

Company AS BALTIKA  
Type Company Release  
Category Management interim statement or quaterly financial report  
Disclosure time 16 Oct 2020 09:55:00 +0300

Attachments:

- Baltika-10004327371-en.pdf (<http://oam.fi.ee/en/download?id=4904>)
- Baltika-10004327373-et.pdf (<http://oam.fi.ee/en/download?id=4905>)

Currency

Title Baltika's Unaudited Financial Results, Third Quarter and 9 Months of 2020

Baltika Group ended the third quarter with a net loss of 516 thousand euros. The loss for the same period last year was 1,241 thousand euros. The quarter results have improved 725 thousand euros year over-year due to Baltika Group heavy focus on fixed costs reduction that saw operating expense decreasing by 2,243 thousand euros.

The Group's sales revenue for the third quarter was 5,658 thousand euros, decreasing by 42% compared to the same period last year. Retail sales revenue in the third quarter decreased by 41% and e-com decreased by 23%. Main impactor for the decrease in sales in those channels is the strategic decision to exit brands - Mosaic and Bastion. Biggest brand Monton retail sales decreased by 7% in the same period. Sales to business customers decreased by 84%, which is related to the strategic decision to exit this sales channel.

The gross profit for the quarter was 2,884 thousand euros, decreasing by 36% i.e. 1,600 thousand euros compared to the same period of the previous year (Q3 2019: 4,484 thousand euros). The company's gross profit margin was 51.0% in the third quarter, which is 5.1 percentage points higher than the margin of the third quarter of the previous year (Q3 2019: 45.9%). The decrease in gross profit amount is due to decrease in sales. Increase in gross profit margin is due to Baltika Group selling more full-price new stock and less discounted items.

The Group's distribution and administrative expenses in the third quarter were 3,088 thousand euros, decreasing by 42% i.e. 2,243 thousand euros compared to the same period last year. Over 60% of the decrease in expense relates to reduction in retail costs. These are reduced not only by reduction of stores but also with reduction of per store and market office expenses. Consistent and significant reductions in distribution and administrative expenses is a part of Baltika Group's ongoing restructuring plan that has seen the head-office



distribution and administrative expense decrease by 829 thousand euros. In line with restructuring plan Baltika Group head-office staff has been reduced during the quarter by 19 people.

9 months total gross profit amounts to 7,454 thousand euros, compared to prior year 14,665 (decreasing 49%) with biggest decline coming from second quarter where majority of stores were closed for a period due to COVID-19. Operating expenses in the 9 months amounted to 11,604, decreasing by 31% that is 5,267 thousand euros with 45% of the amount coming from second quarter when stores were closed for a period of time due to COVID-19 and 43% coming from third quarter where it is due to cost savings in line with restructuring plan. Other operating income of three quarters in the amount of 5,760 thousand euros is mainly due to 4,585 thousand euros connected with restructuring of creditors' claims in accordance to the restructuring plan approved on 19 June 2020 and the reversal of the impairment of the right to use the property arising from the lease agreements for the production buildings in the amount of 1,320 thousand euros. With net financial expense of 635 thousand euros the net profit of 9 months 2020 is 975 thousand euros (prior year comparative 3,300 net loss).

As at 30 September 2020 owing to received loan 2,550 thousand euros from KJK Fund SICAV-SIF via its holding company and all the costs savings achieved, Baltika Group has achieved the financial stability with 1,085 thousand cash and cash equivalents and no use of bank overdraft (with 3,000 thousand euros limit) that allows to plan forward with the change in strategy. Baltika will move forward with only one womenswear brand from second half-year 2021. Baltika has started cooperation with international agency to build up a brand-new retail concept. First store of the new concept will be tested in the second half-year of 2021 in Tallinn.

#### Consolidated statement of financial position

|                                    | 30 September 2020 | 31 Dec 2019 |
|------------------------------------|-------------------|-------------|
| -----                              |                   |             |
| ASSETS                             |                   |             |
| Current assets                     |                   |             |
| Cash and cash equivalents          | 1,085             | 264         |
| Trade and other receivables        | 180               | 621         |
| Inventories                        | 5,355             | 7,644       |
| Assets classified as held for sale | 0                 | 28          |
| Total current assets               | 6,620             | 8,557       |
| Non-current assets                 |                   |             |



|                               |        |        |
|-------------------------------|--------|--------|
| Deferred income tax asset     | 281    | 281    |
| Other non-current assets      | 264    | 222    |
| Property, plant and equipment | 1,291  | 1,683  |
| Right-of-use assets           | 10,391 | 16,040 |
| Intangible assets             | 548    | 536    |
| Total non-current assets      | 12,775 | 18,762 |
| TOTAL ASSETS                  | 19,395 | 27,319 |

#### LIABILITIES AND EQUITY

##### Current liabilities

|                           |       |        |
|---------------------------|-------|--------|
| Borrowings                | 148   | 1,731  |
| Lease liabilities         | 3,371 | 5,383  |
| Trade and other payables  | 3,383 | 4,118  |
| Total current liabilities | 6,902 | 11,232 |

##### Non-current liabilities

|                               |        |        |
|-------------------------------|--------|--------|
| Borrowings                    | 4,052  | 488    |
| Lease liabilities             | 7,488  | 12,396 |
| Total non-current liabilities | 11,540 | 12,884 |
| TOTAL LIABILITIES             | 18,442 | 24,116 |

#### EQUITY

|                                  |        |        |
|----------------------------------|--------|--------|
| Share capital at par value       | 5,408  | 5,408  |
| Reserves                         | 820    | 4,045  |
| Retained earnings                | -6,250 | -341   |
| Net profit (loss) for the period | 975    | -5,909 |



|              |     |       |
|--------------|-----|-------|
| TOTAL EQUITY | 953 | 3,203 |
|--------------|-----|-------|

|                              |        |        |
|------------------------------|--------|--------|
| TOTAL LIABILITIES AND EQUITY | 19,395 | 27,319 |
|------------------------------|--------|--------|

Consolidated statement of profit and loss and comprehensive income

3Q 2020 3Q 2019 9m 2020 9m 2019

|                                                  |        |        |        |         |
|--------------------------------------------------|--------|--------|--------|---------|
| Revenue                                          | 5,658  | 9,758  | 15,502 | 29,491  |
| Cost of goods sold                               | -2,774 | -5,274 | -8,048 | -14,826 |
| Gross profit                                     | 2,884  | 4,484  | 7,454  | 14,665  |
| Distribution costs                               | -2,653 | -4,788 | -9,659 | -14,843 |
| Administrative and general expenses              | - 435  | -543   | -1,945 | -2,028  |
| Other operating income (-expense)                | -118   | -73    | 5,760  | -24     |
| Operating profit (loss)                          | -322   | -920   | 1,610  | -2,230  |
| Finance costs                                    | -194   | -321   | -635   | -1,070  |
| Profit (loss) before income tax                  | -516   | -1,241 | 975    | -3,300  |
| Income tax expense                               | 0      | 0      | 0      | 0       |
| Net profit (loss) for the period                 | -516   | -1,241 | 975    | -3,300  |
| Total comprehensive income (loss) for the period | -516   | -1,241 | 975    | -3,300  |



|                                                                     |       |       |      |       |
|---------------------------------------------------------------------|-------|-------|------|-------|
| Basic earnings per share from net profit (loss) for the period, EUR | -0.01 | -0,04 | 0,02 | -0,11 |
|---------------------------------------------------------------------|-------|-------|------|-------|

|                                                                       |       |       |      |       |
|-----------------------------------------------------------------------|-------|-------|------|-------|
| Diluted earnings per share from net profit (loss) for the period, EUR | -0,01 | -0,04 | 0,02 | -0,11 |
|-----------------------------------------------------------------------|-------|-------|------|-------|

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 (https://www.globenewswire.com/Tracker?data=3TZK3t4paybQ2Hs4xcrDYQJEjomTyRlztPxeWTICb5b5\_nZuabL34MGR\_TMc4VCG-\_3jEPYLR0y32SnhGV9\_ZqId0z0Nsm1RLrH34HtMgLT3uDoqvPUqMlufAhCb4GdR)

