



BALTIKA GROUP: emerging regional leader in fashion retail

Company presentation
August 2006

COMPANY OVERVIEW

Baltika today



- Baltika Group is a rapidly growing fashion retailer in the Baltics and Eastern Europe
 - three retail concepts
 - 94 stores with sales space of 14,500 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 1,700 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: monitoring and analysis on a daily basis



Sourcing

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



Retail: ca 80% of total sales

- A balanced portfolio of three retail concepts (Monton, Mosaic and Baltman)
- Strong retail organisations in target markets

Wholesale: ca 20% of total sales

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

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
- Priority growth markets are currently Russia and Ukraine

Baltika's retail markets

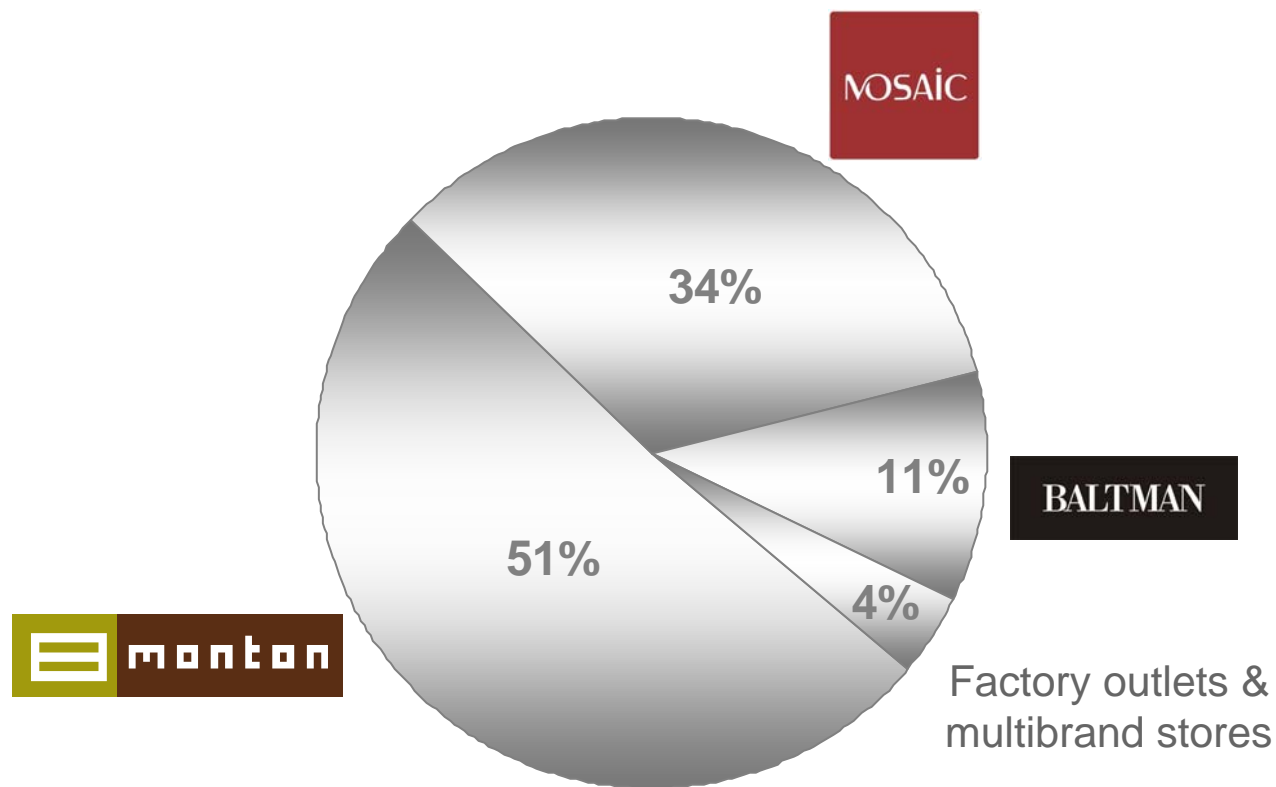


Macroeconomic overview of Baltika's markets, 2005

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

RETAIL CONCEPTS

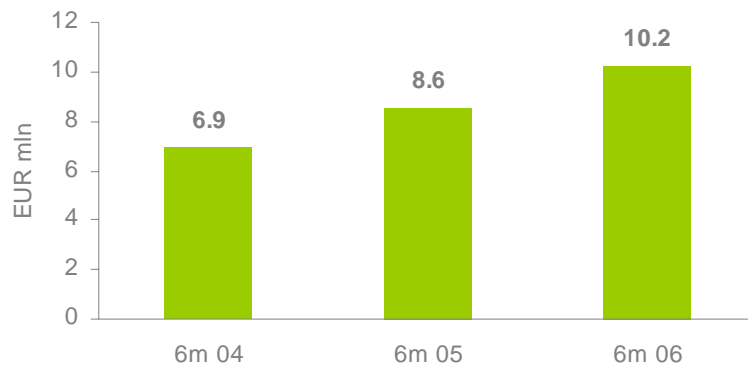
Sales division between retail concepts (6m 2006)



monton

- Fast fashion brand for women and men with a unique handwriting and well-focused quality range
- Launched in 2002
- Positioning:
 - M/F
 - 25-35 years, fashion minded
 - Average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia, Poland
- www.montonfashion.com

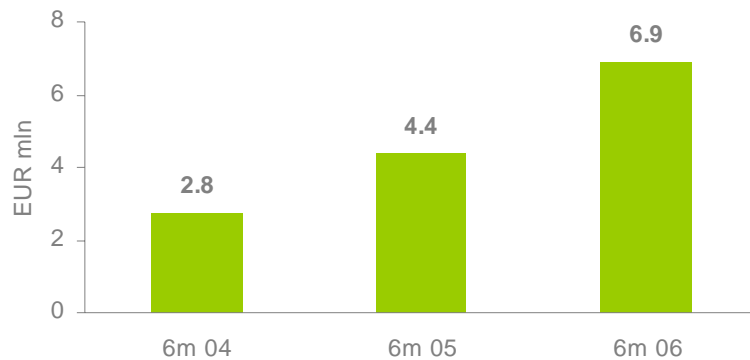
Sales development



MOSAIC

- Clothing brand for professional men and women offering stylish clothing for office and weekend
- Positioning:
 - M/F
 - 20-45 years
 - Average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia, Poland
- www.mosaic-fashion.com

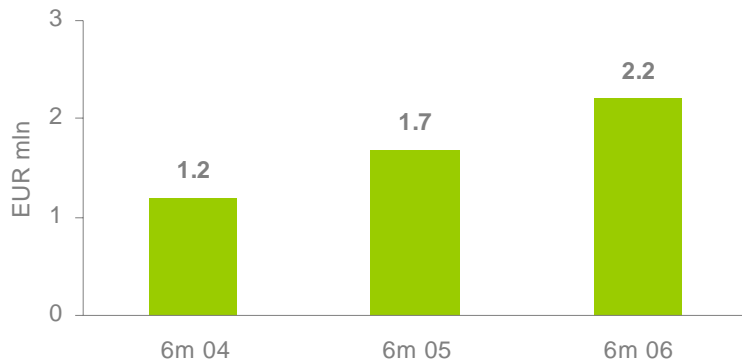
Sales development



BALTMAN

- Prestigious lifestyle brand for men, offering high-quality contemporary businesswear and personal service in a comfortable shopping environment
- Positioning
 - Male
 - Wide age group
 - Average and higher than average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia
- www.baltman.eu

Sales development



Retail network

| | Monton | Mosaic | Baltman | Factory Outlet | Multi- brand | Total | m ² |
|--------------|-----------|-----------|-----------|-------------------|-----------------|--------------|----------------|
| Estonia | 6 | 9 | 5 | 4 | | 24 | 2,999 |
| Latvia | 4 | 5 | 2 | | | 11 | 1,626 |
| Lithuania | 9 | 9 | 4 | 1 | | 23 | 3,720 |
| Ukraine | 9 | 6 | 2 | | | 17 | 2,838 |
| Russia | 4 | 6 | 1 | | 1 | 12 | 1,916 |
| Poland | 3 | 3 | | 1 | | 7 | 1,418 |
| Total | 35 | 38 | 14 | 6 | 1 | 94 | 14,517 |

Store look



FINANCIAL REVIEW

Financial performance factors

In 2005 Baltika completed strategic turnaround into vertically integrated fashion retailer. Turnaround success is illustrated by considerably improved financial performance of the Group.

Performance factors

- Fast growth in retail sales
- Improved sales efficiency and inventory management
- Better intake margins, accurate product pricing
- Well managed sales in discount periods
- Precisely timed launch of collections
- Strengthening brand awareness
- Higher store traffic
- Good macroeconomic conditions in all the markets

Growth 2002-2005

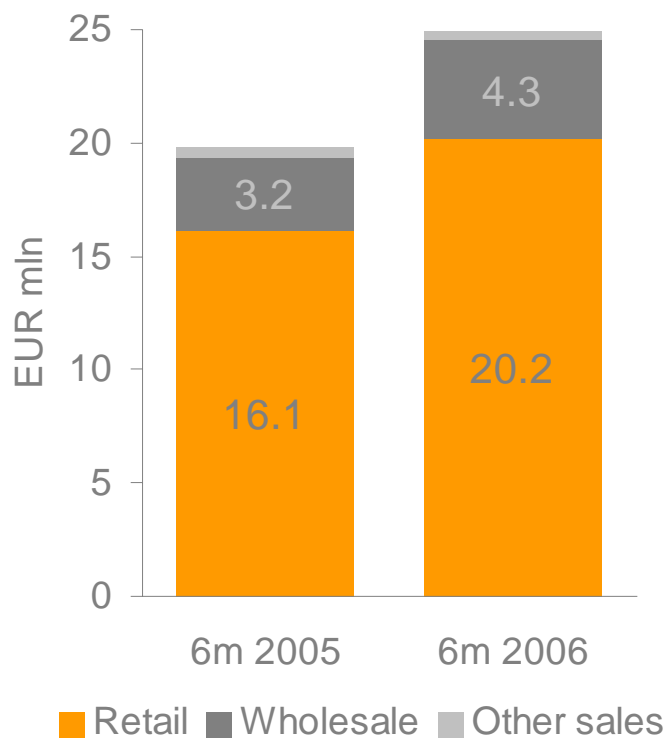
- Retail sales growth 3.6 times:
10...35 EUR mln
- Net profit growth 4.6 times:
1.0...4.6 EUR mln
- Return on equity (ROE) increase from 4.4% in 2001 to 44.1% in 2005
- Market capitalisation increase 7.8 times:
10...76 EUR mln

Key figures in 1H 2006: growth continues

| (EUR '000) | 30.06.06 | 30.06.05 | +/- |
|-------------------------------------|----------|----------|-------|
| Net sales | 24,939 | 19,844 | 25.7% |
| Gross profit | 13,937 | 10,296 | 35.4% |
| Operating profit | 2,514 | 1,704 | 47.5% |
| Net profit | 2,318 | 1,800 | 28.8% |
| Gross margin | 55.9% | 51.9% | |
| Operating margin | 10.1% | 8.6% | |
| Net margin | 9.3% | 9.1% | |
| Number of directly managed stores | 94 | 76 | 23.7% |
| Retail space (m ²) | 14,517 | 11,341 | 28.0% |
| Number of employees (end of period) | 1,758 | 1,630 | 7.9% |
| Inventory turnover | 5.34 | 4.27 | 25.1% |
| ROE | 39.7% | 32.5% | |
| ROA | 21.4% | 13.5% | |

Sales development in 1H 2006

Sales breakdown

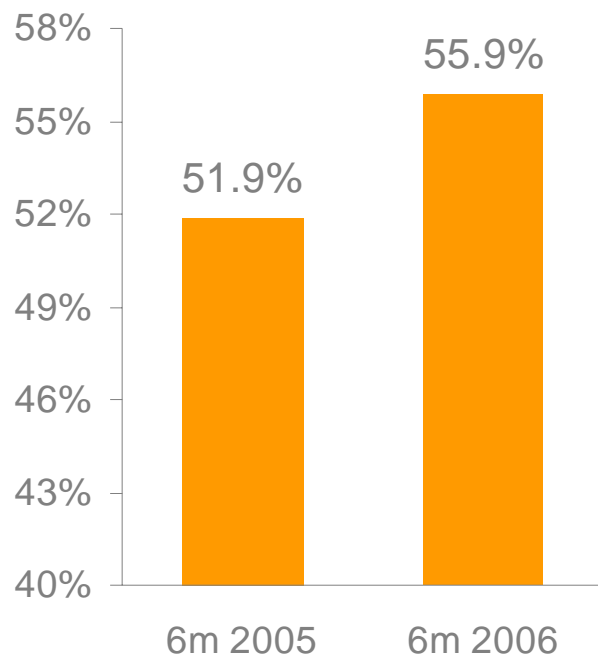


Growth 6m 2006, yoy

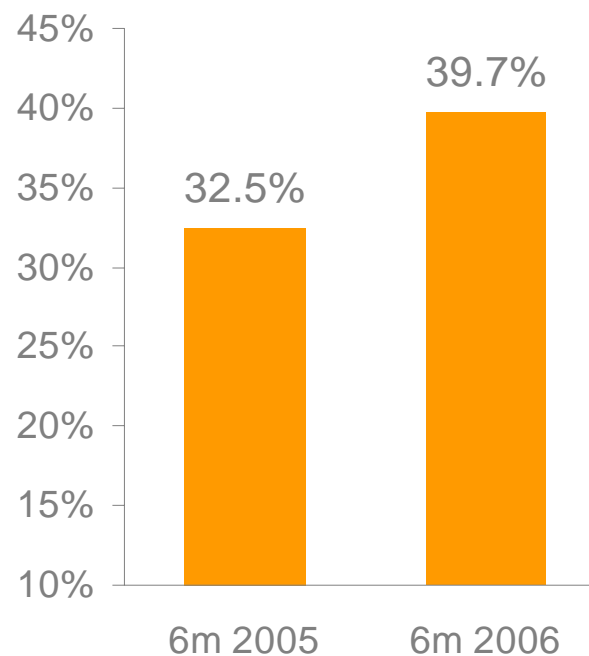
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|------------------------------------|-----|
| Retail space (avg m ²) | 20% |
| Efficiency (sales/m ²) | 5% |
| Retail sales | 25% |
| Like-for-Like sales | 14% |
| Wholesale | 34% |

Profitability

Gross margin



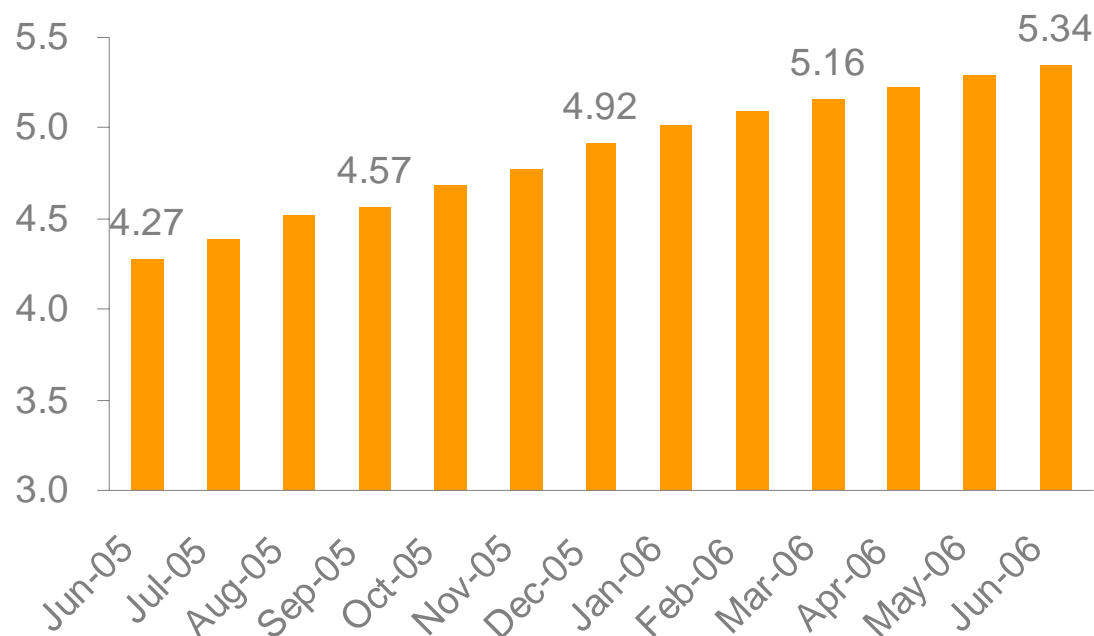
ROE



Inventory management

- Improving inventory management via established IT information system and growing experience
- Better management of sales in discount periods
- Better sourcing

Inventory turnover ratio*

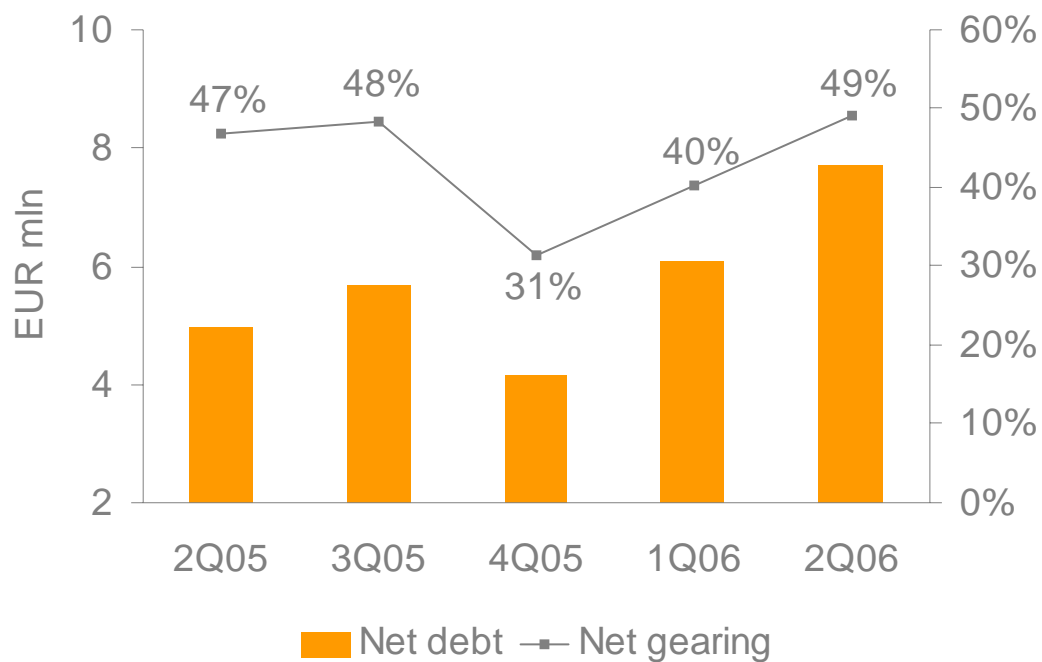


*Net sales/Average inventories (12-month trailing figures)

Financial position

- Total borrowings as of the end of 6m 2006 at EUR 9.0mln
- Yoy increase in debt level as a result of major expansion
- Stable debt to equity ratio on yoy comparison

Quarterly net debt and net gearing



Outlook and goals for 2006

- To increase the Group's net sales by at least 26%;
- To maintain gross profitability at least at the 2005 level (51.6%);
- 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 continue the improvement of inventory management (the completion of a new logistics centre and the commencement of the introduction of a new IT system).

Expanding brand portfolio: Ivo Nikkolo

Baltika plans to acquire a fashion trademark “Ivo Nikkolo”:

- premium fashion brand for ladies by well known Estonian fashion designer
- pre-agreement signed in July and purchase agreement signed in September
- the brand complements Baltika’s current brand portfolio
- the acquisition complies with the 2006-2008 strategic objectives of Baltika to extend customer base
- three stores in Estonia – will be incorporated in Baltika’s retail system post the purchase
- the plan is to expand the new brand to the markets where Baltika is already present
- Ivo Nikkolo continues consulting collection development



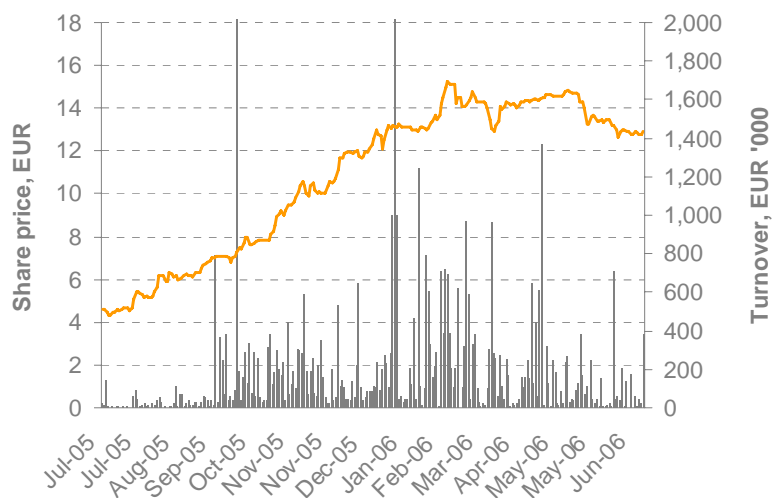
Financial summary

| EUR '000 | 2001 | 2002 | 2003 | 2004 | 2005 | 6m 05 | 6m 06 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 26,487 | 31,025 | 31,767 | 37,189 | 43,518 | 19,844 | 24,939 |
| Gross profit* | n/a | n/a | n/a | 17,796 | 22,438 | 10,296 | 13,937 |
| <i>Gross margin*</i> | n/a | n/a | n/a | 47.9% | 51.6% | 51.9% | 55.9% |
| Operating profit | 1,478 | 892 | -3,673 | 1,201 | 4,787 | 1,704 | 2,514 |
| <i>Operating margin</i> | 5.6% | 2.9% | -11.6% | 3.2% | 11.0% | 8.6% | 10.1% |
| Net profit | 1,004 | 434 | -4,311 | 1,067 | 4,644 | 1,800 | 2,318 |
| <i>Net margin</i> | 3.8% | 1.4% | -13.6% | 2.9% | 10.7% | 9.1% | 9.3% |
| Total current assets | 13,502 | 16,200 | 14,264 | 12,532 | 14,494 | 12,772 | 17,973 |
| Incl. cash | 807 | 640 | 820 | 800 | 1,659 | 855 | 1,118 |
| Total non-current assets | 5,507 | 7,635 | 6,787 | 7,739 | 9,607 | 7,558 | 12,764 |
| Total assets | 19,009 | 23,835 | 21,051 | 20,271 | 24,101 | 20,329 | 30,737 |
| Trade and other payables | 3,350 | 3,185 | 4,818 | 3,533 | 4,878 | 3,843 | 6,042 |
| Total borrowings | 6,292 | 9,339 | 8,872 | 7,697 | 5,933 | 5,887 | 8,956 |
| Total equity | 9,367 | 11,311 | 7,360 | 9,042 | 13,290 | 10,599 | 15,738 |
| Incl. minority interest | 424 | 451 | 455 | 449 | 40 | 221 | 465 |
| Total liabilities & equity | 19,009 | 23,835 | 21,051 | 20,271 | 24,101 | 20,329 | 30,737 |

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

Share data (30-Jun-2006)

Share price history



| EUR | 2002 | 2003 | 2004 | 2005 | 6m 06 |
|---------------|-------|-------|-------|-------|-------|
| Shares ('000) | 5,444 | 5,499 | 5,634 | 5,823 | 6,015 |
| Share price | 2.35 | 2.10 | 1.86 | 13.00 | 12.90 |
| DPS | 0 | 0 | 0.05 | 0.13 | n/a |
| EPS | 0.09 | -0.79 | 0.19 | 0.81 | 0.39 |
| BVPS | 2.08 | 1.34 | 1.60 | 2.28 | 2.62 |
| P/E | 27.1 | neg | 9.7 | 16.1 | 14.7 |
| P/BV | 1.1 | 1.6 | 1.2 | 5.7 | 4.9 |

Shareholders' structure

| | |
|---------------------------|--------|
| BMIG OÜ | 21.5% |
| SEB Ab Clients | 9.5% |
| AS Suprema Client Account | 4.7% |
| Other | 64.3% |
| Total | 100.0% |

| | |
|----------------------------|-------------|
| No of shares outstanding | 6,014,950 |
| No of shares fully diluted | 6,214,950 |
| Market cap, EUR mln | 78 |
| OMX code | BLT1T |
| Bloomberg code | BLT1T ET |
| Next interim results | 24-Oct-2006 |



STRATEGY 2006-2008

Mission, goal, key strategic strengths

Baltika creates quality fashion that enables people to express themselves and feel good.

Our goal is to be the leading specialist fashion retailer in Central and Eastern Europe.

Key strategic strengths

- Learning organisation with high targets
- Flexible vertical integration and buying models
- Centralised management with a tailor-made approach to target markets
- Brand portfolio covering a broad customer base

Brands and the strategy



- new colour worlds
- new product groups
- wider range of accessories
- larger store format (200-300 m²...400-500 m²)



- new name
- new store concept
- more collections per season
- wider selection of casual clothing
- larger store format (100-130 m²...180-300 m²)

BALTMAN

- new services and product groups
- wider range of accessories
- business clothing advisor
- larger store format (80-100 m²...120-130 m²)

Markets and the strategy

The Baltic states – home market

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

Ukraine and Russia – big expansion potential

- end 2005: 21 stores
- 2006-2008: 60-75 new shops
- 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

Summary of strategy: profitable expansion

- End 2005: 86 stores
- 2006-2008: 80-100 new shops
- End 2008: 160-180 stores
- Enter one or two new markets
- Possible extension of the brand portfolio

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%

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