

BALTIKA GROUP

Financial results: 2006



Baltika Group

BALTMAN
manton
MOSAIC
Ivo Nikkolo

COMPANY OVERVIEW

Baltika today



- Baltika Group is a rapidly growing fashion retailer in the Baltics and Eastern Europe
 - four retail concepts
 - 112 stores with sales space of 19,594 m²
 - retail coverage of six countries
 - vertically integrated business model
- The company aims to be the leading specialist fashion retailer in Central and Eastern Europe
- The Group employs 1,900 people
- Since 1997 listed on OMX Tallinn Stock Exchange

- Baltika's retail markets
- CEE region



Vertically integrated business model

Centralised management

- Centralised brand-based management: product design, supply chain, logistics, etc.
- Efficient inventory control and sales information systems: info available on a daily basis



Sourcing

- Own production base (four factories): specialisation in men's and women's tailored suits, shirts, jackets, coats (ca 40% of sales)
- Worldwide purchasing (ca 60% of sales)



Retail: ca 80% of total sales

- A balanced portfolio of different brand store chains (Monton, Mosaic, Baltman and Ivo Nikkolo)
- Strong retail organisations in target markets

Wholesale: ca 20% of net sales

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



Operating on rapidly growing markets

- Baltika operates in six retail markets: Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- Vast growth potential exists in Russia and Ukraine and in the CEE region

Baltika's retail markets



Macroeconomic overview of Baltika's markets, 2005

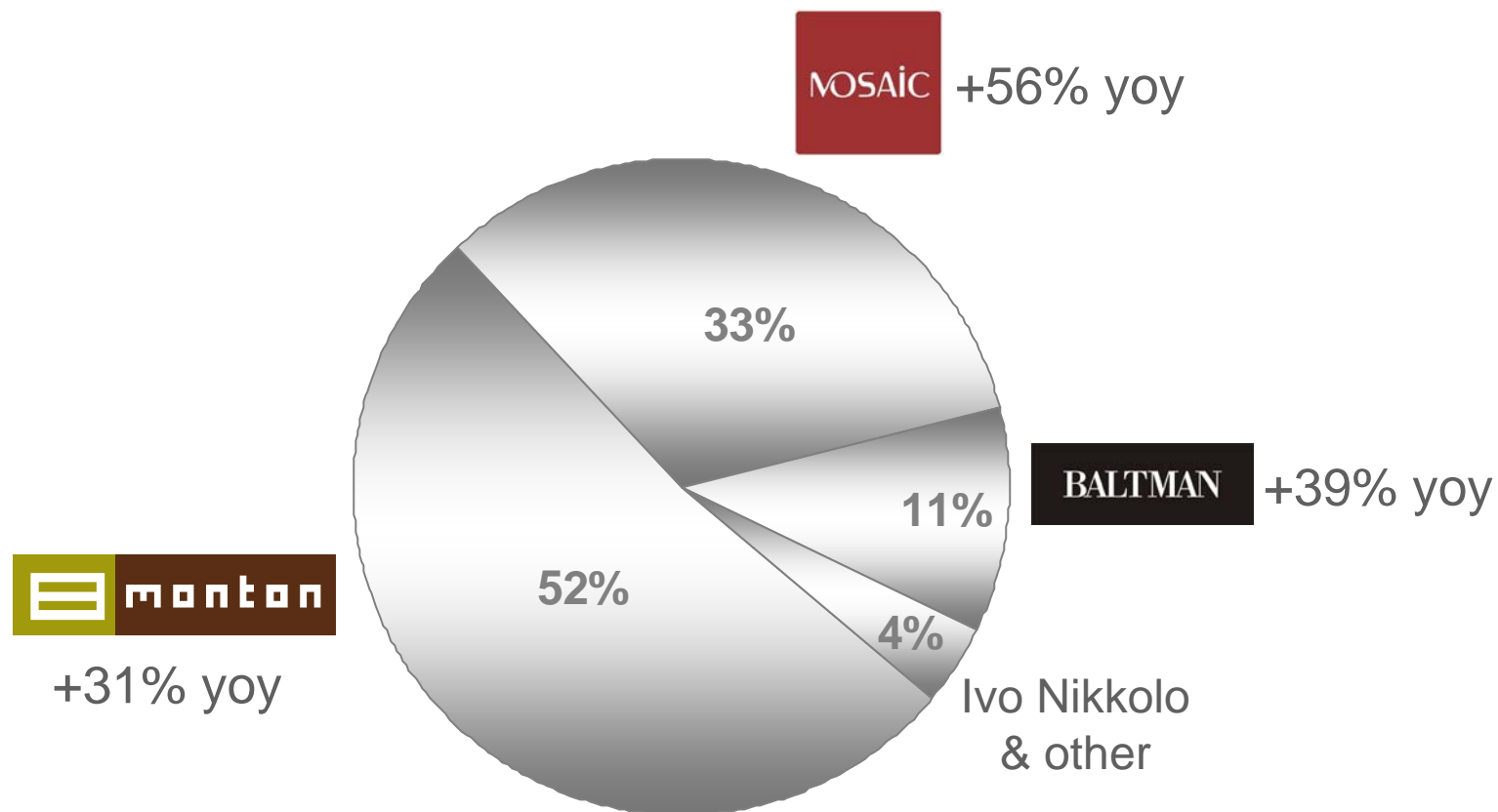
	Population (mln)	GDP (EUR bln)	GDP/capita (EUR)	GDP growth 2005	GDP growth 2006*
Estonia	1.3	11	7,842	9.8%	11.4%
Latvia	2.3	13	5,523	10.2%	11.9%
Lithuania	3.4	21	6,042	7.5%	7.5%
Poland	38.6	241	6,227	3.2%	5.8%
Ukraine	47.0	66	1,400	2.4%	7.0%
Russia	143.5	616	4,292	6.4%	6.7%
Total	236.1				

*Preliminary data



RETAIL CONCEPTS

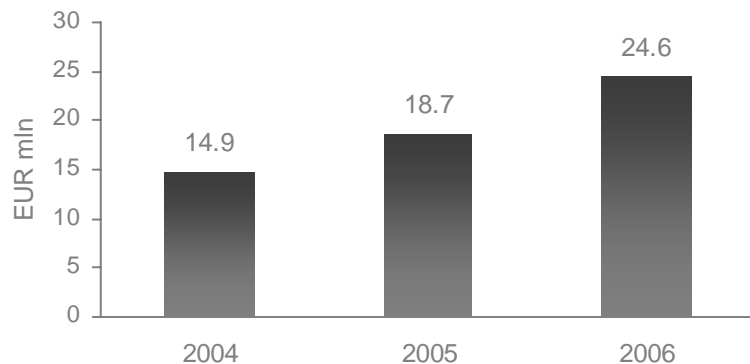
Sales division between retail concepts





- Fast fashion brand for men and women
- Launched in 2002
- Positioning
 - 25...35 years, fashion minded
 - average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- www.montonfashion.com

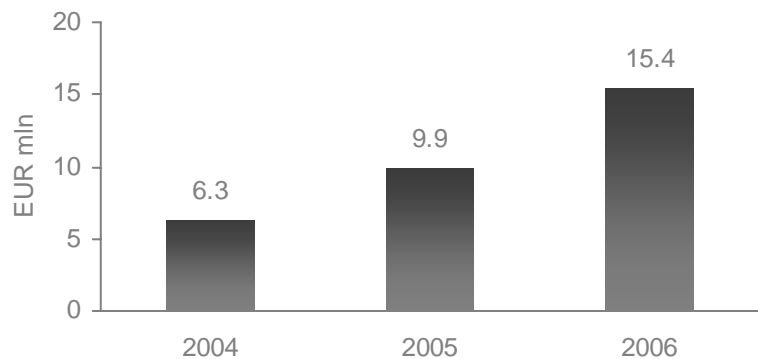
Sales development



MOSAIC

- Clothing brand for professional men and women offering stylish clothing for office and weekend
- Positioning
 - 25...40 years, family values
 - average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- www.mosaic-fashion.com

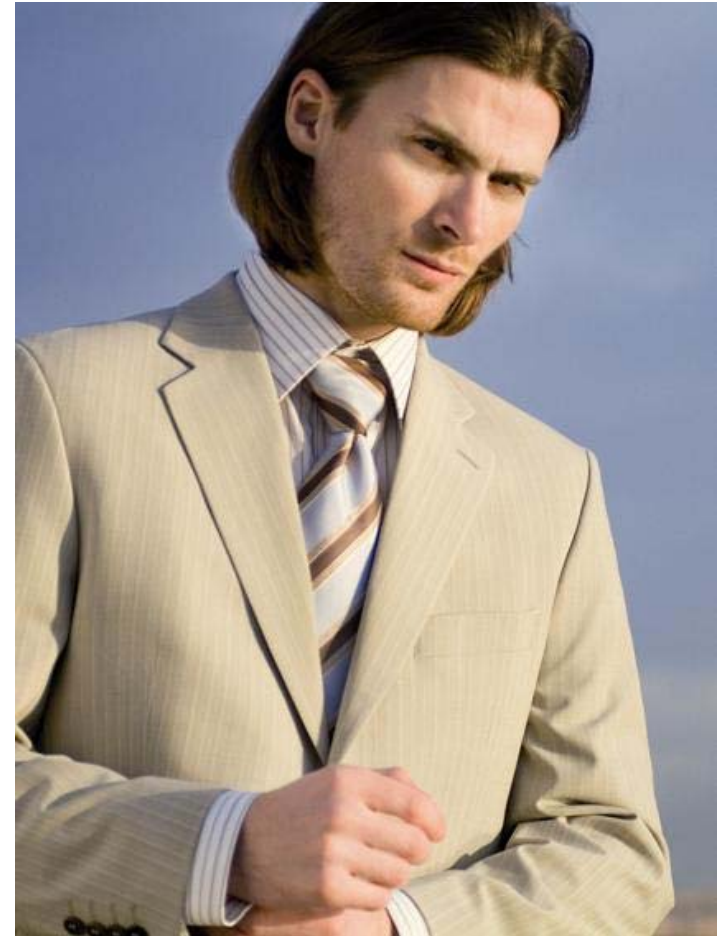
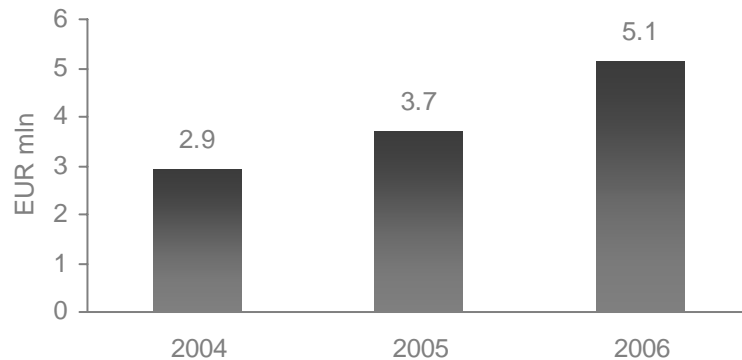
Sales development



BALTMAN

- Prestigious lifestyle brand for men, offering high-quality contemporary businesswear and personal service
- Positioning
 - wide age group
 - average and higher income
- Shops in Estonia, Latvia, Lithuania, Ukraine and Russia
- www.baltman.eu

Sales development



Ivo Nikkolo

- Designer fashion brand for ladies which pleasures with premium lifestyle collections
- Launched in 1994, acquired by Baltika in September 2006 in order to enter premium fashion market for ladies
- Positioning
 - 25...35 years
 - average and higher income
- Shops in Estonia, openings in Latvia and Lithuania in 2007
- Post acquisition sales in 2006 EUR 0.35mln (+40% yoy)
- www.ivenikkolo.com



Retail network (31.12.2006)

	Monton	Mosaic	Baltman	Nikkolo	Other	Total	m ²
Estonia	6	10	5	3	4	28	3,683
Latvia	5	5	3			13	2,033
Lithuania	9	9	4			22	3,676
Ukraine	11	9	1			21	4,079
Russia	10	10	2		1	23	5,076
Poland	3	2				5	1,047
Total	44	45	15	3	5	112	19,594



FINANCIAL REVIEW

Financial highlights – 2006

- Net sales up 32% yoy
- Retail sales growth 35% yoy
- Like-for-like sales growth 13% yoy
- Gross margin at 54.5%
- Operating profit EUR 6.2mln, +30% yoy
- Operating margin at 10.8%
- Profit before income tax EUR 5.8mln, +29% yoy
- Net profit EUR 5.6mln, +20% yoy
- Net margin at 9.7%
- Return on equity 35.9%



Income statement

EUR '000	2006	2005	+/-
Net sales	57,487	43,518	32.1%
Gross profit	31,353	22,438	39.7%
<i>Gross margin</i>	<i>54.5%</i>	<i>51.6%</i>	
Operating profit	6,221	4,788	29.9%
<i>Operating margin</i>	<i>10.8%</i>	<i>11.0%</i>	
Net financial expenses	-386	-252	53.0%
Incl. interest expenses	-366	-346	5.8%
Profit before tax	5,835	4,536	28.7%
Net profit	5,584	4,644	20.2%
<i>Net margin</i>	<i>9.7%</i>	<i>10.7%</i>	



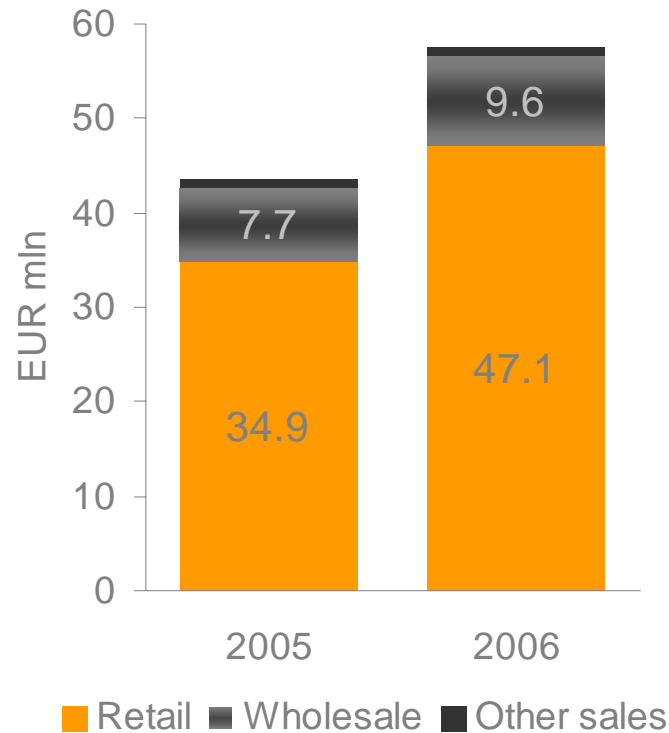
Sales by segment

EUR mln	2006	2005	+/-
Retail sales	47.1	34.9	34.7%
Wholesale	9.6	7.7	24.6%
Subcontracting	0	0.04	-100%
Other sales	0.8	0.81	-1.7%
Total	57.5	43.5	32.1%



Sales development in 2006

Sales by segment



Growth yoy

Average retail space (m ²)	30%
Efficiency (sales/m ²)	3%
Like-for-like sales	13%
Retail sales	35%
Wholesale	25%
Total sales	32%



Sales by country

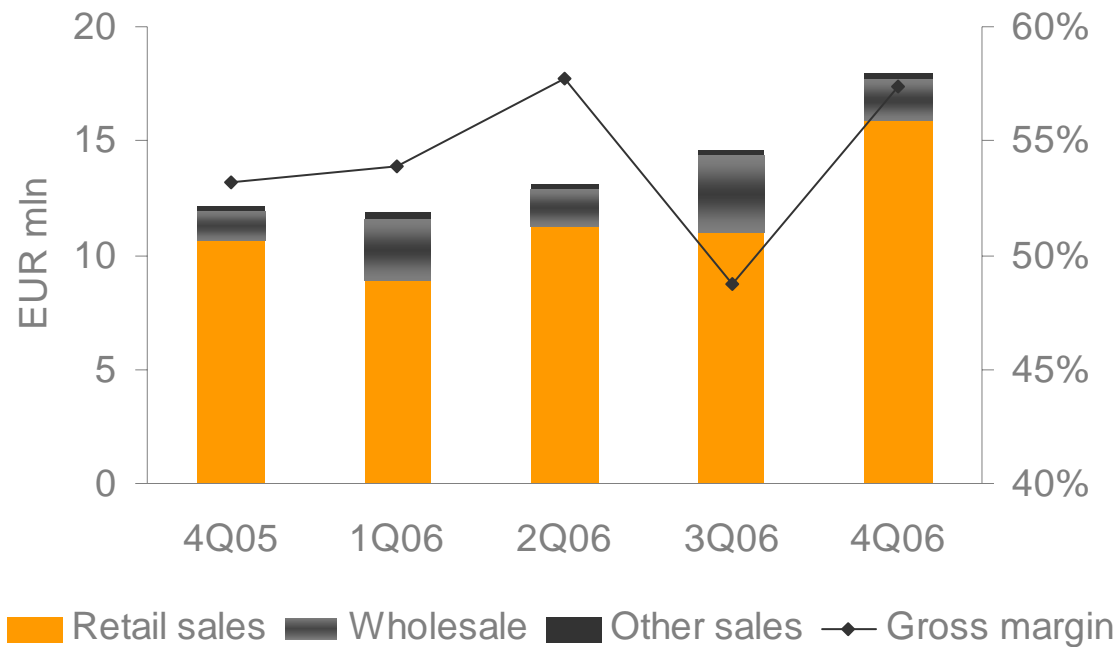
EUR mln	2006	2005	+/-	% sales
Estonia	15.8	12.5	27%	28%
Latvia	7.4	5.2	40%	13%
Lithuania	11.5	8.5	36%	20%
Ukraine	8.2	6.3	30%	14%
Russia	11.2	7.1	57%	19%
Poland	2.2	2.5	-12%	4%
Other	1.2	1.4	-14%	2%
Total	57.5	43.5	32%	100%



Profitability (gross margin)

- 2006 gross margin at 54.5% vs 51.6% in 2005
- 4Q 2006 gross margin at 57.4% vs 53.2% in 4Q 2005

Quarterly sales and gross margin



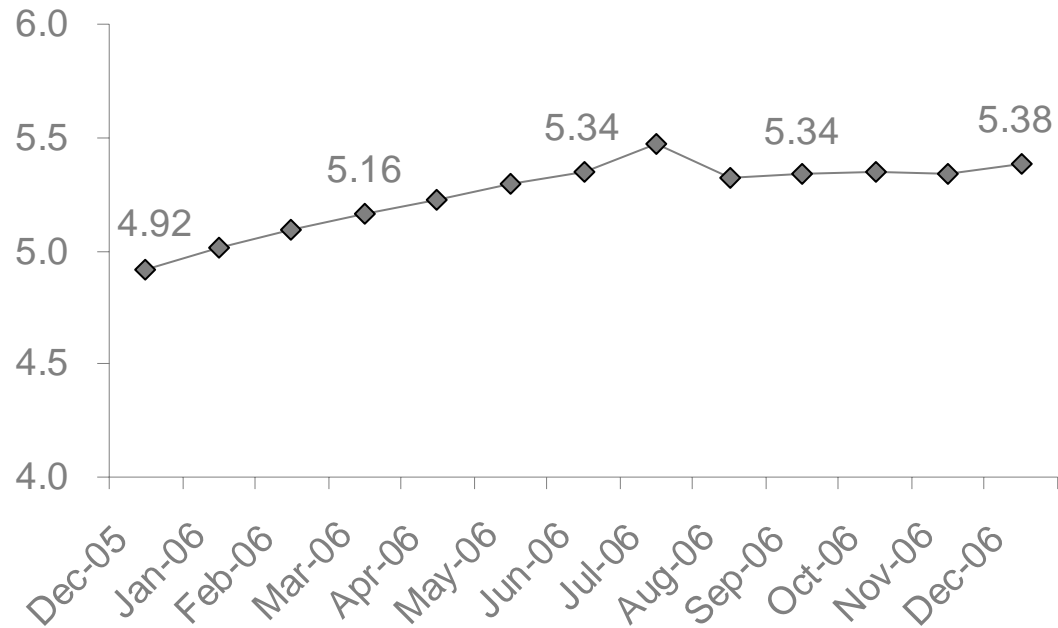
Balance sheet highlights

EUR '000	31.12.06	31.12.05	+/-
Trade receivables	5,522	2,529	118%
Inventories	12,827	9,233	39%
Property, plant and equipment	10,638	5,630	89%
Total assets	38,117	24,102	58%
Supplier payables	6,170	2,862	116%
Borrowings	9,421	5,933	59%
Total liabilities	18,672	10,811	73%
Total equity	19,445	13,291	46%
Inventory turnover	5.38	4.92	9%
ROE	35.9%	44.1%	
ROA	18.3%	22.2%	



Inventory management

Inventory turnover ratio*



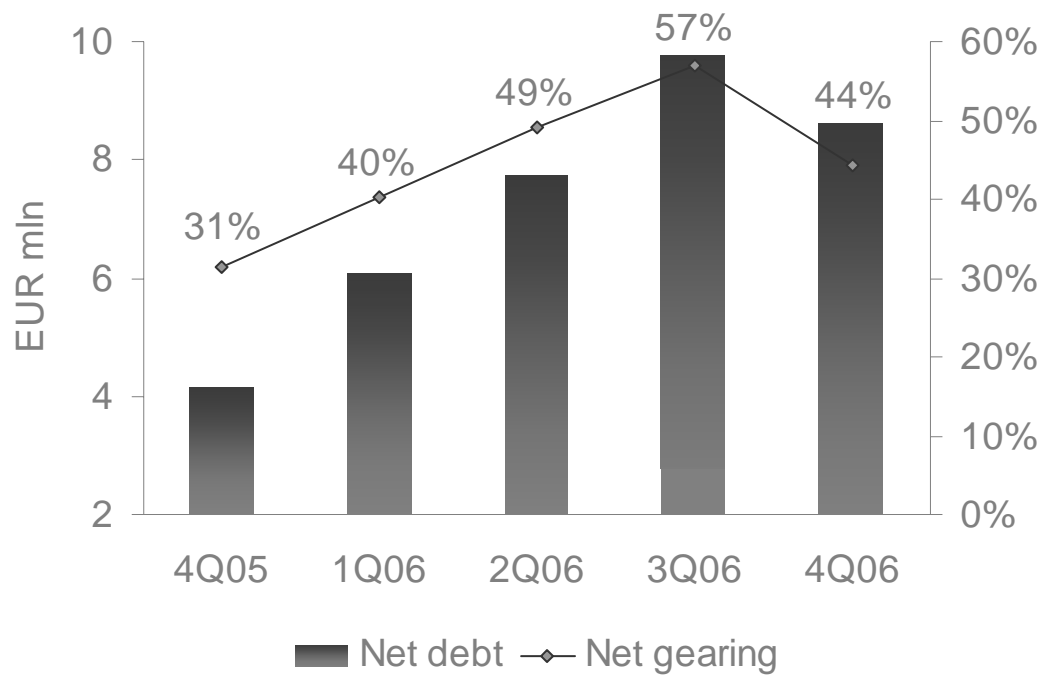
*Net sales/Average inventories (12-month trailing figures)



Financial position

- Total borrowings as of the end of 2006 at EUR 9.4mln
- Yoy increase in debt level as a result of major expansion

Quarterly net debt and net gearing



Outlook and goals for 2007

- The Group's goal in 2007 is to increase net sales at least 40%. During the year, 20-25 new stores are planned to be opened taking the Group's total to 132-137 by the end of the year;
- Continuing expansion into CEE, Baltika plans to enter one or two new markets (Czech Republic and Romania);
- Gross margin will be improved (54.5% in 2006);
- The brands will launch new product groups: Mosaic childrenswear and Monton footwear;
- Ivo Nikkolo starts expansion into Latvia and Lithuania;
- Investments are continuing into information technology related to the management of inventory and overall retail system;
- In the fall of 2007, a new production building will be completed in the suburbs of Tallinn for relocation of the Group's production company Baltika Tailor that is currently located in the city centre at Veerenni 24. After that, the real estate owned by Baltika at Veerenni 24 is ready for extensive development.



STRATEGY 2006-2008: profitable growth

Financial objectives 2006-2008

- To increase net sales at least two times in comparison with 2005
- Number of stores at the end of period 160-180
- Gross margin at least 52%
- Return on equity at least 30%

Summary of strategy

- End 2005: 86 stores
- 2006-2008: 80-100 new shops (including over 30 in 2006)
- End 2008: 160-180 stores (without new brand(s) or new markets)
- Enter one or two new markets
- Launch of new brand(s)

Strategy: markets

The Baltic states – home market

- end 2005: 57 stores
- 2006-2008: 20-22 new shops
- end 2008: ca 80 stores
- end 2008: 40% of Baltika's store portfolio

Ukraine and Russia – big expansion potential

- end 2005: 21 stores
- 2006-2008: 60-75 new shops
- end 2008: ca 80-95 stores
- end 2008: Ukraine 20-25% of Baltika's store portfolio
- end 2008: Russia ca 25% of Baltika's store portfolio

Poland – improving efficiency

- end 2005: 8 stores
- end 2008: 6-9 stores, ca 5% of Baltika's store portfolio



Strategy: brands



- new product groups & new colour worlds
- larger store format (200-300 m²...400-500 m²)
- end 2008: 65-75 stores
- possible franchising



- new name & new store concept
- more collections per season
- wider selection of casual clothing
- larger store format (100-130 m²...180-300 m²)
- end 2008: 65-75 stores
- enlargement of wholesale business



- new services and product groups
- business clothing advisor
- larger store format (80-100 m²...120-130 m²)
- end 2008: ca 30 stores

Ivo Nikkolo

- new brand: development of store concept
- in 2008: 5% from the Group's sales
- end 2008: 10-15 stores



Financial summary

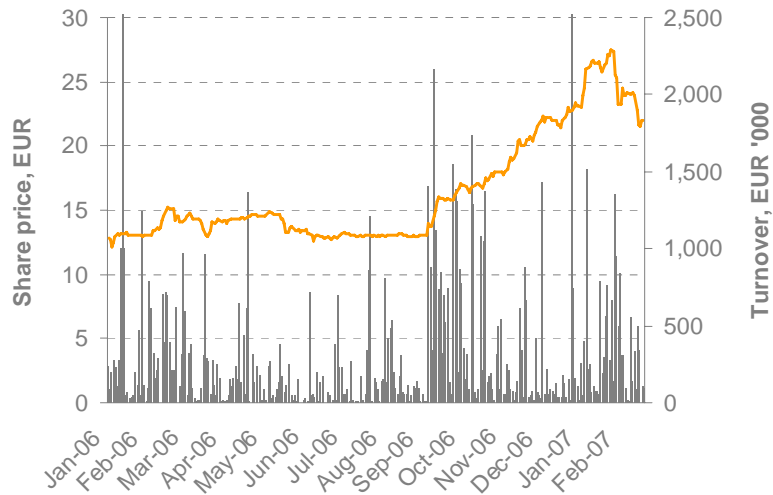
EUR '000	2001	2002	2003	2004	2005	2006
Sales	26,487	31,025	31,767	37,189	43,518	57,487
Gross profit*	n/a	n/a	n/a	17,796	22,438	31,353
<i>Gross margin*</i>	n/a	n/a	n/a	47.9%	51.6%	54.5%
Operating profit	1,478	892	-3,673	1,201	4,787	6,221
<i>Operating margin</i>	5.6%	2.9%	-11.6%	3.2%	11.0%	10.8%
Net profit	1,004	434	-4,311	1,067	4,644	5,584
<i>Net margin</i>	3.8%	1.4%	-13.6%	2.9%	10.7%	9.7%
Total current assets	13,502	16,200	14,264	12,532	14,494	21,842
Incl. cash	807	640	820	800	1,659	804
Total non-current assets	5,507	7,635	6,787	7,739	9,607	16,274
Total assets	19,009	23,835	21,051	20,271	24,101	38,116
Trade and other payables	3,350	3,185	4,818	3,533	4,878	9,250
Total borrowings	6,292	9,339	8,872	7,697	5,933	9,421
Total equity	9,367	11,311	7,360	9,042	13,290	19,444
Incl. minority interest	424	451	455	449	40	515
Total liabilities & equity	19,009	23,835	21,051	20,271	24,101	38,116

*Comparable gross profit figures available after the change in the income statement format (introduced in 2005).



Share data

Share price history



EUR	2002	2003	2004	2005	2006
Shares ('000)	5,444	5,499	5,634	5,823	6,215
Share price	2.35	2.10	1.86	13.00	22.20
DPS	0	0	0.05	0.13	n/a
EPS	0.09	-0.79	0.19	0.81	0.93
BVPS	2.08	1.34	1.60	2.28	3.13
P/E	27.1	neg	9.7	16.1	23.9
P/BV	1.1	1.6	1.2	5.7	7.1

Shareholders' structure (31.12.2006)

BMIG OÜ	20.8%
SEB Ab Clients	6.7%
Raiffeisen Zentralbank Österreich AG Clients	4.9%
Other	67.6%
Total	100.0%

No of shares outstanding	6,214,950
Market cap	EUR 138mln
OMX code	BLT1T
Bloomberg code	BLT1T ET
Next interim results	24-Apr-07



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