

Company AS BALTIKA  
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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
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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
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TOTAL LIABILITIES AND EQUITY	19,395	27,319
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Consolidated statement of profit and loss and comprehensive income

	3Q 2020	3Q 2019	9m 2020	9m 2019
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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
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Diluted earnings per share from net profit (loss) for the period, EUR	-0,01	-0,04	0,02	-0,11
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