

BALTIKA GROUP

2005 results

COMPANY OVERVIEW

Emerging regional leader in fashion retail



- Baltika Group (“Baltika”) is a rapidly growing fashion retailer in the Baltics and Eastern Europe
 - Operating four retail concepts
 - 86 stores with 12,736 m² in total
 - Geographical coverage of six countries
 - Vertically integrated product development and manufacturing
- The company aims to be the leading specialist fashion retailer in Central and Eastern Europe
- The Group employs 1,700 people
- Since 1997 listed on OMX Tallinn Stock Exchange

- Countries of operation of Baltika Group
- Central and East European region

Highlights from history

- 1928** Gentleman established in Tallinn as producer of raincoats
- 1959** Company is restructured and renamed Baltika, producing formal menswear
- 1988** Production of ladieswear begins
- 1991** Baltika privatised, first menswear collection, Baltman, launched, first independent shop opened in Estonia
- 1993** First ladieswear collection, Christine Collection (CHR), launched, first shop opened in Lithuania
- 1994** First shop opened in Russia
- 1995** Evermen collection launched
- 1996** First shop opened in Latvia
- 1997** Baltika listed on the Tallinn Stock Exchange (OMX Exchanges)
- 2000** First shop opened in Ukraine and in Poland
- 2002** Strategic turnaround into vertically integrated fashion retailer begins
- 2002** Monton brand launched in five markets
- 2004** 50.1% holding acquired in the Russian retail operations
- 2005** Exit of a long-term strategic shareholder, management becomes largest single shareholder
- 2005** Strategic turnaround completed

Baltika's turnaround

Strategy 2002-2005

Specialist fashion retailer

(vertically integrated business model)
Share of retail sales in 2005 ca 80%

2001

Clothing retailer
with own production

Share of retail sales 37%

1991

Production
company

1999

Clothing
company

2000

Clothing
company
with own retail

Vertically integrated business model

Production

- Production at three subsidiaries (Virulane, Elina, Baltika Tailor)
- Specialisation in men's and women's tailored suits, shirts, jackets, coats
- Worldwide outsourcing

Retail: 80% of total sales (2005)

- A balanced portfolio of 4 retail concepts and 4 multibrand stores

	No of stores	Total m ²	Positioning	% in retail sales 2005
 monton	31	6,633	Fast fashion (M/F)	54%
 CHR EVERMEN	32	4,167	Value for money (M/F)	28%
BALTMAN	13	1,083	Business wear (M)	11%
Factory outlets	6	442	Discounted items	3%
Multibrand stores	4	411	Multibrand	4%

Wholesale: 20% of total sales (2005)

- Distribution through wholesale to department stores in the Baltics, Finland and Eastern Russia

- Centralised brand-based management with regional organisations in target markets
- Efficient inventory control and sales information systems enabling fast monitoring and analysis on a daily basis

Operating on rapidly growing markets

- Currently Baltika operates in six retail markets: Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- The company has strong presence in the Baltics with room to grow in the huge CEE market
- Currently, Lithuania, Russia and Ukraine are the priority growth markets



Target markets' data

	Population (mln)	GDP (EUR bln)	GDP/capita (EUR)	GDP growth 2005f
Estonia	1.4	9	6,681	7.5%
Latvia	2.3	11	4,758	9.0%
Lithuania	3.5	18	5,190	6.5%
Ukraine	47.1	55	1,176	5.0%
Russia	144.0	478	3,317	5.6%
Poland	38.2	195	5,109	4.0%
Total	236.5			

RETAIL CONCEPTS

Retail concepts



MONTON – fast fashion brand for women and men which offers unique style and good quality



CHR/EVERMEN – good quality clothing for women and men who want fashion at affordable prices

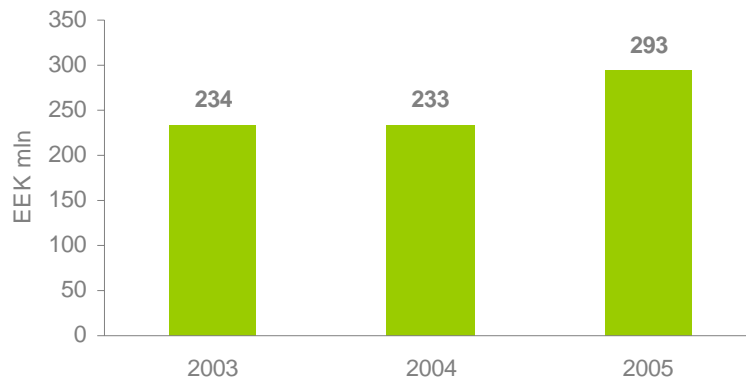


BALTMAN – prestigious lifestyle brand for men, offering classic clothing and personal service in a comfortable shopping environment

monton

- Fast fashion brand launched in 2002 accounting for the majority of the company's sales
- New collection launched every month
- Positioning:
 - M/F
 - 25-35 years, fashion minded
 - Average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia, Poland
- In 2004 Monton received the "Choice of the Year" award in the category of womenswear in Ukraine and the "Most Innovative Brand" award in Latvia
- www.montonfashion.com

Sales development

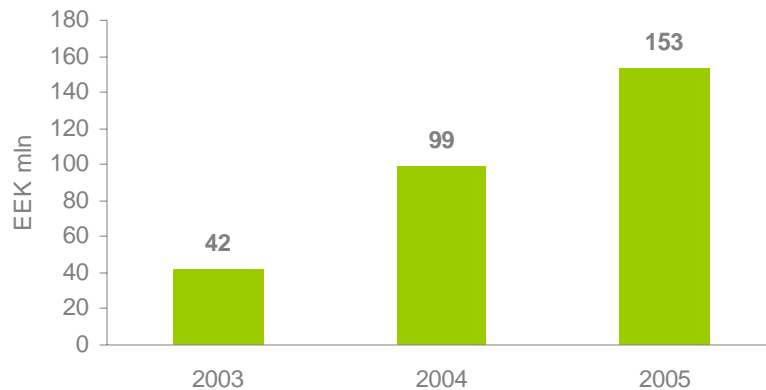


CHR | EVERMEN

- CHR line launched in 1993 and Evermen in 1995
- A brand for more price sensitive customers - good value for money
- Positioning:
 - M/F
 - 20-45 years
 - Average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia, Poland
- In 2004 CHR designer Evelin Lill received the “Golden Needle” award in Estonia
- www.christine-evermen.com



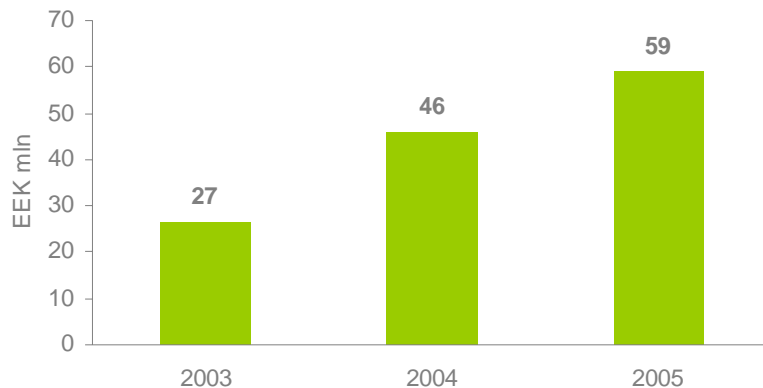
Sales development



BALTMAN

- Prestigious lifestyle brand for men dating back to 1991
- Stylish and high quality contemporary businesswear
- New collections launched twice a year
- Positioning
 - Male
 - Wide age group
 - Average and higher than average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia
- www.baltman.ee

Sales development



Retail network

	Monton	CHR/ Evermen	Baltman	Factory Outlet	Multi- brand	Total	m ²
Estonia	6	9	5	4		24	2,999
Latvia	4	4	2			10	1,414
Lithuania	9	9	4	1		23	3,588
Ukraine	6	5	1			12	1,808
Russia	2	2	1		4	9	1,228
Poland	4	3		1		8	1,699
Total	31	32	13	6	4	86	12,736

FINANCIAL REVIEW

Financial highlights – 2005

- Group sales up 17.0% yoy
- Retail sales growth 30.1% yoy
- Like-for like sales growth 23%
- Gross margin expansion to 51.6% (47.9% in 2004)
- Operating profit EEK 74.9mln vs EEK 18.8mln last year
- Operating margin at 11.0% (3.2% in 2004)
- Net profit EEK 72.7mln (EEK 16.7mln in 2004)
- Net margin at 10.7% (2.9% in 2004)
- Cash flow from operating activities EEK 74.6mln vs EEK 28.7mln in 2004

Income statement

EEK '000	2005	2004	+/-
Net sales	680,906	581,878	17.0%
Gross profit	351,079	278,404	26.1%
<i>Gross margin</i>	<i>51.6%</i>	<i>47.9%</i>	
Operating profit	74,907	18,786	299%
<i>Operating margin</i>	<i>11.0%</i>	<i>3.2%</i>	
Net financial exp.	-3,947	-4,771	-17.3%
Incl. interest exp.	-5,415	-6,683	-19.0%
Profit before tax	70,960	14,016	406%
Net profit	72,664	16,701	335%
<i>Net margin</i>	<i>10.7%</i>	<i>2.9%</i>	

Sales by segment

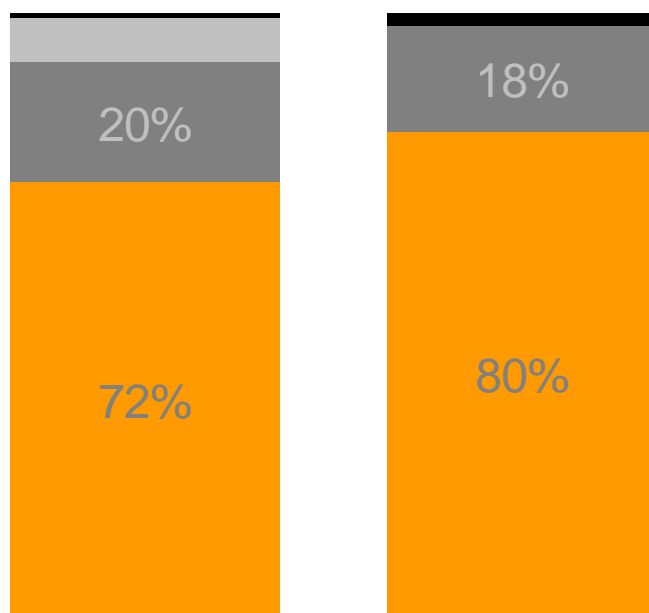
EEK mln	2005	2004	+/-
Retail sales	546.8	420.3	30.1%
Wholesale	120.8	115.7	4.4%
Subcontracting	0.6	42.7	-98.7%
Other sales	12.7	3.1	308%
Total	680.9	581.9	17.0%

Due to the establishment of a joint venture, Baltika Tailor OÜ, on the basis of Baltika's production unit in November 2004, the consolidated sales results do not include subcontracting figures starting from December 2004.

Due to the acquisition of a 50.1% holding in the Russian retail partner in April 2004, part of Russian wholesale is recorded as retail sales starting from May 2004.

Sales development

Sales breakdown



2004

2005

■ Retail sales
■ Subcontracting

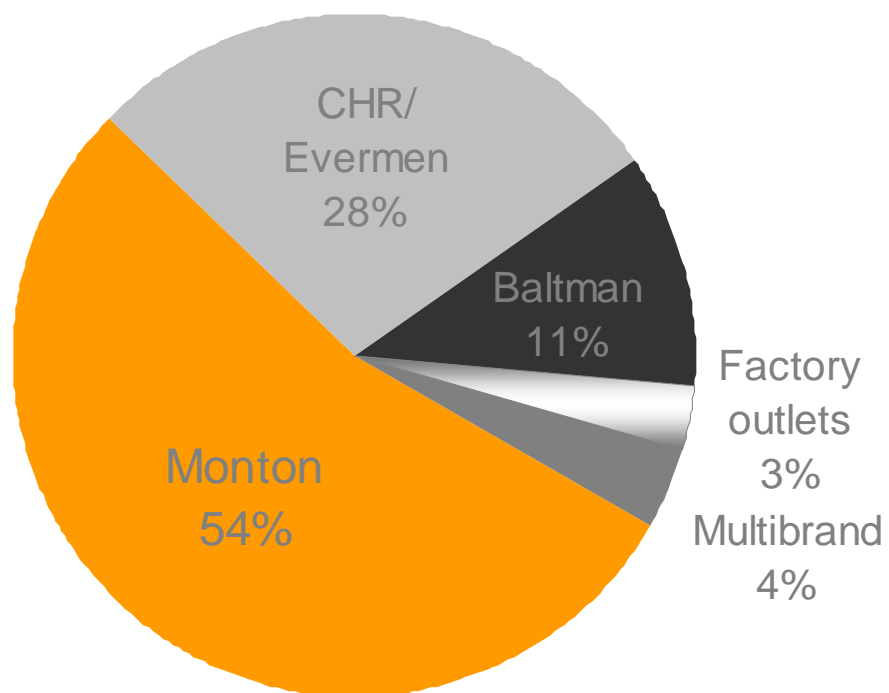
■ Wholesale
■ Other sales

Growth 2005, yoy

Retail space (avg m ²)	8%
Efficiency (sales/m ²)	21%
Retail sales	30%
Like-for-Like sales	23%

Sales by concept

Retail sales breakdown, 2005

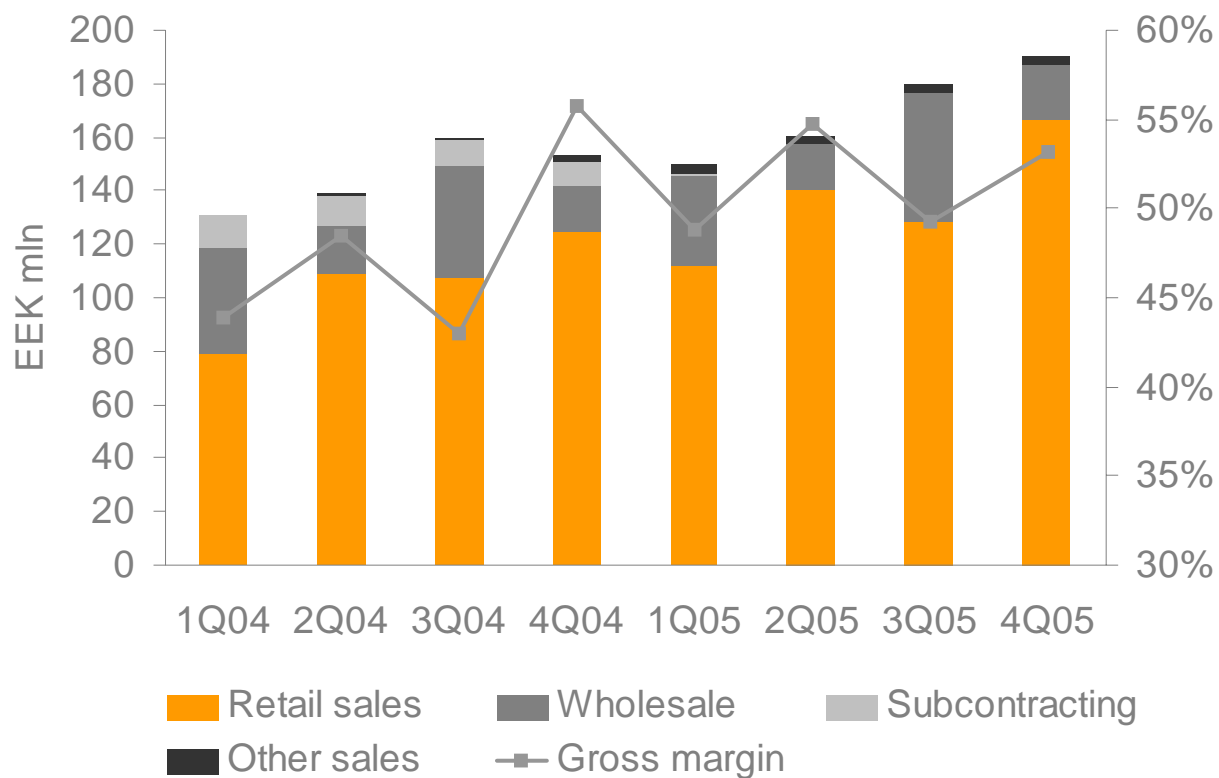


Sales by country

EEK mln	2005	2004	+/-	% sales
Estonia	195.4	147.9	32%	29%
Latvia	82.3	65.8	25%	12%
Lithuania	132.4	108.9	22%	19%
Ukraine	98.6	71.0	39%	15%
Russia	111.5	76.8	45%	16%
Poland	39.1	40.3	-3%	6%
Finland	20.5	32.9	-38%	3%
Other	1.1	38.3	-97%	0%
Total	680.9	581.9	17%	100%

Sales and gross margin

Quarterly sales and gross margin

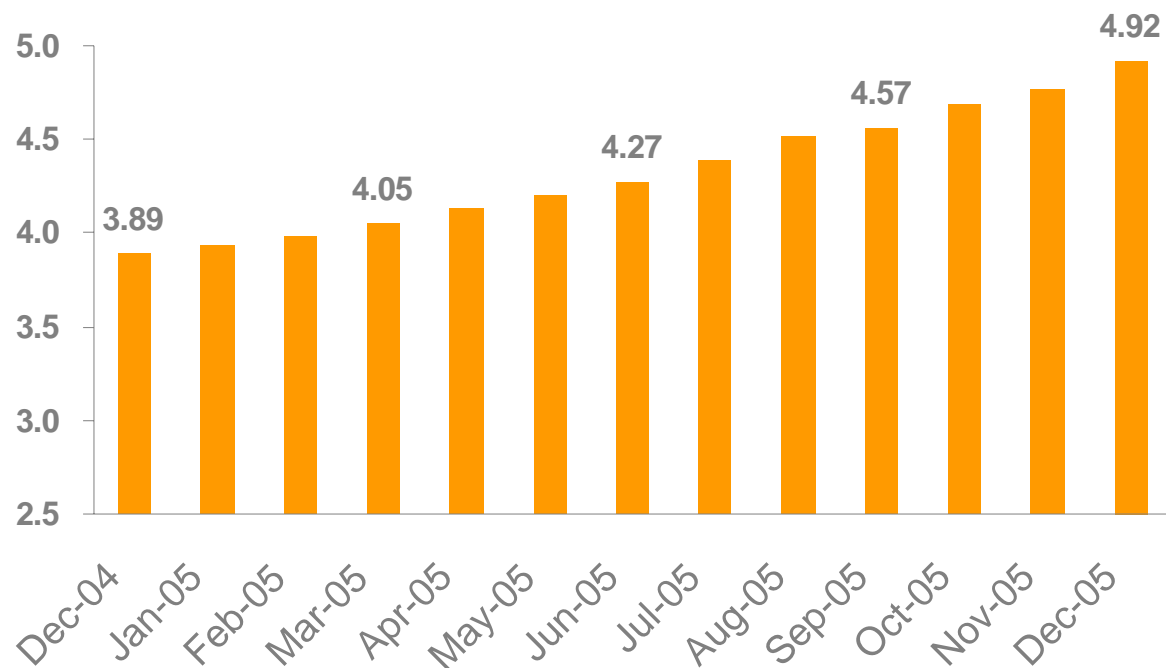


Balance sheet highlights

EEK '000	30.09.05	31.12.04	+/-
Customer receivables	39,566	27,501	43.9%
Inventories	144,459	145,460	-0.7%
Tangible fixed assets	88,089	77,325	13.9%
Total assets	377,099	317,180	18.9%
Accounts payable	44,782	31,154	43.7%
Total liabilities	169,147	175,710	-3.7%
Total equity	207,952	141,470	47.0%
Inventory turnover	4.92	3.89	26.5%
ROE	44.1%	14.6%	
ROA	22.2%	5.1%	

Inventory management

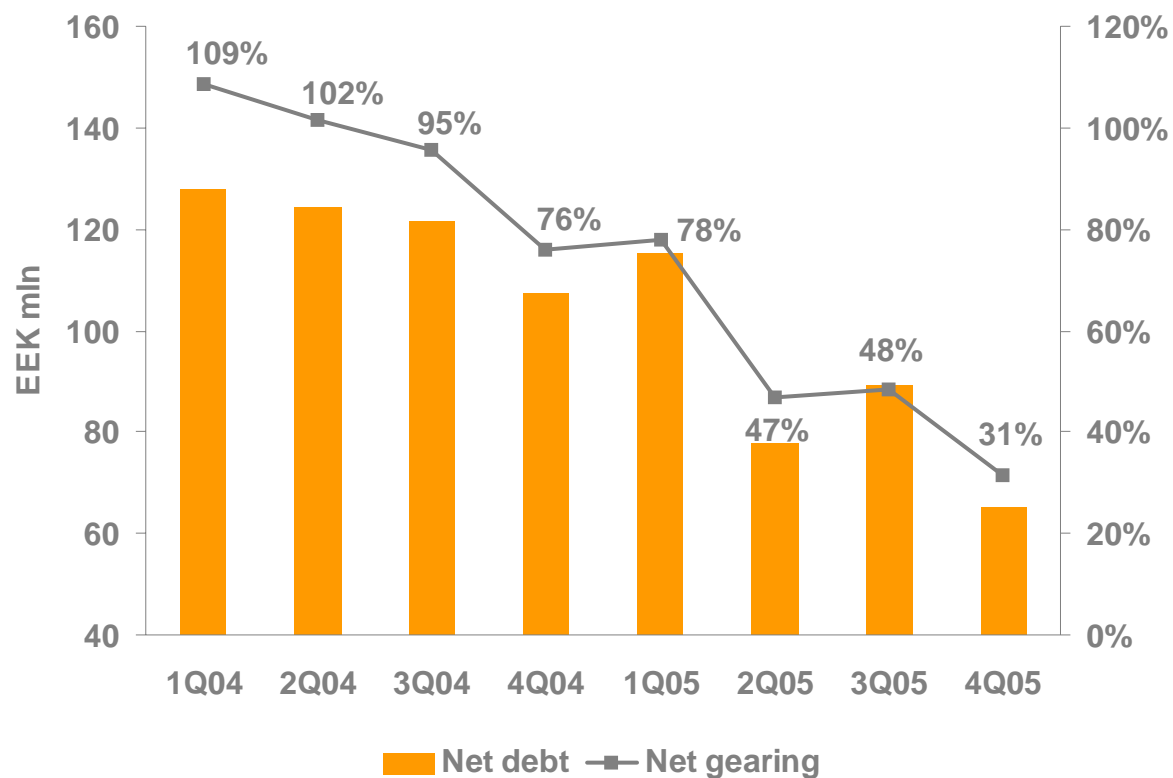
Inventory turnover ratio*



*Net sales/Average inventories (12-month trailing figures)

Financial position

Net debt and gearing ratio

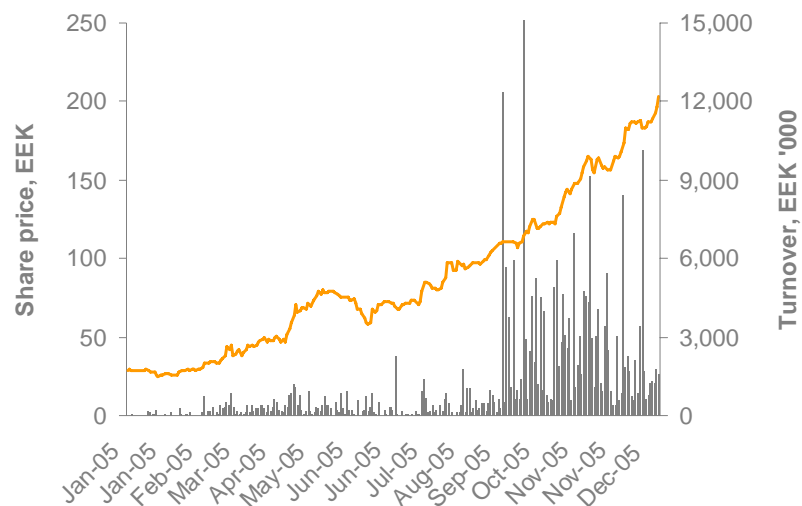


Outlook and goals for 2006

- To increase the Group's retail sales by at least 25%;
- The number of shops anticipated to be opened is 31-35, which will increase the Group's retail system to 114-118 shops with total sales area of 20,000-21,000 square metres by the end of the year;
- By country, the largest expansion of the retail chain is planned in Russia, Ukraine and Lithuania and by concept, in Monton and Mosaic;
- The name change of CHR/Evermen to Mosaic and the further development of the Mosaic shop concept;
- To increase the Group's net sales at least 20%;
- To maintain gross profitability at least at the 2005 level (51.6%);
- To continue the improvement of inventory management (the completion of a new logistics centre and the commencement of the introduction of a new IT system).

Share data

Share price history



Shareholders' structure

BMIG OÜ	22.1%
SEB Clients	7.8%
LHV Arbitrage	5.8%
Other	64.3%
Total	100.0%

EEK	2001	2002	2003	2004	2005
Aktsiad ('000)	4,800	5,444	5,499	5,634	5,823
Aktsia hind	31.50	36.77	32.86	29.10	203.40
DPS	0	0	0	0.75	2.00*
EPS	3.27	1.36	-12.30	3.01	12.62
BVPS	30.54	32.51	20.94	25.11	35.71
P/E	9.6	27.1	neg	9.7	16.1
P/BV	1.0	1.1	1.6	1.2	5.7

No of shares outstanding	5,822,950
No of shares fully diluted	6,214,950
Market cap, EEK mln	1,184
OMX code	BLT1T
Bloomberg code	BLT1T ET

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