

BALTIKA GROUP:

Emerging regional leader in fashion retail

Company presentation
November 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
 - 100 stores with sales space of 16,118 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 1,800 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



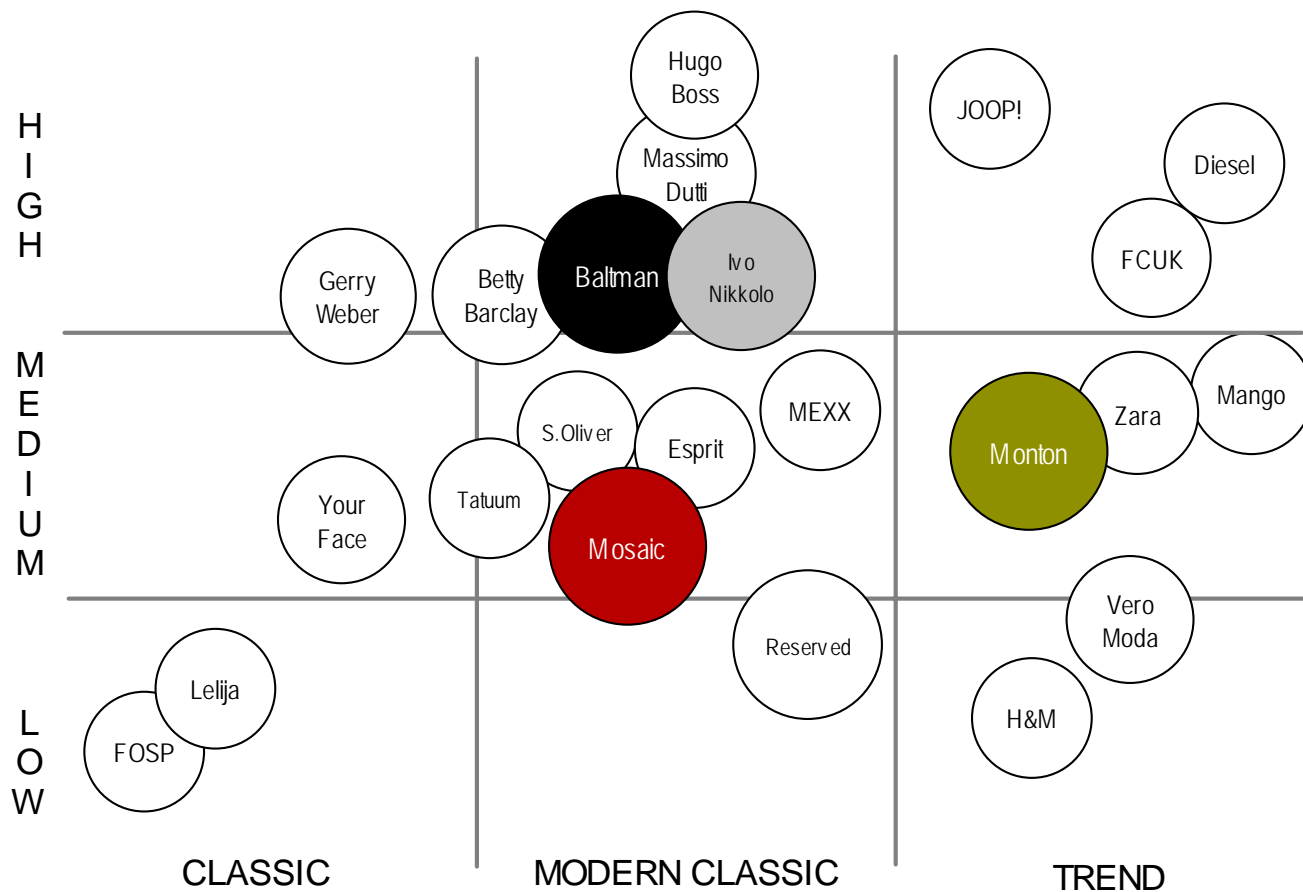
Macroeconomic overview of Baltika's markets, 2005

	Population (mln)	GDP (EUR bln)	GDP/capita (EUR)	GDP growth 2005	GDP growth 2006f
Estonia	1.3	11	7,842	9.8%	10.0%
Latvia	2.3	13	5,523	10.2%	10.0%
Lithuania	3.4	21	6,042	7.5%	7.5%
Poland	38.6	241	6,227	3.2%	5.2%
Ukraine	47.0	66	1,400	2.4%	3.5%
Russia	143.5	616	4,292	6.4%	6.5%
Total	236.1				

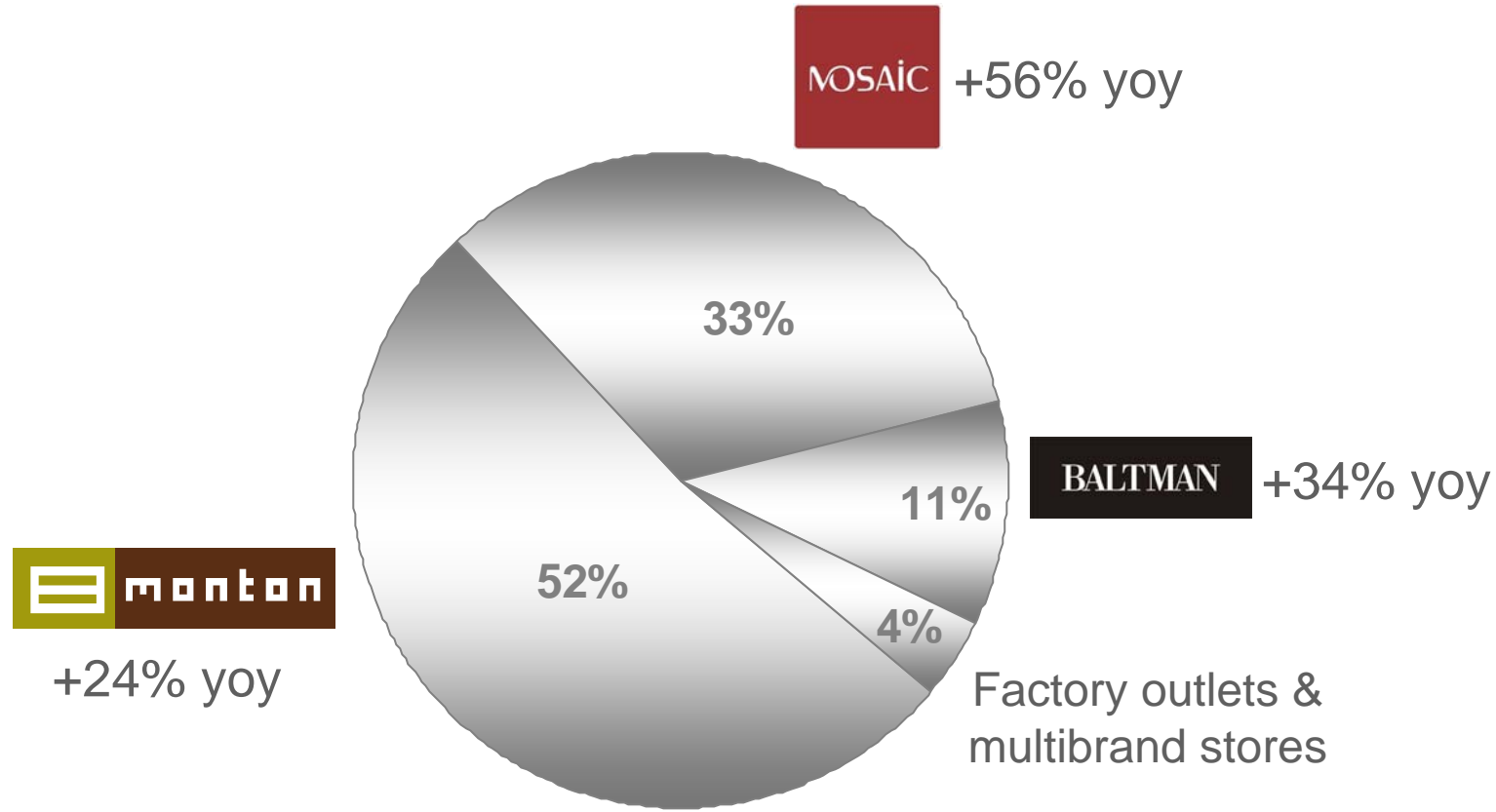


RETAIL CONCEPTS

Brand positioning



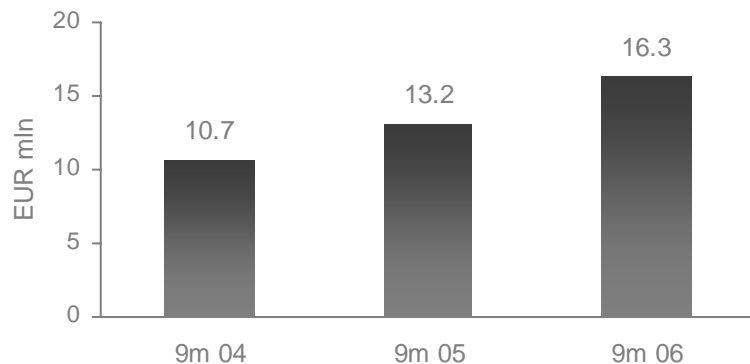
Sales division between retail concepts





- 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

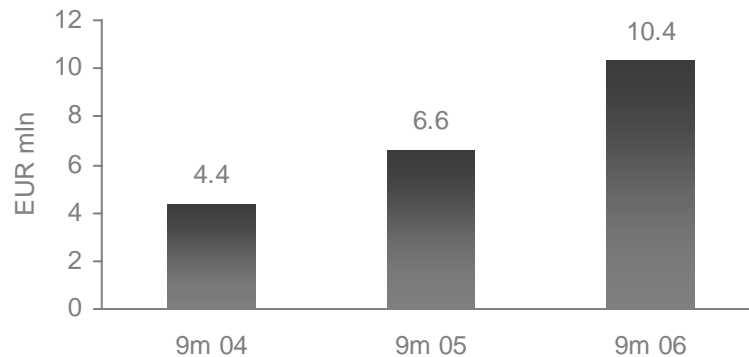
Sales development



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

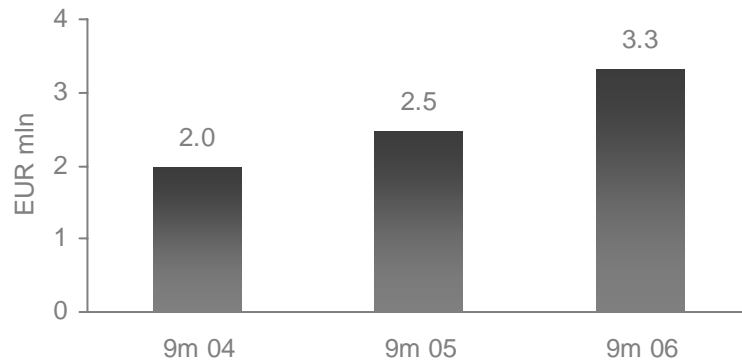
Sales development



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 pleases 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
- www.ivonikkolo.com



Retail network (30.09.2006)

	Monton	Mosaic	Baltman	Nikkolo	Other	Total	m ²
Estonia	6	10	5	3	4	28	3,653
Latvia	5	5	3			13	2,033
Lithuania	9	8	4		1	22	3,605
Ukraine	10	7	1			18	3,262
Russia	5	6	2		1	14	2,518
Poland	3	2				5	1,047
Total	38	38	15	3	6	100	16,118



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



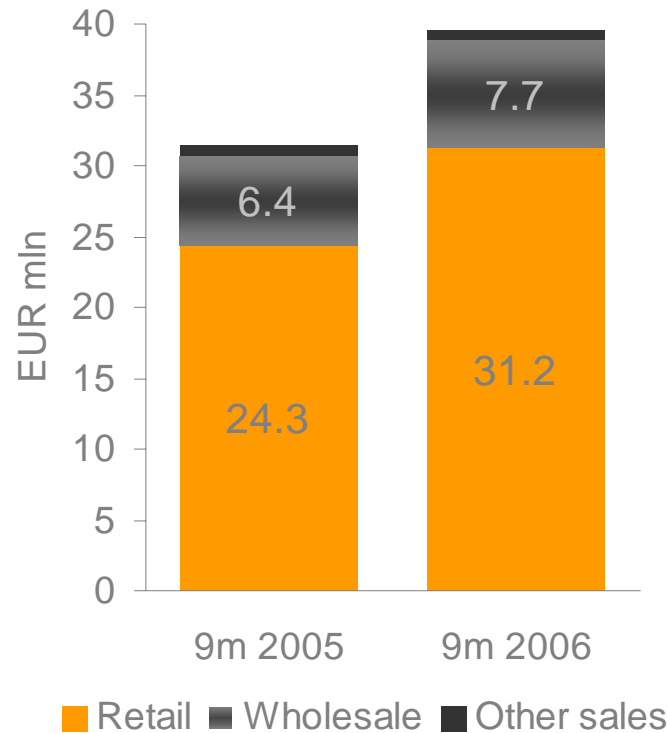
Key figures in 9m 2006: growth continues

EUR '000	30.09.06	30.09.05	+/-
Net sales	39,518	31,353	26.0%
Gross profit	21,044	15,966	31.8%
Operating profit	3,895	2,933	32.8%
Net profit	3,598	2,961	21.5%
Gross margin	53.3%	50.9%	
Operating margin	9.9%	9.4%	
Net margin	9.1%	9.4%	
Number of directly managed stores	100	79	26.6%
Retail space (m ²)	16,118	11,693	37.8%
Inventory turnover	5.34	4.57	16.8%
ROE	37.2%	39.2%	
ROA	19.6%	18.1%	



Sales development in 9m 2006

Sales by segment



Growth yoy

Average retail space (m ²)	23%
Efficiency (sales/m ²)	4%
Like-for-like sales	12%
Retail sales	28%
Wholesale	21%
Total sales	26%



Sales by country

EUR mln	9m 06	9m 05	+/-	% sales
Estonia	10.7	8.9	20%	27%
Latvia	4.8	3.7	31%	12%
Lithuania	7.8	5.8	35%	20%
Ukraine	5.7	4.4	31%	14%
Russia	7.9	5.7	40%	20%
Poland	1.6	1.8	-11%	4%
Other	1.0	1.1	-11%	3%
Total	39.5	31.4	26%	100%



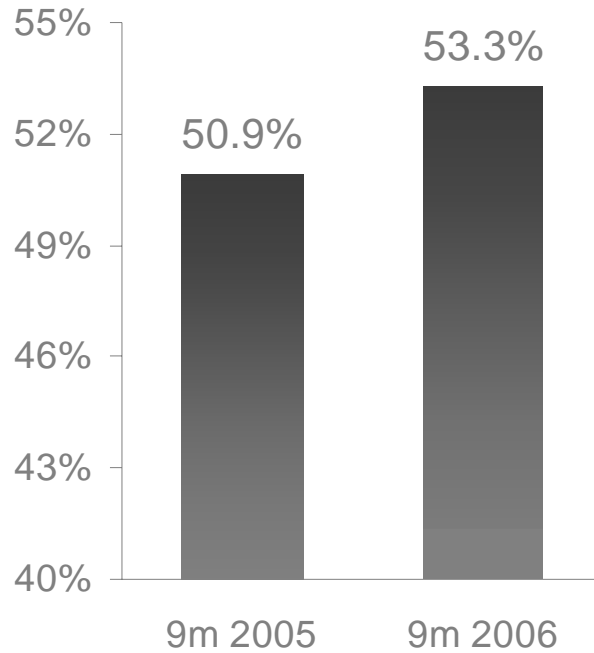
Sales by segment: 10 months

EUR mln	10m 06	10m 05	+/-
Retail sales	36.1	27.9	29%
Wholesale	8.7	7.0	24%
Subcontracting	0	0.04	-100%
Other sales	0.6	0.7	-6%
Total	45.4	35.6	28%

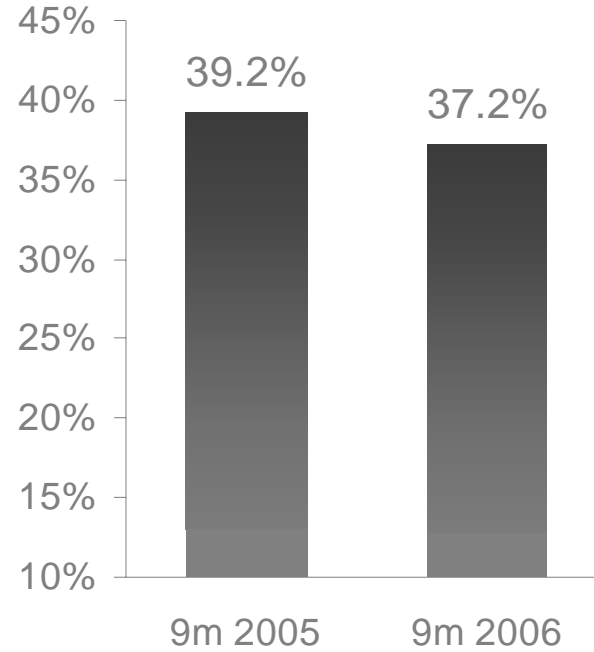


Profitability

Gross margin

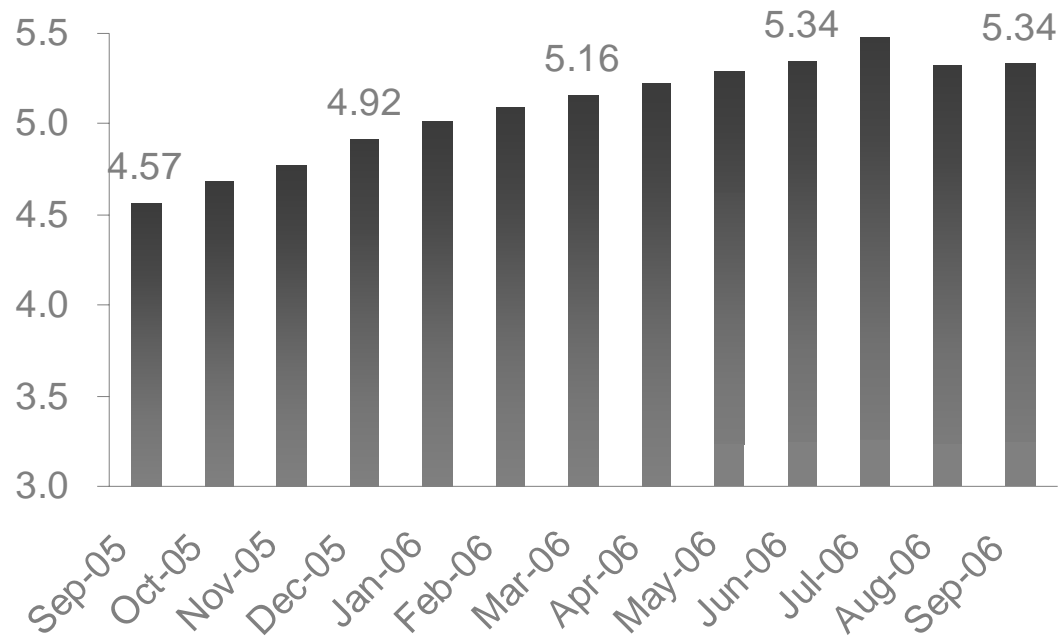


ROE



Inventory management

Inventory turnover ratio*



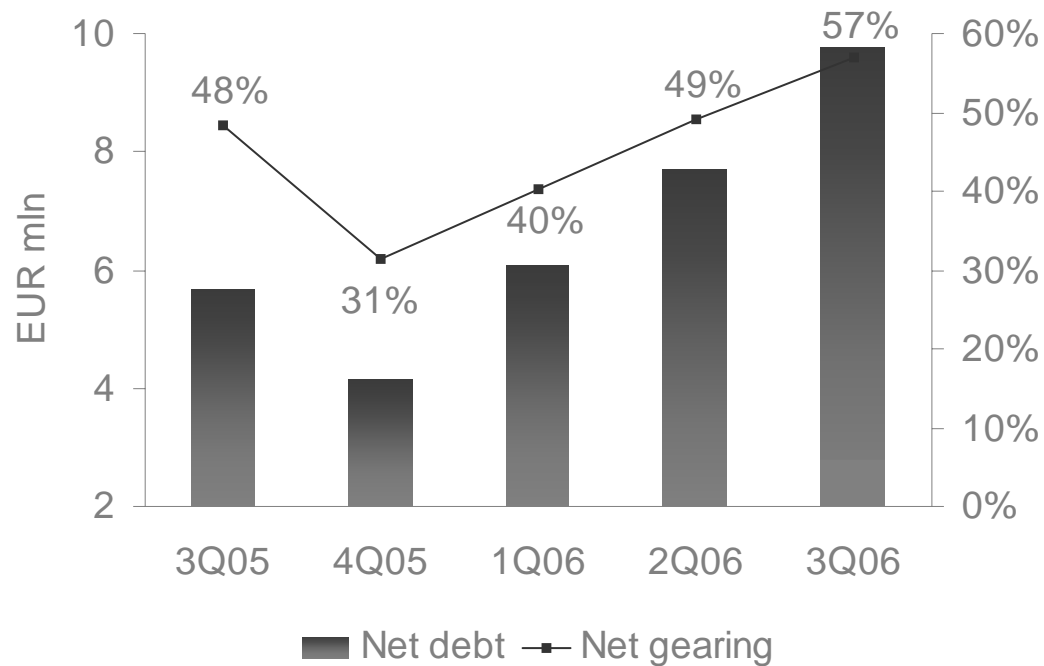
*Net sales/Average inventories (12-month trailing figures)



Financial position

- Total borrowings as of the end of 9m 2006 at EUR 10.3mln
- Yoy increase in debt level as a result of major expansion

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 32-34, which will increase the Group's retail system to 112-114 shops with total sales area of ca 20,000 square metres by the end of the year;
- By country, the largest expansion of the retail chain is planned in Russia and Ukraine and by concept, in Monton and Mosaic;
- The name change of CHR/Evermen to Mosaic and 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).



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

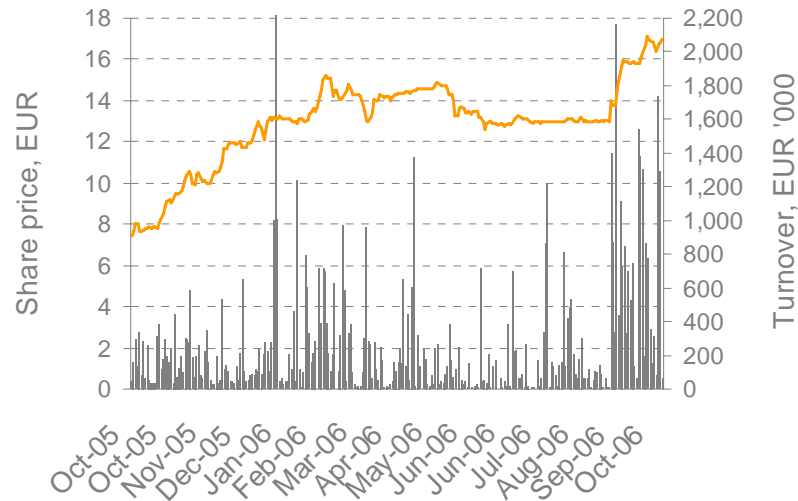
EUR '000	2001	2002	2003	2004	2005	9m 05	9m 06
Sales	26,487	31,025	31,767	37,189	43,518	31,353	39,518
Gross profit*	n/a	n/a	n/a	17,796	22,438	15,966	21,044
<i>Gross margin*</i>	n/a	n/a	n/a	47.9%	51.6%	50.9%	53.3%
Operating profit	1,478	892	-3,673	1,201	4,787	2,933	3,895
<i>Operating margin</i>	5.6%	2.9%	-11.6%	3.2%	11.0%	9.4%	9.9%
Net profit	1,004	434	-4,311	1,067	4,644	2,961	3,598
<i>Net margin</i>	3.8%	1.4%	-13.6%	2.9%	10.7%	9.4%	9.1%
Total current assets	13,502	16,200	14,264	12,532	14,494	13,241	20,183
Incl. cash	807	640	820	800	1,659	741	489
Total non-current assets	5,507	7,635	6,787	7,739	9,607	8,322	14,847
Total assets	19,009	23,835	21,051	20,271	24,101	21,563	35,030
Trade and other payables	3,350	3,185	4,818	3,533	4,878	3,260	7,612
Total borrowings	6,292	9,339	8,872	7,697	5,933	6,558	10,265
Total equity	9,367	11,311	7,360	9,042	13,290	11,744	17,152
Incl. minority interest	424	451	455	449	40	208	445
Total liabilities & equity	19,009	23,835	21,051	20,271	24,101	21,563	35,030

*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	9m 06
Shares ('000)	5,444	5,499	5,634	5,823	6,097
Share price	2.35	2.10	1.86	13.00	15.85
DPS	0	0	0.05	0.13	n/a
EPS	0.09	-0.79	0.19	0.81	0.60
BVPS	2.08	1.34	1.60	2.28	2.81
P/E	27.1	neg	9.7	16.1	17.8
P/BV	1.1	1.6	1.2	5.7	5.6

Shareholders' structure (30.09.2006)

BMIG OÜ	21.5%
SEB Ab Clients	7.4%
Morgan Stanley Client Account	5.0%
Other	66.1%
Total	100.0%

No of shares outstanding	6,097,350
No of shares fully diluted	6,214,950
Market cap, EUR mln	97
OMX code	BLT1T
Bloomberg code	BLT1T ET



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