

# BALTIKA GROUP:

Emerging regional leader in fashion retail

Company presentation  
November 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
  - seven retail markets
  - 125 stores and 23,300 m<sup>2</sup> sales area
  - 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



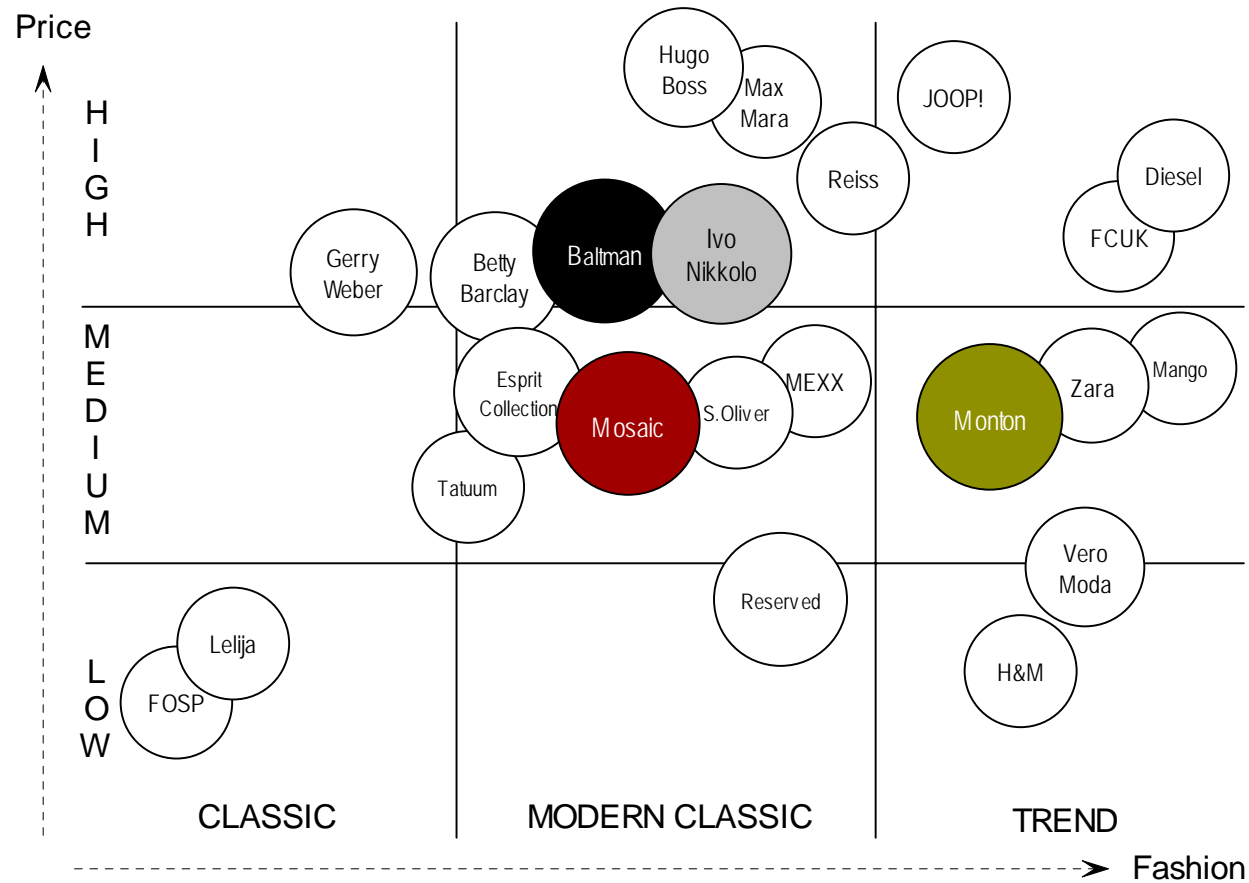
## Baltika's markets – macro overview 2006

	Population (mln)	GDP (EUR bln)	GDP/cap. (EUR)	GDP growth	GDP growth 07f	CPI
Estonia	1.3	13	9,739	11.4%	6.8%	4.4%
Latvia	2.3	16	7,026	11.9%	10.2%	6.5%
Lithuania	3.4	24	7,015	7.5%	9.2%	3.7%
Poland	38.1	270	7,078	5.8%	6.0%	1.0%
Ukraine	46.6	85	1,822	7.1%	7.0%	9.1%
Russia	142.8	757	5,300	6.7%	7.0%	9.0%
Czech*	10.3	113	11,011	6.1%	5.2%	2.5%

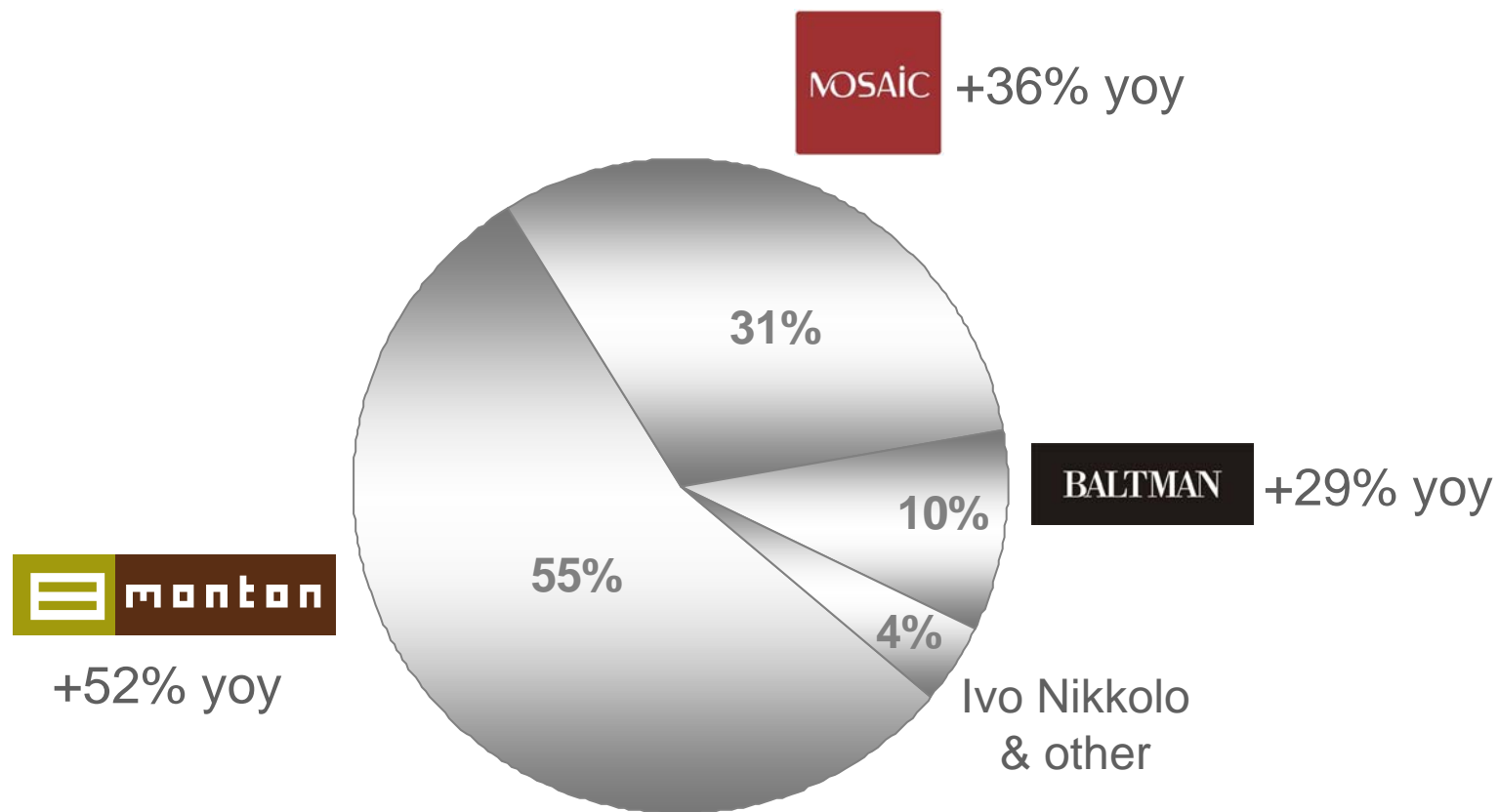
\*First opening in the Czech Republic took place in October 2007 (in Prague)

# RETAIL CONCEPTS

# Brand positioning



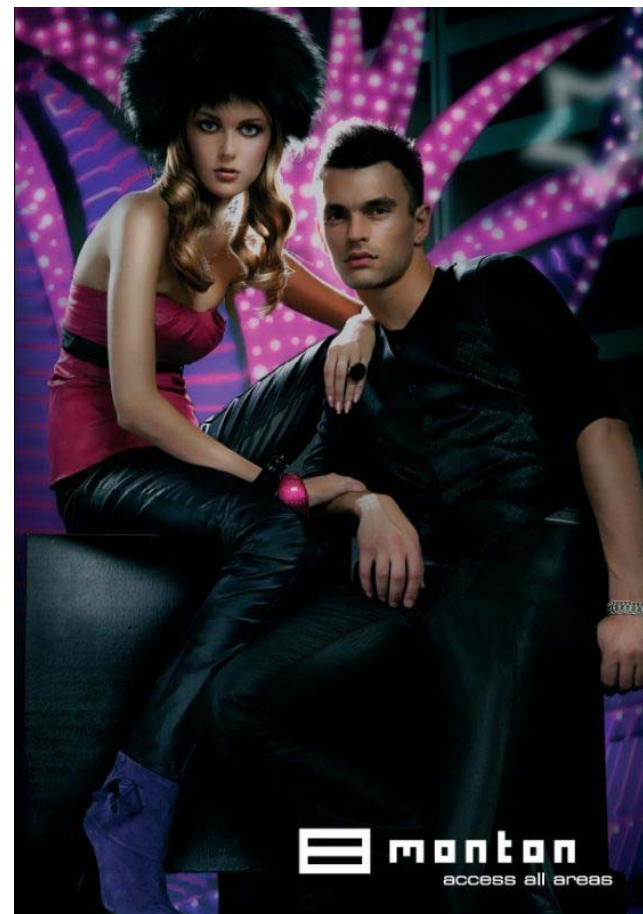
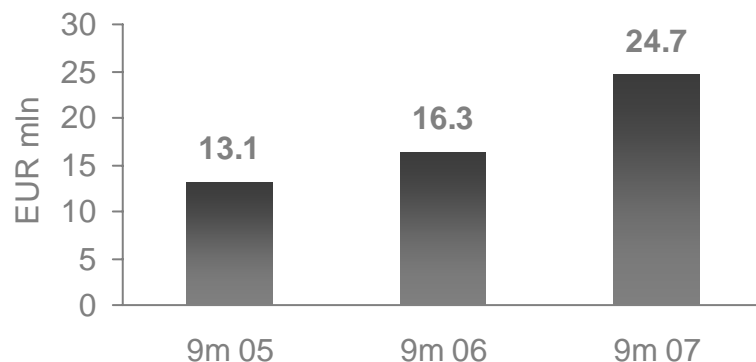
## Retail sales by concept, 9m 2007



# monton

- Fast fashion brand for men and women with a unique handwriting and well-focused quality range
- Target group: 25-35 years; average income
- Stores in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- Store format: 350-600 square metres
- [www.montonfashion.com](http://www.montonfashion.com)

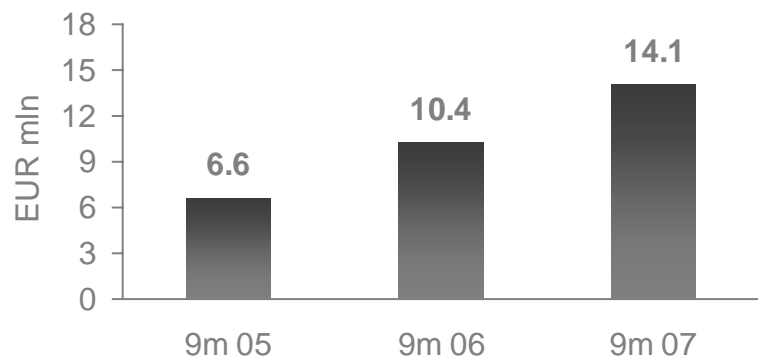
## Sales development



# MOSAIC

- International brand offering contemporary stylish apparel for men and women for feeling good in the office and after 5 p.m. and also comfortable fashion clothes for their children
- Target group: 35 years, a person with family, children 2-10 years; average income
- Stores in Estonia, Latvia, Lithuania, Ukraine, Russia and Poland
- Store format: 200-350 square metres
- [www.mosaic-fashion.com](http://www.mosaic-fashion.com)

## Sales development

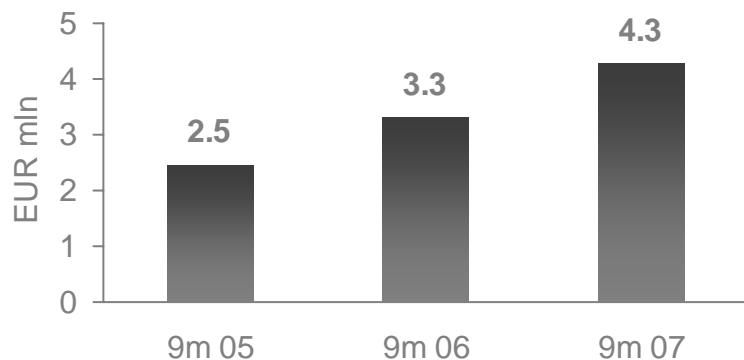




# BALTMAN

- Prestigious lifestyle brand for men, offering stylish, classic and high-quality clothing and personal service
- Target group: 30-40 years; higher income
- Stores in Estonia, Latvia, Lithuania, Ukraine and Russia
- Store format: 100-130 square metres
- [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
- Target group: 25-35 years; higher income
- Stores in Estonia and Lithuania
- Sales in 9m 2007 EUR 1.2 million
- [www.ivenikkolo.com](http://www.ivenikkolo.com)



## Retail network (30 September 2007)

	Monton	Mosaic	Baltman	Nikkolo	Other	<b>Total</b>	m <sup>2</sup>
Estonia	6	11	5	4	4	<b>30</b>	4,000
Latvia	5	6	3			<b>14</b>	3,070
Lithuania	11	11	6	2		<b>30</b>	5,239
Ukraine	10	10	1			<b>21</b>	4,042
Russia	12	11	1		1	<b>25</b>	5,941
Poland	3	2				<b>5</b>	1,047
<b>Total</b>	<b>47</b>	<b>51</b>	<b>16</b>	<b>6</b>	<b>5</b>	<b>125</b>	<b>23,339</b>



# Store look



# FINANCIAL REVIEW

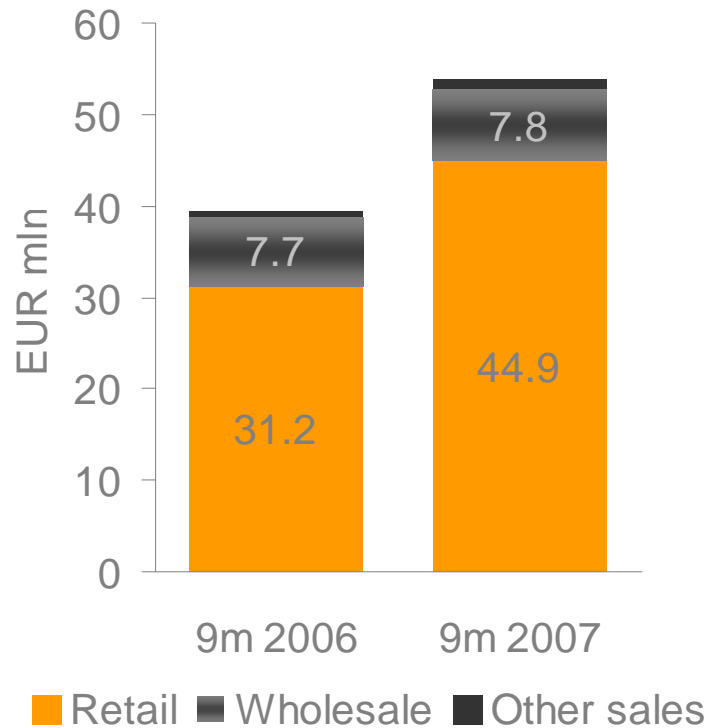
## Key figures in 9m 2007

EUR '000	30.09.07	30.09.06	+/-
Net sales	53,948	39,518	36.5%
Gross profit	29,276	21,044	39.1%
Operating profit	3,475	3,895	-10.8%
Net profit	2,501	3,599	-30.5%
Gross margin	54.3%	53.3%	
Operating margin	6.4%	9.9%	
Net margin	4.6%	9.1%	
No of directly managed stores	125	100	25%
Retail space (m <sup>2</sup> )	23,339	16,128	45%
Inventory turnover	5.32	5.34	0%
ROE	23.2%	37.2%	
ROA	11.4%	19.6%	



# Sales development in 9m 2007

Sales by segment



Growth yoy

Average retail space (m <sup>2</sup> )	55%
Sales per m <sup>2</sup>	-7%
Like-for-like sales	8%
Retail sales	44%
Wholesale	2%
Total sales	37%



## Sales by segment

EUR mln	9m 07	9m 06	+/-
Retail	44.9	31.2	43.9%
Wholesale	7.8	7.7	1.6%
Subcontracting	0.9	0	n/a
Other	0.3	0.6	-51.0%
<b>Total</b>	<b>53.9</b>	<b>39.5</b>	<b>36.5%</b>





## Sales by segment – 10 months 2007

EUR mln	10m 07	10m 06	+/-
Retail	50.9	36.1	41%
Wholesale	8.6	8.8	-2%
Subcontracting	0.9	0	n/a
Other	0.3	0.7	-55%
<b>Total</b>	<b>60.7</b>	<b>45.6</b>	<b>33%</b>



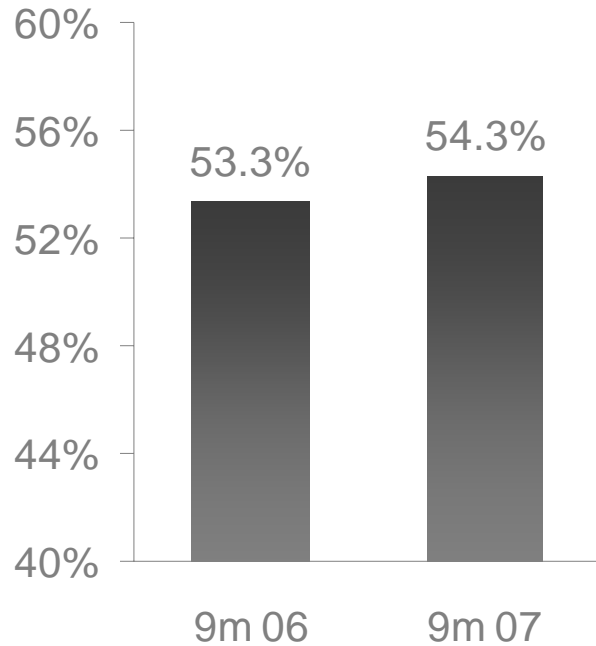
## Sales by country

EUR mln	9m 07	9m 06	+/-	% sales
Estonia	13.7	10.7	29%	25%
Latvia	7.0	4.8	47%	13%
Lithuania	10.7	7.8	38%	20%
Ukraine	7.2	5.7	26%	13%
Russia	12.1	7.9	52%	22%
Poland	1.3	1.6	-17%	3%
Other	1.9	1.0	82%	4%
<b>Total</b>	<b>53.9</b>	<b>39.5</b>	<b>37%</b>	<b>100%</b>

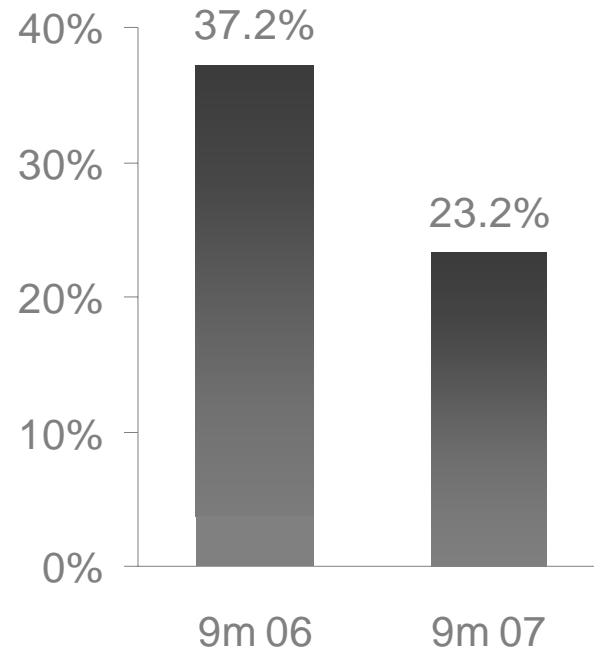


# Profitability

Gross margin

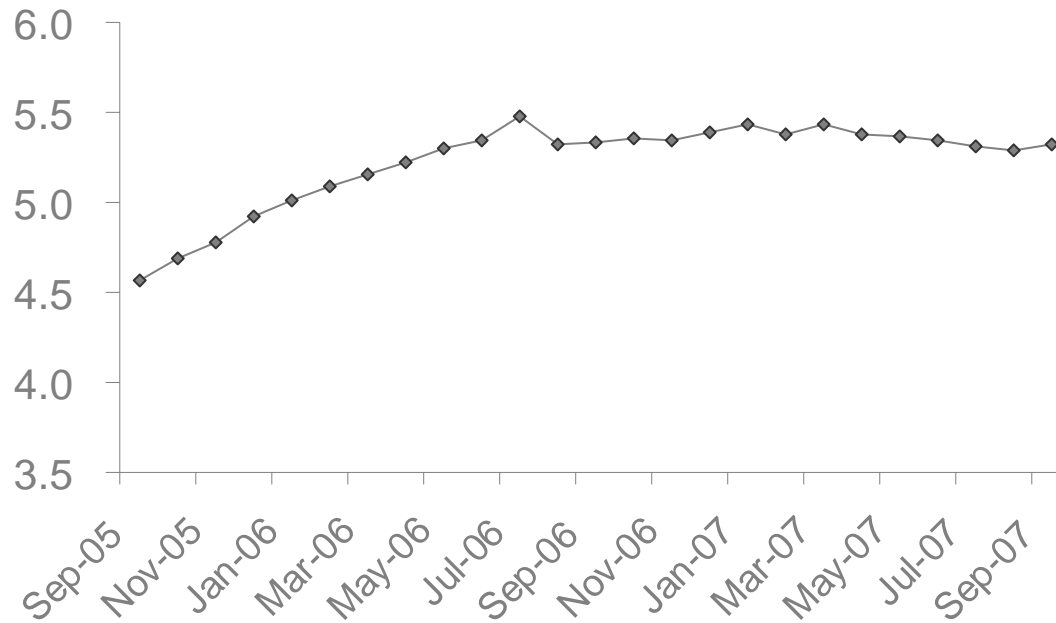


ROE



# Inventory management

Inventory turnover ratio\*



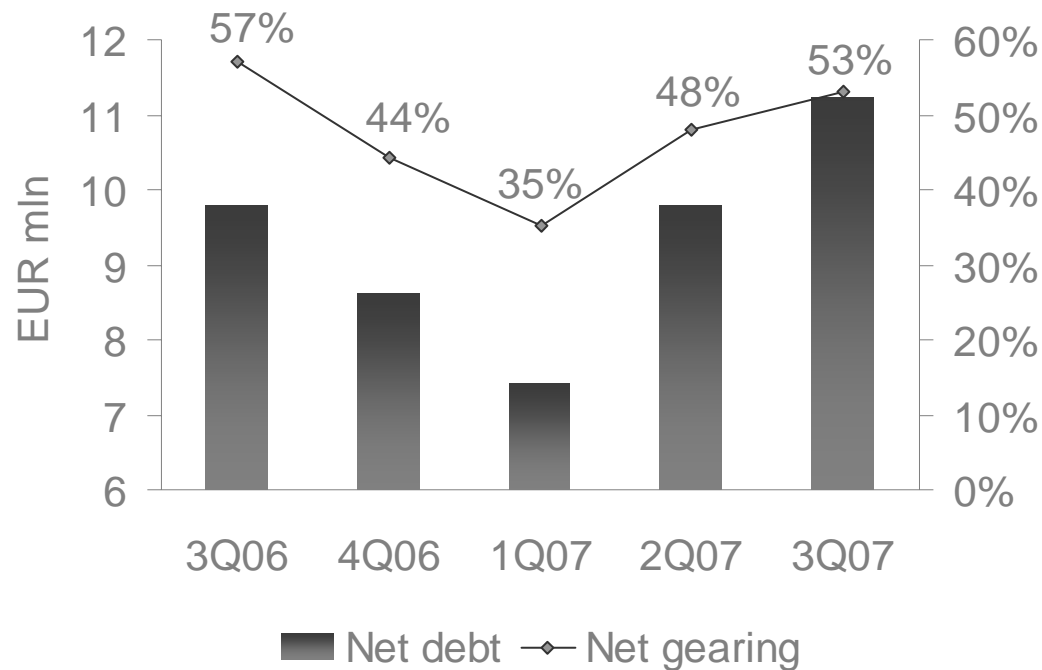
\*Net sales/Average inventories (12-month trailing figures)



# Financial position

- Total borrowings as of the end of 9m 2007 at EUR 12.0 million
- 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, 22-24 new stores are planned to be opened taking the Group's total to 127-129 by the end of the year;
- Continuing expansion into CEE, Baltika plans to enter one or two new markets (the 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	9m 06	9m 07
Sales	31,025	31,767	37,189	43,518	57,487	39,518	53,948
Gross profit*	n/a	n/a	17,796	22,438	31,353	21,044	29,276
<i>Gross margin*</i>	n/a	n/a	47.9%	51.6%	54.5%	53.3%	54.3%
Operating profit	892	-3,673	1,201	4,787	6,221	3,895	3,475
<i>Operating margin</i>	2.9%	-11.6%	3.2%	11.0%	10.8%	9.9%	6.4%
<b>Net profit</b>	<b>434</b>	<b>-4,311</b>	<b>1,067</b>	<b>4,644</b>	<b>5,584</b>	<b>3,598</b>	<b>2,501</b>
<i>Net margin</i>	1.4%	-13.6%	2.9%	10.7%	9.7%	9.1%	4.6%
Total current assets	16,200	14,264	12,532	14,494	21,842	20,183	24,233
Incl. cash	640	820	800	1,659	804	489	802
Total non-current assets	7,635	6,787	7,739	9,607	16,274	14,847	17,644
<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>35,030</b>	<b>41,877</b>
Trade and other payables	3,185	4,818	3,533	4,878	9,250	7,612	8,661
Total borrowings	9,339	8,872	7,697	5,933	9,421	10,265	12,029
Total equity	11,311	7,360	9,042	13,290	19,444	17,152	21,188
Incl. minority interest	451	455	449	40	515	445	587
<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>35,030</b>	<b>41,877</b>

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





## 2006-2008 STRATEGY REVIEW



## Strategy review: markets

	Actual End 2005	Actual June 2007	Strategy objective End 2008*
Total stores	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 the **Czech Republic** in May 2007
- First opening in Prague in Q4 2007 – Monton
- Preparations to enter **Romania** in 2008



## Strategy review: brands

 **monton**

- Store format increase to 400-600 m<sup>2</sup>
- New shop concept in Q3 2006
- June 2007: 7 stores 350-600 m<sup>2</sup>
- New product groups: lingerie, beachwear, footwear (fall 2007)

**MOSAIC**

- Name change in February 2006 (35 stores)
- New shop concept Q2 2006
- Store format increase to 180-300 m<sup>2</sup>
- June 2007: 19 stores 180-300 m<sup>2</sup>
- More collections per season
- Childrenswear launched in April 2007

**Ivo Nikkolo**

- Ladies premium brand acquired in September 2006 (3 stores in Estonia)
- June 2007: 5 stores (entry to Lithuania)
- New shop concept Q1 2007



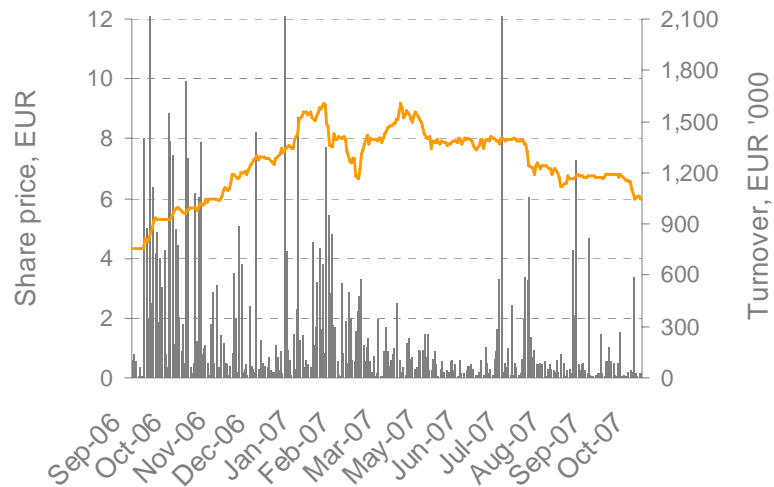
## Strategy review: financial objectives

	Actual <b>2005</b>	Objective/actual <b>2007</b>	Strategy objective <b>2008</b>
Sales, EEK mln	681	1,200+	1,362
Gross margin	51.6%	2006: 54.5% 6m 07: 55.2%	at least: 52%
ROE	44.1%	2006: 35.9% 6m 07: 28.5%	at least: 30%



# Share data

## Share price history



EUR	2003	2004	2005	2006	9m 07
Shares ('000)	16,498	16,902	17,469	18,645	18,645
Share price	0.70	0.62	4.33	7.40	6.79
DPS	0	0.02	0.04	0.05	n/a
EPS	-0.26	0.06	0.27	0.31	0.13
BVPS	0.45	0.53	0.76	1.04	1.14
P/E	neg.	9.7	16.1	23.9	28.0
P/BV	1.6	1.2	5.7	7.1	6.0

## Shareholders' structure (30.09.2007)

BMIG OÜ	20.5%
Morgan Stanley Client Account	7.3%
SEB Ab Clients	6.5%
Clearstream Banking Lux. Clients	5.4%
Other	60.3%
Total	100.0%

No of shares outstanding	18,644,850
No of shares fully diluted	19,016,850
Market cap (30.09.2007)	EUR 127mln
OMX code	BLT1T
Bloomberg code	BLT1T ET
Next interim results	Feb-08



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