash equivalents at the beginning of the period		800	820
Cash and cash equivalents at the end of the period		855	526

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in EEK thousand)

	Share capital	Unregistered share capital	Share premium	Reserves	Retained earnings	Unrealised foreign exchange rate differences	Minority interest	Total
Balance as of 31.12.2003	54,994	0	42,490	22,885	-16,508	4,185	7,119	115,165
Unregistered share capital	0	880	1,321	0	0	0	0	2,201
Net profit for the accounting period	0	0	0	0	1,724	0	-140	1,584
Unrealised foreign exchange rate differences	0	0	0	0	0	1,789	1,538	3,327
Balance as of 30.06.2004	54,994	880	43,811	22,885	-14,784	5,974	8,517	122,277
Balance as of 31.12.2004	56,340	0	44,508	26,783	193	6,622	7,024	141,470
Dividends paid	0	0	0	0	-4,367	0	0	-4,367
Appropriations to mandatory legal reserve	0	0	0	834	-834	0	0	0
Issue of common stock	1,890	0	4,553	0	0	0	0	6,443
Appropriations to retained earnings	0	0	0	-18,085	18,085	0	0	0
Net profit for the accounting period	0	0	0	0	28,159	0	-3,240	24,919
Unrealised foreign exchange rate differences	0	0	0	0	0	-2,296	-326	-2,622
Balance as of 30.06.2005	58,230	0	49,061	9,532	41,236	4,326	3,458	165,843

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in EUR thousand)

	Share capital	Unregistered share capital	Share premium	Reserves	Retained earnings	Unrealised foreign exchange rate differences	Minority interest	Total
Balance as of 31.12.2003	3,515	0	2,716	1,463	-1,055	267	455	7,360
Unregistered share capital	0	56	84	0	0	0	0	141
Net profit for the accounting period	0	0	0	0	110	0	-9	101
Unrealised foreign exchange rate differences	0	0	0	0	0	114	98	213
Balance as of 30.06.2004	3,515	56	2,800	1,463	-945	382	544	7,815
Balance as of 31.12.2004	3,601	0	2,845	1,712	12	423	449	9,042
Dividends paid	0	0	0	0	-279	0	0	-279
Appropriations to mandatory legal reserve	0	0	0	53	-53	0	0	0
Issue of common stock	121	0	291	0	0	0	0	412
Appropriations to retained earnings	0	0	0	-1,156	1,156	0	0	0
Net profit for the accounting period	0	0	0	0	1,800	0	-207	1,593
Unrealised foreign exchange rate differences	0	0	0	0	0	-147	-21	-168
Balance as of 30.06.2005	3,722	0	3,136	609	2,635	276	221	10,599

Overview of Baltika Group

Baltika Group (BG) is an international clothing retailer with AS Baltika as a parent company. The group is operating the retail chains of Monton, Baltman, CHR/Evermen and Baltika Factory Outlet, which currently include 76 shops, divided between six countries – Estonia, Latvia, Lithuania, Poland, Ukraine, and 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 own retail chain Monton. Factory outlets are used to sell the previous periods' stocks of all the brands.

AS Baltika is listed on the Tallinn Stock Exchange, which is part of OMX Exchanges.

As of 30.06.2005, the group had 1,630 employees.

The parent company is located and registered in Estonia at Veerenni 24, Tallinn.

The Group comprises of the following companies:

	Country	Participation 30.06.2005	Participation 31.12.2004
Parent company			
AS Baltika	Estonia		
Subsidiaries			
OÜ Baltman	Estonia	100%	100%
UAB Baltika Lietuva	Lithuania	100%	100%
SIA Baltika Latvija	Latvia	75%	75%
Baltika Sweden AB	Sweden	100%	100%
Baltika Ukraina Ltd	Ukraine	99%	99%
Baltika Poland Sp.z.o.o.	Poland	100%	100%
OY Baltinia AB	Finland	100%	100%
AS Elina STC	Estonia	50.10%	50.10%
AS Virulane	Estonia	79.23%	79.23%
OOO Kompania „Baltman Rus“**	Russia	50.10%	50.10%
Joint venture			
OÜ Baltika Tailor	Estonia	50%	50%

*Baltman Rus has eight subsidiaries

Accounting principles and basis of preparation of the consolidated interim report

This consolidated interim report has been prepared in accordance with 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 the year ended on 31.12.2004.

From the beginning of 2005, Baltika introduced a new income statement format - income statement scheme no. 2. The income statements of the previous financial year are restated to make them comparable with the new format.

According to the assessment of the management board, the interim report of Baltika Group for the second quarter of 2005 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 of 1 EUR = 15.6466 EEK.

NOTES TO CONSOLIDATED INTERIM REPORT**NOTE 1 Short-term shares and securities**

	EEK '000		EUR '000	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Shares of AS Tallinna Kaubamaja	1,062	603	68	39

Short-term investments are initially recognised at acquisition cost on the transaction date and subsequently measured at their fair value - in the case of publicly listed shares at the market price of the shares as of the balance sheet date. Unrealised gains and losses arising from the revaluation of shares are recorded in the income statement under Financial income/expenses.

NOTE 2 Accounts receivable

	EEK '000		EUR '000	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Accounts receivable	30,829	27,576	1,970	1,762
Allowance for doubtful receivables	-284	-75	-18	-5
Total	30,545	27,501	1,952	1,758

Trade receivables are recorded at original invoice amount on the date when the receivables arise (transaction date) and in amortised cost thereafter. If it is probable that the Group will be unable to collect all the 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 reporting period, doubtful accounts were expensed in the amount of EEK 448 thousand (EUR 29 thousand). Doubtful accounts expensed in previous periods have been recovered in the amount of EEK 22 thousand (EUR 1.4 thousand). In the second quarter of 2004, doubtful accounts were expensed in the amount of EEK 31 thousand (EUR 2 thousand) and no doubtful accounts expensed in previous periods were recovered.

Accounts known to be uncollectible are written off the balance sheet. In the reporting quarter, there were uncollectible receivables in the amount of EEK 215 thousand (EUR 14 thousand). The respective figure in 2Q 2004 was EEK 1.0 million (EUR 66 thousand).

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

NOTE 3 Inventories of finished goods and materials

	EEK '000		EUR '000	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Raw materials and materials	50,186	53,401	3,207	3,413
Write-down of inventories of materials	-1,922	-1,435	-123	-92
Work-in-progress	1,072	1,193	69	76
Finished goods	97,491	92,493	6,231	5,911
Write-down of inventories of finished goods	-2,402	-2,402	-154	-154
Prepayments to suppliers	2,170	2,210	139	141
Total	146,595	145,460	9,369	9,297

In conjunction with AS Baltika's transfer into a wholesale and holding company at the end of 2004, the materials of the parent company, which are in the process of manufacturing at subcontractors, are shown in the balance sheet as inventories of raw materials. Work-in-progress is shown in the balance sheets of the 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 879 thousand (EUR 56 thousand). During the same period in 2004, there were no write-downs of materials. Due to the sale of materials, the write-down of inventories decreased in the accounting quarter by EEK 251 thousand (EUR 16 thousand) and in the same period in 2004 by EEK 142 thousand (EUR 9 thousand). The write-down of inventories of finished goods did not change in the second quarter of this year, nor in 2Q 2004.

NOTE 4 Tangible and intangible assets

The Group's investments into tangible assets during the first half of the year amounted to EEK 3.45 million (EUR 22 thousand). The majority of investments (EEK 1.8mln/EUR 0.1mln) were focussed on the retail activities. Investments into production totalled EEK 0.8 million (EUR 52 thousand) and into information system EEK 241 thousand (EUR 15 thousand). The Group's Lithuanian subsidiary acquired a car on capital lease conditions at the cost of EEK 350 thousand (EUR 22 thousand).

The group sold fixed assets during the first half of the year in an acquisition value of EEK 750 thousand (EUR 48 thousand). Due to closing of some stores, the stores' inventory was written off in an acquisition value of EEK 964 thousand (EUR 62 thousand).

Changes in fixed assets in 6 months 2005

EEK '000	Land	Buildings, structures	Machinery, equipment	Other fixtures	Constr. in progress	Pre- payments	Total
Acquisition cost 31.12.04	3,004	69,628	70,706	47,902	68	0	191,308
Accumulated depreciation 31.12.04	0	-22,454	-62,353	-29,176	0	0	-113,983
Residual value 31.12.04	3,004	47,174	8,353	18,726	68	0	77,325
Additions	0	1,294	1,446	643	12	189	3,584
Disposals	0	0	-62	-40	0	0	-102
Write-offs	0	-179	0	-41	0	0	-220
Taken into use	0	0	0	68	-68	0	0
Reclassification	0	0	131	-131	0	0	0
Depreciation	0	-2,894	-2,559	-3,610	0	0	-9,063
Foreign exchange rate differences	0	262	52	452	0	0	766
Acquisition cost 30.06.05	3,004	70,849	72,677	48,074	12	189	194,805
Accumulated depreciation 30.06.05	0	-25,192	-65,316	-32,007	0	0	-122,515
Residual value 30.06.05	3,004	45,657	7,361	16,067	12	189	72,290
EUR '000	Land	Buildings, structures	Machinery, equipment	Other fixtures	Constr. in progress	Pre- payments	Total
Acquisition cost 31.12.04	192	4,450	4,519	3,061	4	0	12,227
Accumulated depreciation 31.12.04	0	-1,435	-3,985	-1,865	0	0	-7,285
Residual value 31.12.04	192	3,015	534	1,197	4	0	4,942
Additions	0	83	92	41	1	12	229
Disposals	0	0	-4	-3	0	0	-7
Write-offs	0	-11	0	-3	0	0	-14
Taken into use	0	0	0	4	-4	0	0
Reclassification	0	0	8	-8	0	0	0
Depreciation	0	-185	-164	-231	0	0	-579
Foreign exchange rate differences	0	17	3	29	0	0	49
Acquisition cost 30.06.05	192	4,528	4,645	3,072	1	12	12,450
Accumulated depreciation 30.06.05	0	-1,610	-4,174	-2,046	0	0	-7,830
Residual value 30.06.05	192	2,918	470	1,027	1	12	4,620

See Note 5 concerning pledged assets.

Changes in intangible assets in 6 months 2005

In the first half of the year, investments into new software were made in the parent company and in the Latvian and Ukrainian subsidiaries.

EEK '000	Licences and software	Prepayments	Positive goodwill	Total
Acquisition cost 31.12.04	20,070	0	13,924	33,994
Accumulated depreciation 31.12.04	-6,011	0	0	-6,011
Residual value 31.12.04	14,059	0	13,924	27,983
Additions	930	0	0	930
Amortisation	-1,425	0	0	-1,425
Foreign exchange rate differences	9	0	-28	-19
Acquisition cost 30.06.05	20,783	0	13,897	34,680
Accumulated depreciation 30.06.05	-7,210	0	-1	-7,211
Residual value 30.06.05	13,573	0	13,896	27,469

EUR '000	Licences and software	Prepayments	Positive goodwill	Total
Acquisition cost 31.12.04	1,283	0	890	2,173
Accumulated depreciation 31.12.04	-384	0	0	-384
Residual value 31.12.04	899	0	890	1,788
Additions	59	0	0	59
Amortisation	-91	0	0	-91
Foreign exchange rate differences	1	0	-2	-1
Acquisition cost 30.06.05	1,328	0	888	2,216
Accumulated depreciation 30.06.05	-461	0	0	-461
Residual value 30.06.05	867	0	888	1,756

NOTE 5 Debt obligations

	EEK '000		EUR '000	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Short-term debt				
Current portion of long-term bank loans	9,342	23,637	597	1,511
Short-term bank loans	2,515	31,200	161	1,994
Short-term lease liabilities	70	440	4	28
Convertible bonds	212	380	14	24
Commercial papers	17,732	18,847	1,133	1,205
Total	29,871	74,504	1,909	4,762
Long-term debt				
Long-term bank loans	61,784	45,903	3,949	2,934
Long-term lease liabilities	439	20	28	1
Other long-term liabilities	21	21	1	1
Total	62,244	45,944	3,978	2,936

Bank loans

EEK '000	Debt as of 30.06.2005	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	6,298	1,350	4,948	3m Euribor+2.5%
Nordea Pank	4,167	2,084	2,083	6m Euribor+2.5%
Hansapank	52,089	3,766	48,323	6m Euribor+1.5%
Hansapank	8,571	2,143	6,428	6m Euribor+2.35%
Hansabank (overdraft facility)	2,516	2,516	0	4.20%
Total	73,641	11,859	61,782	

EUR '000	Debt as of 30.06.2005	Current portion up to 1 year	Long-term portion 1-5 years	Interest rate
Nordea Pank	403	86	316	3m Euribor+2.5%
Nordea Pank	266	133	133	6m Euribor+2.5%
Hansapank	3,329	241	3,088	6m Euribor+1.5%
Hansapank	548	137	411	6m Euribor+2.35%
Hansabank (overdraft facility)	161	161	0	4.20%
Total	4,707	758	3,949	

In the reporting period, AS Baltika refinanced a short-term loan from Hansabank. The term of the loan was extended and the new maturity date is in 2012. In addition, the interest rate was reduced.

In the reporting quarter, AS Baltika has made loan repayments of EEK 1,492 thousand (EUR 95 thousand) to Nordea Bank and EEK 2,549 thousand (EUR 163 thousand) to Hansabank. In the second quarter of 2004, loan repayments amounted to EEK 2,983 thousand (EUR 191 thousand).

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 real estate at Veerenni 24 in the amount of EEK 40 million (EUR 2.6 million). The loan of AS Virulane is secured by mortgages on the registered real estate at Kalda 10A in Rakvere in the amount of EEK 7.4 million (EUR 0.5 million) and at Õpetajate 5 in Ahtme in the 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 32 million (EUR 2.0 million). As of 30.06.2005 the overdraft facility had been used to the extent of EEK 2.5 million (EUR 0.2 million). In the second quarter of 2005, the amount of the used overdraft decreased by EEK 27 million (EUR 1.7 million). In 2Q 2004, the respective decline was EEK 0.9 million (EUR 0.06 million).

The Group's interest expenses in the second quarter of 2005 amounted to EEK 1,297 thousand (EUR 83 thousand); the respective amount in the second quarter of 2004 was EEK 1,678 thousand (EUR 107 thousand). Interest expenses are recorded under Financial expenses.

NOTE 6 Debt instruments**Convertible bonds**

The Annual General Meeting of Shareholders of 6 April 2001 decided to issue 576,000 convertible bonds in the period of 2001 to 2003 (192,000 bonds a year) with a nominal value of EEK 1.00 (EUR 0.06) per share. Three types of convertible bonds were issued:

A-bonds were converted into ordinary shares for additional cash payment of EEK 24 (EUR 1.53) per share;

B-bonds were converted into ordinary shares for additional cash payment of EEK 33.09 (EUR 2.11) per share;

C-bonds are convertible into ordinary shares for additional cash payment of EEK 36.57 (EUR 2.34) per share.

If the bonds are neither converted into ordinary shares nor redeemed during the conversion period, they are exchanged into interest bearing loans according to the agreement by both parties. Until that date, no interest is paid on the bonds. EEK 5.5 thousand (EUR 0.35 thousand) has been returned to former employees in exchange for 5.5 thousand bonds not converted into shares.

EEK '000	Issue date	Total issue value	Bond conversion period	Bonds converted into shares	Redeemed bonds	Convertible bonds 30.06.2005
A-Bond	01.05.2001	192	01.05.2002- 01.05.2004	189.5	2.5	0
B-Bond	01.05.2002	192	01.05.2003- 01.05.2005	189.0	3.0	0
C-Bond	01.05.2003	192	01.05.2004- 01.05.2006	0	0	192
Total		576		378.5	5.5	192

EUR '000	Issue date	Total issue value	Bond conversion period	Bonds converted into shares	Redeemed bonds	Convertible bonds 30.06.2005
A-Bond	01.05.2001	12.3	01.05.2002- 01.05.2004	12.1	0.2	0
B-Bond	01.05.2002	12.3	01.05.2003- 01.05.2005	12.1	0.2	0
C-Bond	01.05.2003	12.3	01.05.2004- 01.05.2006	0	0	12.3
Total		36.8		24.2	0.4	12.3

At the Extraordinary Meeting of Shareholders held on 7 December 2004, it was decided to issue 200,000 D-type convertible bonds with a nominal value EEK 0.10 (EUR 0.006) per share to the executives of the company.

The bonds are convertible into shares at the price of 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 condition for the conversion of bonds into shares is that the market price of the shares of AS Baltika equals at least EEK 45.00 (EUR 2.88) per share.

EEK '000	Issue date	Total issue value	Bond conversion period	Bonds converted into shares	Convertible bonds 30.06.2005
D-Bond	21.12.2004	20	01.07.2006- 30.12.2006	0	20

EUR '000	Issue date	Total issue value	Bond conversion period	Bonds converted into shares	Convertible bonds 30.06.2005
D-Bond	21.12.2004	1.3	01.07.2006- 30.12.2006	0	1.3

Closed issue of bonds

On 26 September 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 are 17 March 2005 and 17 March 2006.

On 17 March 2005, coupon payments were made to the bond owners in the amount of EEK 1,804 thousand (EUR 115 thousand).

The effective interest rate on the bonds is approximately 7.7%. The borrowings are not secured.

	Quantity	Nominal (EEK)	Issue price (EEK)	Balance 30.06.2005 (EEK '000)	Coupon interest rate	Maturity date
Bonds	1,750	10,000	9,874	17,732	7.0%	17.03.2006

	Quantity	Nominal (EUR)	Issue price (EUR)	Balance 30.06.2005 (EUR '000)	Coupon interest rate	Maturity date
Bonds	1,750	639	631	1,133	7.0%	17.03.2006

NOTE 7 Shareholders' equity**Share capital**

EEK '000	30.06.2005	31.12.2004
Share capital	58,230	56,340
Number of shares	5,822,950	5,633,950
Nominal value of a share (EEK)	10	10
Statutory reserve capital	5,634	4,800
Revaluation reserve of investment property	3,898	3,898
Other voluntary reserves	0	18,085

EUR '000	30.06.2005	31.12.2004
Share capital	3,722	3,601
Number of shares	5,822,950	5,633,950
Nominal value of a share (EEK)	0.64	0.64
Statutory reserve capital	360	307
Revaluation reserve of investment property	249	249
Other voluntary reserves	0	1,156

Under the articles of association, the minimum number of shares of AS Baltika 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 30.06.2005 amounted to EEK 41,236 thousand (EUR 2,635 thousand).

Liabilities	7,633	1,996	751	-6,557	3,823
Unallocated liabilities of the Group					5,907
Total liabilities					9,730
Acquisition of fixed assets	161	53	66	0	280
Depreciation	358	219	93	0	670
Other significant non-monetary expenses	0	-55	0	0	-55

Business segment report by field of operation for 6 months 2004 – primary segment

EEK '000				Inter-	TOTAL
	Retail	Wholesale and other	Production	segment transactions	
Sales	188,300	57,842	23,208	0	269,350
Inter-segment sales	0	122,669	24,623	-147,292	0
Total sales	188,300	180,511	47,831	-147,292	269,350
Segment operating profit	14,200	19,406	-2,800	0	30,806
Unallocated operating expenses					-25,800
Total operating profit					5,006
Other financial income (expenses)					-3,285
Corporate income tax					-137
Profit before minority interest					1,584
Minority interest					-140
Net profit					1,724
Assets	124,147	113,041	83,652	-7,029	313,811
Unallocated assets of the Group					13,331
Total assets					327,142
Liabilities	126,393	43,727	13,530	-112,202	71,448
Unallocated liabilities of the Group					133,417
Total liabilities					204,865
Acquisition of fixed assets	6,313	799	522	0	7,634
Depreciation	4,731	4,918	1,416	0	11,065
Other significant non-monetary expenses	-5,527	-1,384	21	0	-6,890

EUR '000				Inter- segment	
	Retail	Wholesale and other	Production	transactions	TOTAL
Sales	12,035	3,697	1,483	0	17,215
Inter-segment sales	0	7,840	1,574	-9,414	0
Total sales	12,035	11,537	3,057	-9,414	17,215
Segment operating profit	908	1,240	-179	0	1,969
Unallocated operating expenses					-1,649
Total operating profit					320
Other financial income (expenses)					-210
Corporate income tax					-9
Profit before minority interest					101
Minority interest					-9
Net profit					110
Assets	7,934	7,225	5,346	-449	20,056
Unallocated assets of the Group					852
Total assets					20,908
Liabilities	8,078	2,795	865	-7,171	4,566
Unallocated liabilities of the Group					8,527
Total liabilities					13,093
Acquisition of fixed assets	403	51	33	0	488
Depreciation	302	314	90	0	707
Other significant non-monetary expenses	-353	-88	1	0	-440

The retail segment includes the subsidiaries related to retail trade and factory shops belonging to AS Baltika and AS Virulane. The wholesale and other segment includes the assets, liabilities, revenues and expenses deriving from wholesale trade and other activities of AS Baltika. The production segment includes the assets, liabilities, revenues and expenses of the clothing manufacturing companies AS Virulane and AS Elina STC.

The assets and liabilities of the 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.

Unallocated assets of the group include the 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 head office and the development and logistical expenses of both the retail and wholesale segment.

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

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

EEK '000	Net sales		Fixed assets		Capital expenditure	
	6m 2005	6m 2004	30.06.2005	31.12.2004	6m 2005	6m 2004
Estonia	90,786	68,178	77,567	80,942	2,394	2,434
Latvia	37,539	29,340	3,281	3,703	311	781
Lithuania	58,843	48,506	7,477	7,724	1,238	1,926
Russia	50,389	34,262	790	918	93	991
Ukraine	43,156	32,843	3,605	3,645	244	1,419
Finland	9,625	16,319	0	0	0	0
Sweden	0	11,442	0	0	0	0
UK	0	8,706	0	0	0	0
Poland	20,095	19,374	7,039	8,376	101	83
Other	55	380	0	0	0	0
Total	310,488	269,350	99,759	105,308	4,381	7,634

EUR '000	Net sales		Fixed assets		Capital expenditure	
	6m 2005	6m 2004	30.06.2005	31.12.2004	6m 2005	6m 2004
Estonia	5,802	4,357	4,957	5,173	153	156
Latvia	2,399	1,875	210	237	20	50
Lithuania	3,761	3,100	478	494	79	123
Russia	3,220	2,190	50	59	6	63
Ukraine	2,758	2,099	230	233	16	91
Finland	615	1,043	0	0	0	0
Sweden	0	731	0	0	0	0
UK	0	556	0	0	0	0
Poland	1,284	1,238	450	535	6	5
Other	4	24	0	0	0	0
Total	19,844	17,215	6,376	6,730	280	488

Fixed assets include both tangible and intangible assets.

NOTE 9 Earnings per share

Basic earnings per share		6 months 2005	6 months 2004
Weighted average number of shares	pc	5,681,200	5,499,450
Net profit	EEK '000	28,160	1,724
	EUR '000	1,800	110
Basic earnings per share	EEK	4.96	0.31
	EUR	0.32	0.02
Diluted earnings per share		6 months 2005	6 months 2004
Weighted average number of shares	pc	6,034,185	5,499,450
Net profit	EEK '000	28,160	1,724
	EUR '000	1,800	110
Diluted earnings per share	EEK	4.67	0.31
	EUR	0.30	0.02

The convertible bonds that give the owners the right to convert the bonds into the equal number of Baltika's shares, issued to the management within the framework of the convertible bond program for executives but not yet converted into shares have been taken into account in calculating the diluted earnings per share.

The average market price of Baltika's shares in the first six months of 2005 was EEK 50.20 (EUR 3.21). The price of the convertible bonds was established at EEK 34.09 (EUR 2.18) in 2002, at EEK 37.57 (EUR 2.40) in 2003 and at EEK 28.95 (EUR 1.85) in 2004.

As the average market price of Baltika's shares in the first six months of 2004 of EEK 23.88 (EUR 1.53) was lower than the price at which the holders of the convertible bonds could have converted the bonds into shares, the convertible bonds did not impact the calculation of diluted earnings per share in that period.

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

EEK '000	6 months 2005		6 months 2004	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods				
Subsidiaries	15,170	141,384	13,185	119,436
Joint venture	0	2,805	0	0
Companies related to the members of the management and supervisory board	0	0	2,477	0
Total purchases and sales of goods	15,170	144,189	15,662	119,436
Purchases and sales of services				
Subsidiaries	14,972	1,288	14,071	600
Joint venture	14,621	3,571	0	0
Companies related to the members of the management and supervisory board	0	0	544	8,458
Total purchases and sales of services	29,593	4,859	14,615	9,058
EUR '000	6 months 2005		6 months 2004	
	Purchases	Sales	Purchases	Sales
Purchases and sales of goods				
Subsidiaries	970	9,036	843	7,633
Joint venture	0	179	0	0
Companies related to the members of the management and supervisory board	0	0	158	0
Total purchases and sales of goods	970	9,215	1,001	7,633
Purchases and sales of services				
Subsidiaries	957	82	899	38
Joint venture	934	228	0	0
Companies related to the members of the management and supervisory board	0	0	35	541
Total purchases and sales of services	1,891	311	934	579

In addition to the transactions with the parent company, transactions were also concluded within the Group - sewing services were sold and purchased in the amount of EEK 509 thousand (EUR 33 thousand), products in the amount of EEK 16 thousand (EUR 1 thousand) and raw materials in the amount of EEK 4 thousand (EUR 0,3 thousand).

Convertible bonds

As of 30.06.2005 the management board had been issued and subscribed for 225,953 C and D convertible bonds, in the amount of EEK 136,953 (EUR 8,753). As of 30.06.2004, accordingly 229,953 B and C convertible bonds, in the amount of EEK 229,953 (EUR 14,697).

Loans

	EEK '000		EUR '000	
	6m 2005	6m 2004	6m 2005	6m 2004
Loans to the members of management				
Balance at the beginning of period	574	136	37	9
Loans granted	0	652	0	42
Repayment of loans granted	0	0	0	0
Foreign exchange rate differences	74	-7	5	0
Balance at the end of period	648	781	41	50

In 2004, a loan was granted to the manager of Baltika's Ukrainian subsidiary. 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 related parties

	EEK '000		EUR '000	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Subsidiaries	83,138	94,539	5,313	6,042
Joint venture	1,766	2,495	113	159
Companies related to the members of the management and supervisory board	3,897	1,288	249	82
Total current receivables	88,801	98,322	5,675	6,284
Subsidiaries	6,294	7,536	402	482
Joint venture	1,529	714	98	46
Companies related to the members of the management and supervisory board	0	0	0	0
Total current liabilities	7,823	8,250	500	527

According to the estimates of the company's management, the prices used in related party transactions do not materially differ from market prices.