

# BALTIKA GROUP:

Emerging regional leader in fashion retail

Company presentation  
June 2007



**Baltika Group**

BALTMAN  
monton  
MOSAIC  
Ivo Nikkolo

# Baltika today



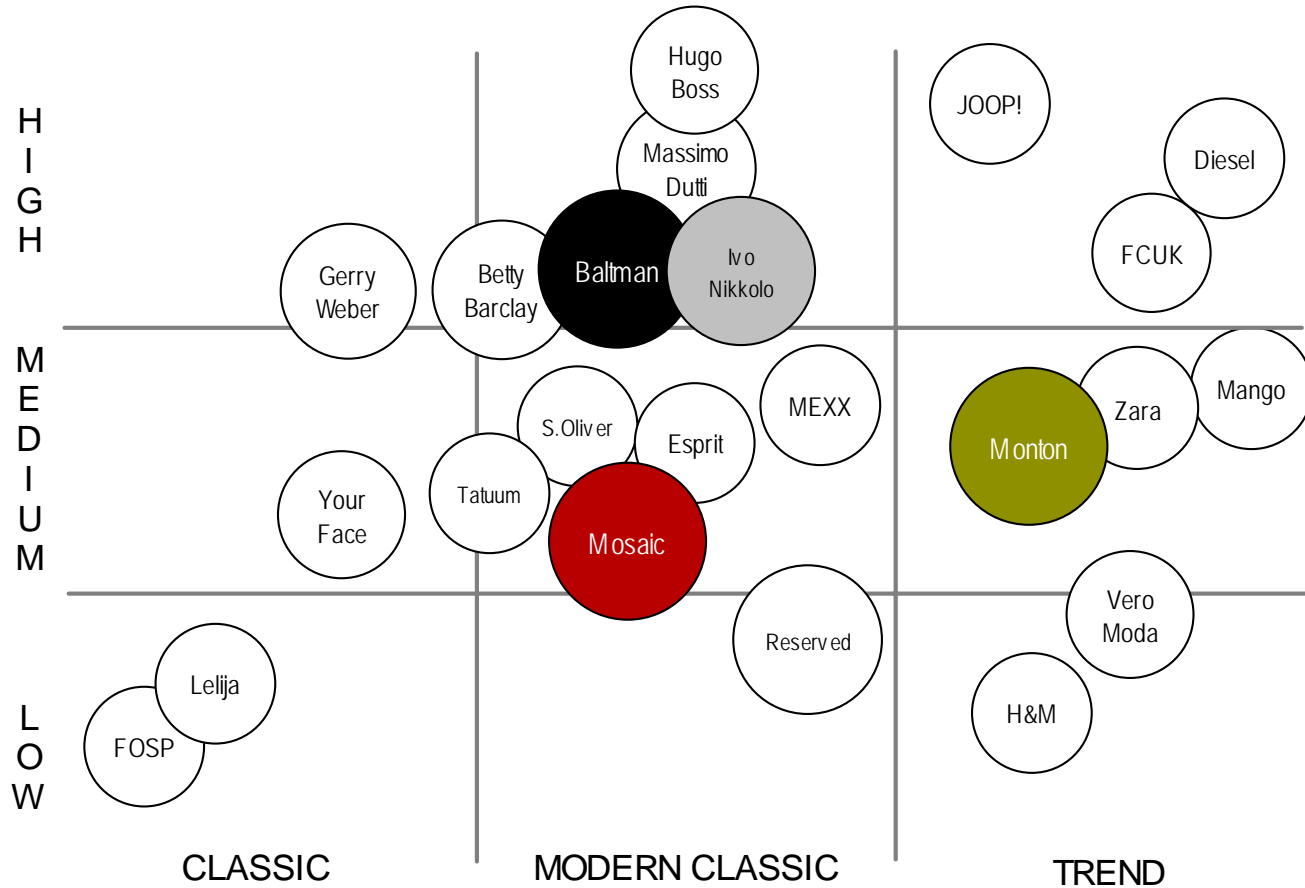
- Baltika Group is a rapidly growing fashion retailer in the Baltic States and Eastern Europe
  - four retail concepts
  - 124 stores with sales space of 23,000 m<sup>2</sup>
  - retail coverage of six countries
  - vertically integrated business model
- The company aims to be the leading specialist fashion retailer in Central and Eastern Europe
- The Group employs 2,000 people
- Since 1997 listed on OMX Tallinn Stock Exchange

- Baltika's retail markets
- CEE region

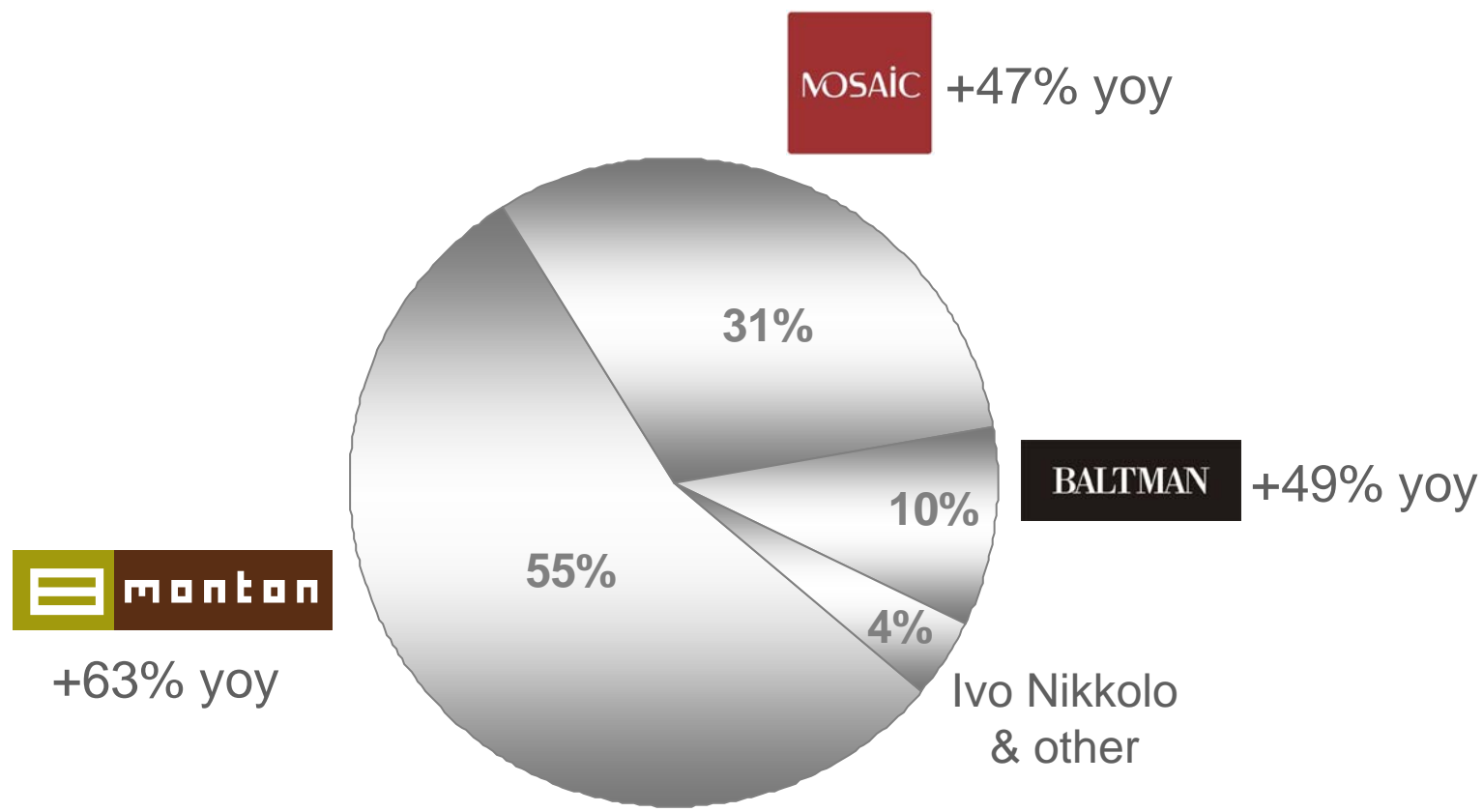


# RETAIL CONCEPTS

# Brand positioning



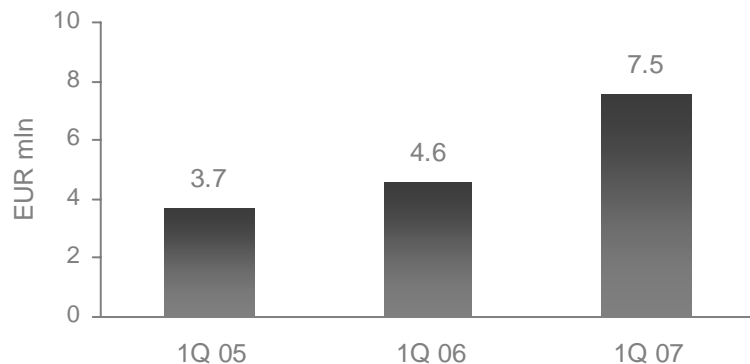
# Retail sales by concepts, 1Q 2007



# monton

- Fast fashion brand for men and women with a unique handwriting and well-focused quality range
- Positioning: 25-35 years; average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- Store format: 350-600 m<sup>2</sup>
- [www.montonfashion.com](http://www.montonfashion.com)

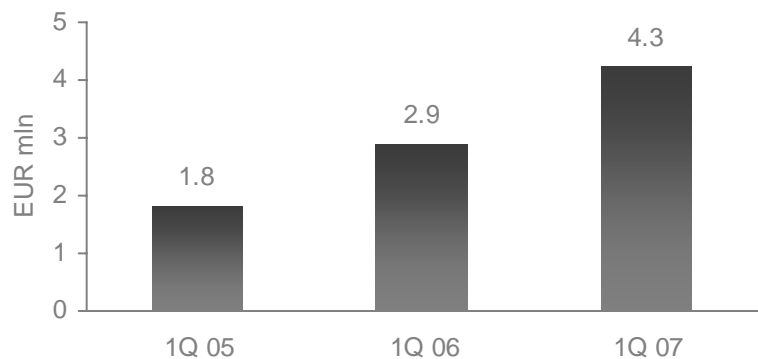
## Sales development



# MOSAIC

- Clothing brand offering stylish and high-quality professional and casual clothing for men, women and their children
- Positioning: 25-40 years, children 2-10 years; average income
- Shops in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- Store format: 200-350 m<sup>2</sup>
- [www.mosaic-fashion.com](http://www.mosaic-fashion.com)

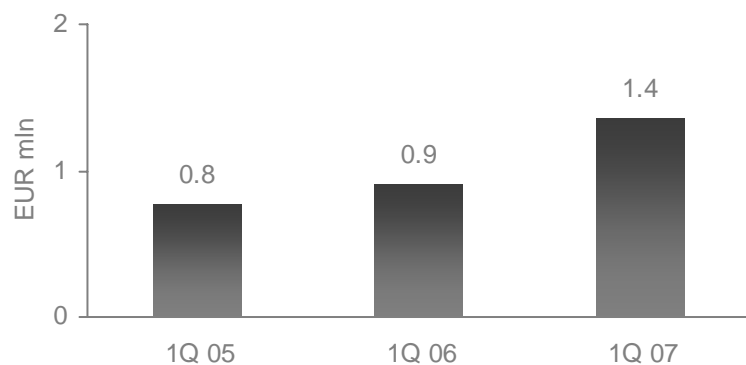
## Sales development



# BALTMAN

- Prestigious lifestyle brand for men, offering stylish, classic and high-quality clothing and personal service
- Positioning: 30-40 years; higher income
- Shops in Estonia, Latvia, Lithuania, Ukraine and Russia
- Store format: 100-130 m<sup>2</sup>
- [www.baltman.eu](http://www.baltman.eu)

## Sales development





# Ivo Nikkolo

- Designer fashion brand for ladies allowing the customer to express her own individuality and complement her lifestyle
- Acquired by Baltika in September 2006 in order to enter premium fashion market for ladies
- Positioning: 25-35 years; higher income
- Shops in Estonia and Lithuania
- Post acquisition sales in 2006 EUR 0.35mln (+40% yoy)
- [www.ivonikkolo.com](http://www.ivonikkolo.com)



## Retail network (31.03.2007)

	Monton	Mosaic	Baltman	Nikkolo	Other	<b>Total</b>	m <sup>2</sup>
Estonia	6	10	5	3	4	<b>28</b>	3,683
Latvia	5	5	3			<b>13</b>	2,189
Lithuania	10	10	5	1		<b>26</b>	4,432
Ukraine	11	10	1			<b>22</b>	4,197
Russia	11	10	2		1	<b>24</b>	5,353
Poland	3	2				<b>5</b>	1,047
<b>Total</b>	<b>46</b>	<b>47</b>	<b>16</b>	<b>4</b>	<b>5</b>	<b>118</b>	<b>20,901</b>



# Store look



# FINANCIAL REVIEW

## Key figures in 2006

EUR '000	31.12.06	31.12.05	+/-
Net sales	57,487	43,518	32.1%
Gross profit	31,353	22,438	39.7%
Operating profit	6,221	4,788	29.9%
Net profit	5,584	4,644	20.2%
Gross margin	54.5%	51.6%	
Operating margin	10.8%	11.0%	
Net margin	9.7%	10.7%	
Number of directly managed stores	112	86	30%
Retail space (m <sup>2</sup> )	19,594	12,736	54%
Inventory turnover	5.38	4.92	9%
ROE	35.9%	44.1%	
ROA	18.3%	22.2%	

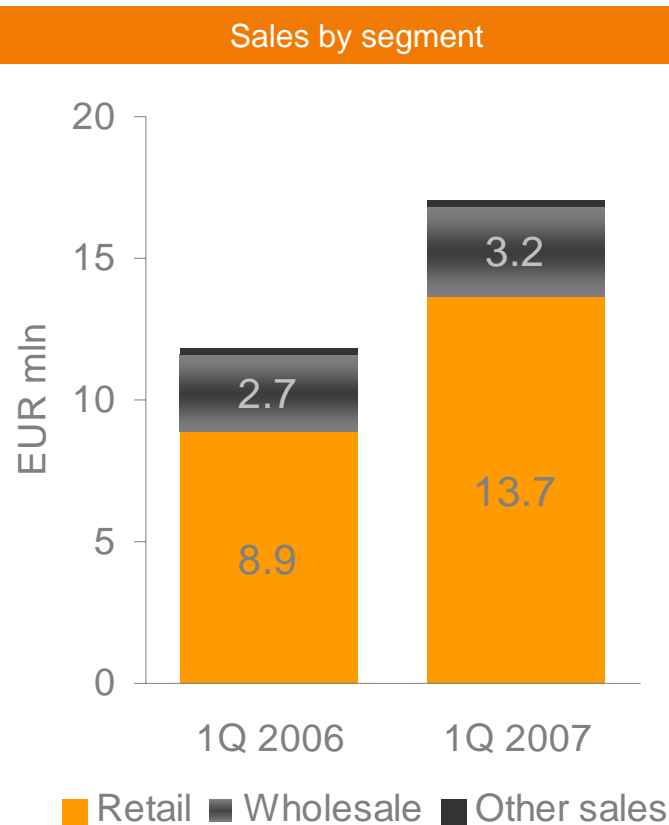


## Key figures in 1Q 2007

EUR '000	31.03.07	31.03.06	+/-
Net sales	17,022	11,836	43.8%
Gross profit	9,093	6,378	42.6%
Operating profit	1,690	923	83.1%
Net profit	1,536	909	69.2%
Gross margin	53.4%	53.9%	
Operating margin	9.9%	7.8%	
Net margin	9.0%	7.7%	
Number of directly managed stores	118	90	31%
Retail space (m <sup>2</sup> )	20,901	13,423	56%
Inventory turnover	5.43	5.16	5%
ROE	36.6%	41.6%	
ROA	18.3%	22.1%	



# Sales development in 1Q 2007



Growth yoy

Average retail space (m <sup>2</sup> )	55%
Efficiency (sales/m <sup>2</sup> )	0%
Like-for-like sales	16%
Retail sales	53%
Wholesale	16%
Total sales	44%



## Sales by segment

EUR mln	1Q 07	1Q 06	+/-
Retail sales	13.6	8.9	53.4%
Wholesale	3.2	2.7	15.9%
Other sales	0.2	0.2	-0.9%
<b>Total</b>	<b>17.0</b>	<b>11.8</b>	<b>43.8%</b>





## Sales by segment: 5 months 2007

EUR mln	5m 07	5m 06	+/-
Retail sales	23.5	16.3	45%
Wholesale	4.7	4.2	12%
Subcontracting	0.4	0	n/a
Other sales	0.2	0.3	-32%
<b>Total</b>	<b>28.8</b>	<b>20.8</b>	<b>39%</b>



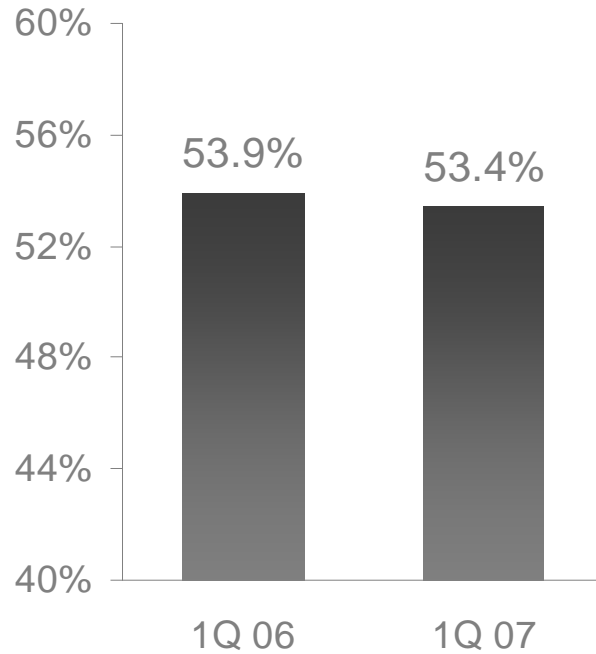
## Sales by country

EUR mln	1Q 07	1Q 06	+/-	% sales
Estonia	4.3	3.1	40%	26%
Latvia	2.1	1.4	54%	12%
Lithuania	3.1	2.2	38%	18%
Ukraine	2.4	1.6	48%	14%
Russia	4.3	2.5	71%	25%
Poland	0.4	0.6	-23%	3%
Other	0.4	0.4	-11%	2%
<b>Total</b>	<b>17.0</b>	<b>11.8</b>	<b>44%</b>	<b>100%</b>

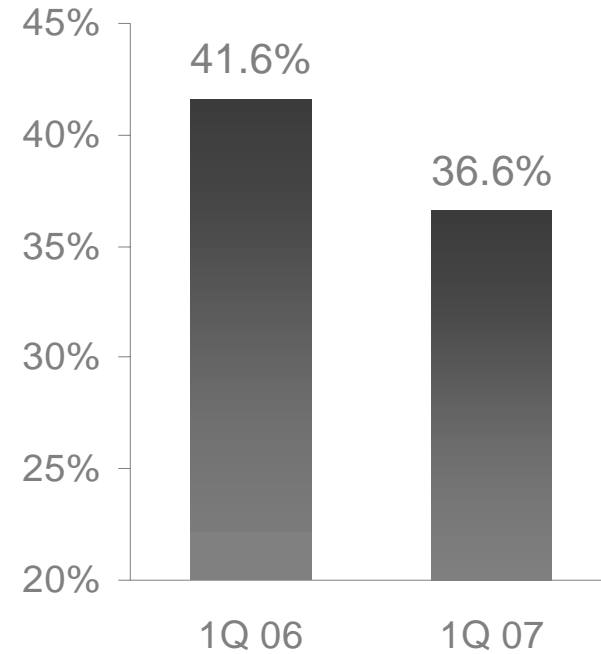


# Profitability

Gross margin

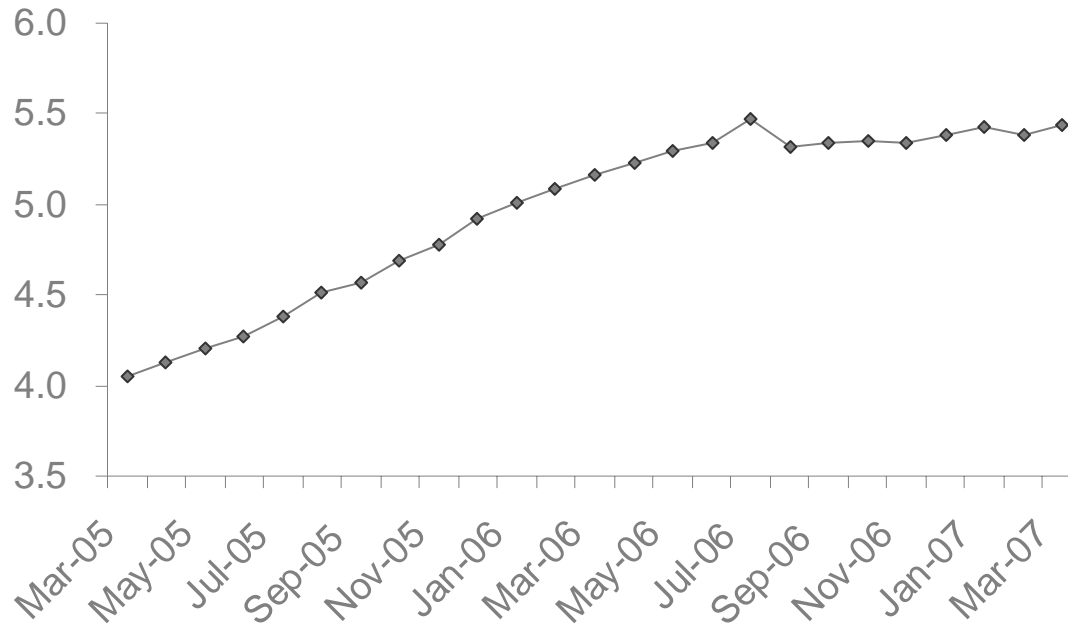


ROE



# Inventory management

Inventory turnover ratio\*



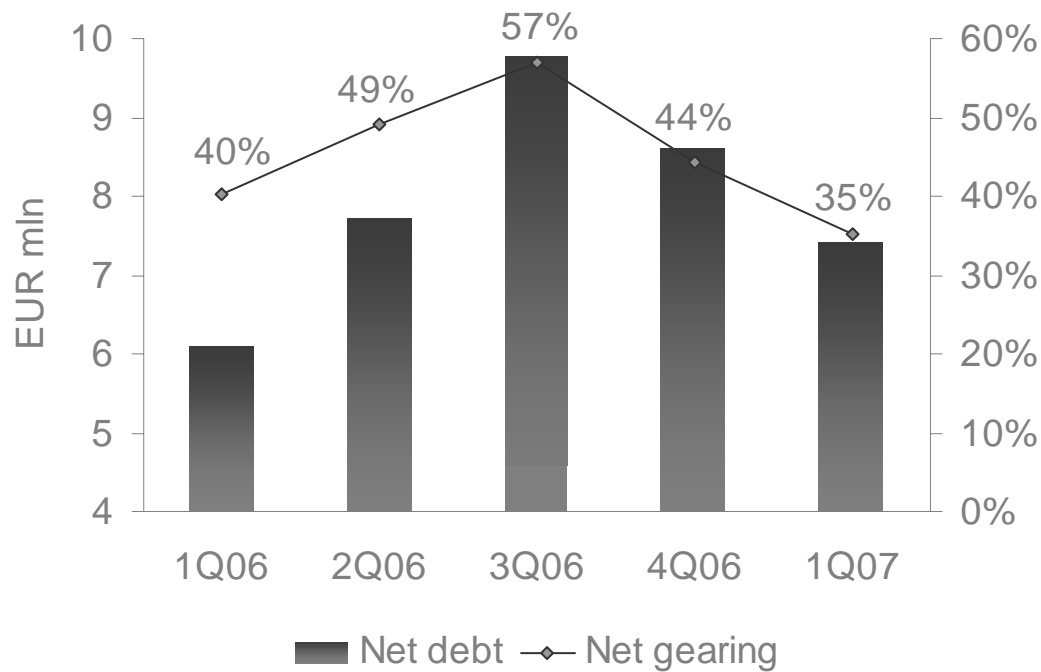
\*Net sales/Average inventories (12-month trailing figures)



# Financial position

- Total borrowings as of the end of 1Q 2007 at EUR 10.9mln
- 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 33%. 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.

# Financial summary

EUR '000	2002	2003	2004	2005	2006	1Q 06	1Q 07
Sales	31,025	31,767	37,189	43,518	57,487	11,836	17,022
Gross profit*	n/a	n/a	17,796	22,438	31,353	6,378	9,093
<i>Gross margin*</i>	n/a	n/a	47.9%	51.6%	54.5%	53.9%	53.4%
Operating profit	892	-3,673	1,201	4,787	6,221	923	1,690
<i>Operating margin</i>	2.9%	-11.6%	3.2%	11.0%	10.8%	7.8%	9.9%
<b>Net profit</b>	<b>434</b>	<b>-4,311</b>	<b>1,067</b>	<b>4,644</b>	<b>5,584</b>	<b>908</b>	<b>1,536</b>
<i>Net margin</i>	1.4%	-13.6%	2.9%	10.7%	9.7%	7.7%	9.0%
Total current assets	16,200	14,264	12,532	14,494	21,842	15,719	25,459
Incl. cash	640	820	800	1,659	804	462	3,475
Total non-current assets	7,635	6,787	7,739	9,607	16,274	10,531	14,675
<b>Total assets</b>	<b>23,835</b>	<b>21,051</b>	<b>20,271</b>	<b>24,101</b>	<b>38,116</b>	<b>26,250</b>	<b>40,134</b>
Trade and other payables	3,185	4,818	3,533	4,878	9,250	4,453	8,241
Total borrowings	9,339	8,872	7,697	5,933	9,421	6,654	10,895
Total equity	11,311	7,360	9,042	13,290	19,444	15,143	20,998
Incl. minority interest	451	455	449	40	515	527	524
<b>Total liabilities &amp; equity</b>	<b>23,835</b>	<b>21,051</b>	<b>20,271</b>	<b>24,101</b>	<b>38,116</b>	<b>26,250</b>	<b>40,134</b>

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





## 2006-2008 STRATEGY REVIEW



## Strategy review: Markets

	End 2005	May 2007	End 2008*
Total shops	86	124	160-180
Incl. Baltic States	57	73	80-85
Russia and Ukraine	21	46	80-90
Poland	8	5	5-9

\* Enter one or two new markets:

- Baltika established a subsidiary in **Czech Republic** in May 2007
- First opening in Prague in October 2007 – Monton
- Preparations to enter **Romania** in 2008



## Strategy review: Brands

 **monton**

- Store format from 200-300 m<sup>2</sup> to 400-500 m<sup>2</sup>
- New shop concept in Aug. 2006
- May 2007: 7 shops 350-600 m<sup>2</sup>
- New product groups: lingerie, beachwear, footwear (fall 2007)

**MOSAIC**

- Name change in Feb. 2006 (35 shops)
- New shop concept
- Store format from 100-130 m<sup>2</sup> to 180-300 m<sup>2</sup>
- May 2007: 19 shops 180-300 m<sup>2</sup>
- More collections per season
- Childrenswear launched in April 2007

**Ivo Nikkolo**

- Ladies premium brand acquired in Sept. 2006 (3 shops)
- May 2007: 5 shops
- New shop concept



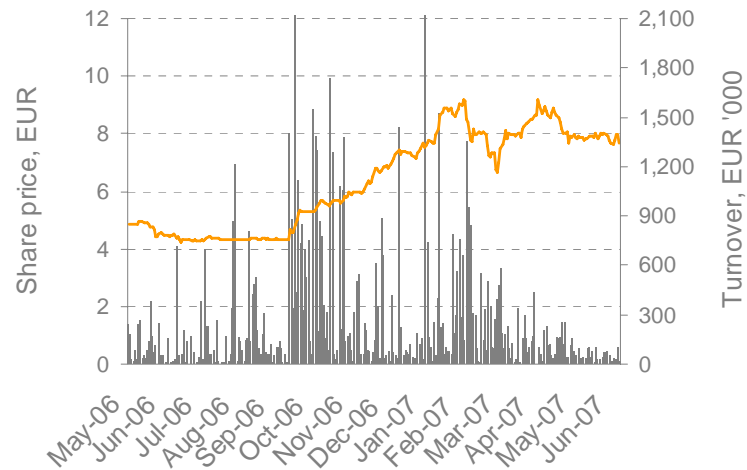
## Strategy review: Financial objectives

	2005	2007f	2008f
Sales, EEK mln	681	1,200+	1,362
Gross margin	51.6%	2006: 54.5% 1Q 07: 53.4%	at least: 52%
ROE	44.1%	2006: 35.9% 1Q 07: 36.6%	at least: 30%



# Share data

## Share price history



## Shareholders' structure (31.03.2007)

BMIG OÜ	20.8%
SEB Ab Clients	6.3%
Clearstream Banking Lux. Clients	5.6%
Morgan Stanley Client Account	5.5%
Other	61.8%
Total	100.0%

EUR	2003	2004	2005	2006	1Q 07
Shares ('000)	16,498	16,902	17,469	18,645	18,645
Share price	0.70	0.62	4.33	7.40	8.43
DPS	0	0.02	0.04	0.05	n/a
EPS	-0.26	0.06	0.27	0.31	0.08
BVPS	0.45	0.53	0.76	1.04	1.13
P/E	neg.	9.7	16.1	23.9	24.7
P/BV	1.6	1.2	5.7	7.1	7.5

No of shares outstanding	18,644,850
No of shares fully diluted	19,016,850
Market cap (31.03.2007)	EUR 157mln
OMX code	BLT1T
Bloomberg code	BLT1T ET
Next interim results	24-Jul-07



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