

Company AS BALTIKA
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Attachments:

- Baltika_Interim_report_4Q 2021.pdf (<http://oam.fi.ee/en/download?id=6099>)
- Baltika_Vahearuanne_4Q 2021.pdf (<http://oam.fi.ee/en/download?id=6100>)

Currency

Title Baltika's Unaudited Financial Results, Fourth Quarter and 12 months of 2021

Baltika Group ended the fourth quarter with a net loss of 890 thousand euros. The loss for the same period last year was 1,352 thousand euros. Despite the ongoing pandemic of COVID-19, the quarter results have improved 462 thousand euros year-over-year due to Baltika Group's strong focus on fixed costs reduction, which led to operating expense decreasing by 694 thousand euros. The year-end result includes a reserve for the expense of closing stores in 2022 in the amount of 90 thousand euros, reduction of deferred tax assets reserve in the amount of 60 thousand euros, stock provision of 100 thousand euros.

The Group's sales revenue for the fourth quarter was 2,614 thousand euros, decreasing by 34% compared to the same period last year with a drop of 30% in retail sales due to 27 store closures and decreased 65% in e-store sales. For the sake of transparency, another main reason for the decline in sales was related to the fact that our Group decided as going forward strategy to trade with only one womenswear brand (new Ivo Nikkolo) and to fully discontinue menswear. Additionally, in the fourth-quarter further restrictions due to COVID-19 were forced in Latvia with the full store closures from mid-October till mid-November and then with the weekend closures from mid of November till 21 December.

The gross profit for the quarter was 1,671 thousand euros, decreasing by 25% i.e. 551 thousand euros compared to the same period of the previous year (Q4 2020: 2,222 thousand euros). The company's gross profit margin was 63.9% in the fourth quarter, which is 8 percentage points higher than the margin of the same quarter of the previous year (Q4 2020: 55,9%). The positive increase in gross profit margin is due to Baltika Group selling more full-price stock to end customers with lower volumes of discounted items.

The Group's distribution and administrative expenses in the fourth quarter were 2,289 thousand euros, decreasing by 23% i.e. 694 thousand euros compared to the



same period last year. The majority of this relevant cost saving came from a reduction in retail operational costs. One-off costs related to the closure of stores and other non-recurring expenses related to business activities during the 12 months amounted to 877 thousand euros. 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 head office expenses to decrease by 240 thousand euros.

12 months total gross profit amounts to 6,120 thousand euros, compared to the prior year 9,676 thousand euros (decreasing 36,8%) and the largest decline was from January till May, when most stores were closed for part of the period due to the COVID-19 pandemic. The result of the fourth quarter was most affected by the closure of stores in the Latvian market. Operating expenses in the 12 months amounted to 9,551 thousand euros, decreasing by 34,5% that is 5,036 thousand euros due to the strategic decision to close 27 unprofitable stores throughout the Baltics. Other operating income totalled 59 thousand euros in the fourth quarter, which is mainly the Latvian government's business support for closed stores of 56 thousand euros.

The financial expenses for the year were 330 thousand euros and the income tax expense was 65 thousand euros due to the change in the deferred tax reserve in the amount of 80 thousand euros. The net loss for the year was 2,900 thousand euros (the amount for the same period last year was 376 thousand euros). In addition, Group's lockdown-related operating expenses were approximately 30% higher than what Group has received through various support schemes with a negative impact on our yearly result estimated at around 500 thousand euros. Last year's profit included a one-off positive reorganization impact in the amount of 5,905 thousand euros.

Baltika Group ended the year with cash and cash equivalents of 614 thousand euros, using the bank's overdraft facility in the amount of 1,985 thousand euros (out of the limit of 3,000 thousand euros) at the end of the year. Baltika will continue to implement the strategy - develops modern high-quality products in its women's fashion brand Ivo Nikkolo, which is available in Estonia, Latvia, Lithuania, and in our e-store. There is a strong focus on accessories, where a wide range of quality products is available in all stores.

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(https://www.globenewswire.com/Tracker?data=kFHNBackukURPkBgqkS4_rE3af1hnX2WFHbG2wSR7vUxnJNNRHOWQai9OIFKOeGU6slblExNNPSWUeCwF6zC8DKwnyXrybbeLrWnrHmC6Ex_WNr6PO5HfTM0arK691F9)

