

Company AS BALTIKA
Type Company Release
Category Management interim statement or quaterly financial report
Disclosure time 26 Feb 2021 08:30:00 +0200

Attachments:

- Baltika_Interim_report_4Q2020.pdf (<http://oam.fi.ee/en/download?id=5223>)
- Baltika_Vahearuanne_4Q_2020.pdf (<http://oam.fi.ee/en/download?id=5224>)

Currency

Title Baltika's Unaudited Financial Results, Fourth Quarter and 12 Months of 2020

BALTIKA'S UNAUDITED FINANCIAL RESULTS, FOURTH QUARTER AND 12 MONTHS OF 2020

Baltika Group ended the fourth quarter with a net loss of 1,352 thousand euros. The loss for the same period last year was 2,609 thousand euros. Despite the second wave of COVID-19, the quarter results have improved 1,257 thousand euros year over-year due to Baltika Group's heavy focus on fixed costs reduction, which led to operating expense decreasing by 2,406 thousand euros. With one-offs: reserve for expense of closing stores in 2021 in the amount of 230 thousand euros and reduction of deferred tax assets reserve in the amount of 140 thousand euros, Baltika finished the year with a net loss of 377 thousand euros.

The Group's sales revenue for the fourth quarter was 3,978 thousand euros, decreasing by 61% compared to the same period last year. Retail sales revenue in the fourth quarter decreased by 63% and despite having one less brand to sell, e-com increased sales by 9%. The main reason for the decrease in retail sales was the second wave of COVID-19 and the restrictions in place in Latvia and Lithuania starting from November and full store closure from mid-December. Sales to business customers decreased due to the strategic decision to exit this sales channel.

The gross profit for the quarter was 2,222 thousand euros, decreasing by 51% i.e. 2,303 thousand euros compared to the same period of the previous year (Q4 2019: 4,525 thousand euros). The company's gross profit margin was 55.9% in the fourth quarter, which is 11.3 percentage points higher than the margin of the same quarter of the previous year (Q4 2019: 44.6%). The decrease in gross profit amount is due to the decrease in sales volumes. The positive increase in gross profit margin is due to Baltika Group selling more full price stock to end customers and fewer discounted items.



The Group's distribution and administrative expenses in the fourth quarter were 2,983 thousand euros, decreasing by 45% i.e. 2,406 thousand euros compared to the same period last year. Over 70% of the decrease in expense relates to the reduction in retail costs. These costs are reduced not only by the closure 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, a focus area, which has led to decrease by 601 thousand euros. In line with the restructuring plan Baltika Group head-office staff has been reduced during the quarter by a further 22 people (reduction of 67 people for the total of 2020).

12 months total gross profit amounts to 9,676 thousand euros, compared to prior year 19,191 thousand euros (decreasing 50%) with the biggest decline coming from the second quarter where most of stores were closed for a period due to COVID-19. Fourth quarter situation was not as bad due to Baltika's biggest market Estonia remaining operational. Operating expenses in the 12 months amounted to 14,587 thousand euros, decreasing by 34% that is 7,673 thousand euros with 31% of the amount coming from the second quarter when the stores were closed for a period of time due to COVID-19 and 61% coming from the second half-year where it was mainly due to cost savings in line with the restructuring plan. Other operating income of the four quarters in the amount of 5,442 thousand euros is mainly due to 4,585 thousand euros connected to the restructuring of creditors' claims in accordance with 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. Fourth quarter includes the reserve expense made for closing stores in 2021 in the amount of 230 thousand euros. Yearly net financial expense was 761 thousand euros and tax expense 147 thousand euros mainly due to the change in deferred tax reserve in the amount of 140 thousand euros. The net loss for the year 2020 is 377 thousand euros (compared to 5,909 net loss the prior year).

Owing to the careful management of the stock situation, to received loan of 2,550 thousand euros from KJK Fund SICAV-SIF via its holding company and to all the cost savings achieved, Baltika Group has managed to retain the financial stability achieved by the end of third quarter despite the second wave of Covid-19 and finished the year with 1,467 thousand euros cash and cash equivalents with no use of bank overdraft (with 3,000 thousand euros limit). Baltika will continue implementing the strategy - develop its only remaining women's clothing brand Ivo Nikkolo with the new contemporary quality products partly available from spring-summer 2021 and fully from autumn-winter. More focus will be put on accessories a with wide selection of quality products already available in spring-summer and one separate standalone accessories store to be launched in spring 2021. Another focus is to continue searching for cooperation partners to increase online sales.

Consolidated statement of financial position

31 Dec 2020 31 Dec 2019



ASSETS

Current assets

Cash and cash equivalents	1,427	264
Trade and other receivables	318	621
Inventories	3,467	7,644
Assets classified as held for sale	0	28
Total current assets	5,212	8,557

Non-current assets

Deferred income tax asset	140	281
Other non-current assets	111	222
Property, plant and equipment	1,218	1,683
Right-of-use assets	9,199	16,040
Intangible assets	597	536
Total non-current assets	11,255	18,762
TOTAL ASSETS	16,477	27,319

LIABILITIES AND EQUITY

Current liabilities

Borrowings	252	1,731
Lease liabilities	3,127	5,383
Trade and other payables	3,019	4,118
Total current liabilities	6,398	11,232

Non-current liabilities

Borrowings	874	488
Lease liabilities	6,493	12,396



Total non-current liabilities	7,367	12,884
TOTAL LIABILITIES	13,765	24,116
EQUITY		
Share capital at par value	5,408	5,408
Reserves	3,931	4,045
Retained earnings	-6,250	-341
Net profit (loss) for the period	?-377	-5,909
TOTAL EQUITY	2,712	3,203
TOTAL LIABILITIES AND EQUITY	16,477	27,319

Consolidated statement of profit and loss and comprehensive income

	4Q 2020	4Q 2019	12m 2020	12m 2019

Revenue	3,978	10,138	19,480	39,630
Client bonus provision	250	81	250	81
Revenue after client bonus provision	4,228	10,219	19,730	39,711
Cost of goods sold	-2,006	-5,694	-10,054	-20,520
Gross profit	2,222	4,525	9,676	19,191
Distribution costs	-2,575	-4,745	-12,234	-19,588
Administrative and general expenses	- 408	-644	-2,353	-2,672
Other operating income (- expense)	-318	-1,418	5,442	-1,443



Operating profit (loss)	-1,079	-2,282	531	-4,512
Finance costs	-126	-321	-761	-1,391
Profit (loss) before income tax	-1,205	-2,603	-230	-5,903
Income tax expense	-147	-6	-147	-6
Net profit (loss) for the period	-1,352	-2,609	-377	-5,909
Total comprehensive income (loss) for the period	-1,352	-2,609	-377	-5,909
Basic earnings per share from net profit (loss) for the period, EUR	-0.02	-0.05	-0.01	-0.16
Diluted earnings per share from net profit (loss) for the period, EUR	-0.02	-0.05	-0.01	-0.16

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