Further expansion under the economic slowdown

LT

Research update
Lithuania - Baltic Region
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Consumer Discretionary / Apparel Retail

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Hansabankas

- Apranga reported rather mixed results for the first half of the year. Revenues growth was good but earnings were under pressure. As like-for-like sales growth is close to zero, this year revenues grow due to the increase in the trading area. There are number of reasons for lower earnings, including unfavorable weather conditions in 1Q08, intense situation in the labor market, higher operating expenses, slower economy and longer time span for store to reach top sales.

- This year up to date the company has opened 8 new stores and closed one. Currently Apranga has 90 stores under supervision: 60 in Lithuania, 23 in Latvia and 7 in Estonia. Until the end of the year the company expects to open another 13 and to close 3 stores. The new stores are planned in a shopping mall called Panorama in Vilnius, Lithuania. Panorama will be opened on the 7th of November and afterwards Apranga will revise its forecasts for the year. The revision is expected to be downwards.

- In the nearest future Apranga declares aggressive store chain expansion. In our forecasts we increased newly opened stores number in 2009 and lowered sales per square meter forecasts. The biggest revision we made on the earnings side as a result of the economic slowdown in the region and still expected high inflation.

- In our view, next year will be very challenging for Apranga, however, in the medium term we maintain positive view towards the company. The current share price has already incorporated a lot of bad news and represents a significant discount compared to its peer group. The discount we could not justify in full amount and based on the DCF valuation we consider Apranga as a buy candidate with a high risk assessment.

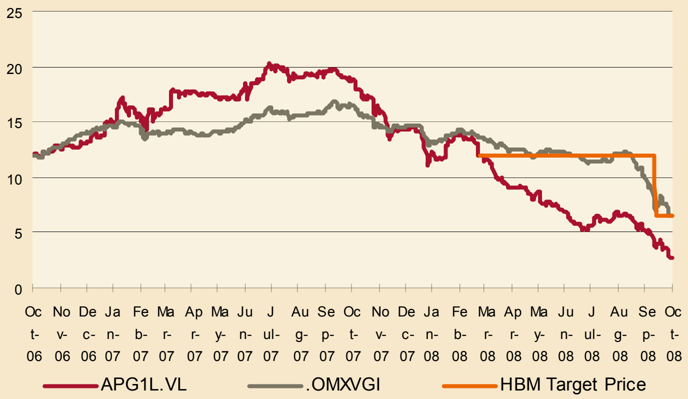
- We set the price target at LTL 6.55 per share (€1.90) with a "BUY" recommendation with a high risk assessment.

Current Price (28.10.2008)	€0.77/LTL 2.67
Recommendation (28.10.2008 08:46)	**Buy**
Target Price	**€1.9/LTL 6.55**
Previous Recommendation	Hold
Previous Target Price	€3.48/ LTL 12.00
Risk Rating	High risk
Reuters Ticker	APG1L.VL

Trading Statistics

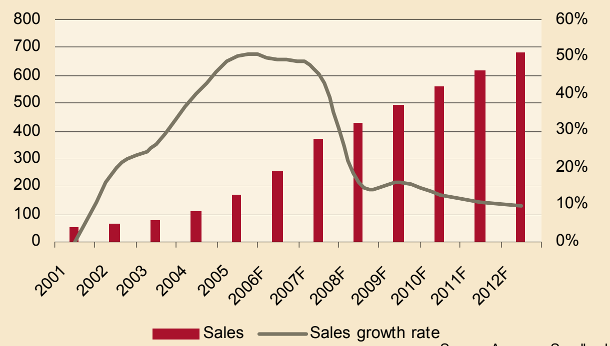
			€	LTL
52w high			5.5	18.9
52w low			0.8	2.7
Market Cap (m)			27	94
Free Float				29%
Mkt. Cap of Free Float (m)			8	27
Shares Out. (m)				35.3
	1M	**6M**	**12M**	**YTD**
Yield (%)	-50	-71	-86	-82
Avg.Daily Volume, th	57	33	30	29
Avg.Daily Turnover, LTL	225	197	284	230

Apranga Share Performance, (LTL)



Source: Reuters; Swedbank

Sales forecast (LTLm) and Growth Rate (%)



Source: Apranga, Swedbank

Market Ratios

	2006	2007F	2008F	2009F
P/E	**5.4**	**3.8**	**6.2**	**16.5**
P/BV	**1.4**	**1.1**	**1.0**	**0.9**
EV/EBITDA	**4.8**	**3.4**	**3.7**	**4.6**
Dividend Yield (%)	**4.1**	**6.0**	**3.2**	**1.2**

Financial Summary, LTL thousand

	2006	2007F	2008F	2009F
Sales	**253,489**	**368,907**	**427,477**	**496,805**
Growth	49.1%	45.5%	15.9%	16.2%
EBITDA	**34,224**	**48,486**	**44,230**	**35,382**
Growth	56%	42%	-9%	-20%
Margin	14%	13%	10%	7%
Net Profit	**17,436**	**24,923**	**15,306**	**5,722**
Growth	96%	43%	-39%	-63%
Margin	7%	7%	4%	1%
Assets	**143,163**	**202,531**	**221,783**	**248,144**
Equity	**66,488**	**87,618**	**97,278**	**99,938**

Last Quarter, LTL thousand

	2Q08	2Q07	*Change*	
Sales	**92,378**	**77,248**	▲	*19.6%*
EBITDA	**10,242**	**9,451**	▲	*8.4%*
Margin	*11.1%*	*12.2%*		
Op. Profit	**5,198**	**5,587**	▼	*-7.0%*
Margin	*5.6%*	*7.2%*		
Net Profit	**3,626**	**3,693**	▼	*-1.8%*
Margin	*3.9%*	*4.8%*		

2Q slowing revenues and earnings under pressure

LTL, thousand	2Q08	2Q07		Change	1H08	1H07		Change
Sales	**92,378**	**77,248**	▲	19.6%	**192,857**	**154,926**	▲	24.5%
EBITDA	**10,242**	**9,451**	▲	8.4%	**15,584**	**19,185**	▼	-18.8%
Margin	*11.1%*	*12.2%*	▼	*-1.1%*	*8.1%*	*12.4%*	▼	*-4.3%*
Op. Profit	**5,198**	**5,587**	▼	-7.0%	**5,632**	**11,813**	▼	-52.3%
Margin	*5.6%*	*7.2%*	▼	*-1.6%*	*2.9%*	*7.6%*	▼	*-4.7%*
EBT	**4,242**	**4,983**	▼	-14.9%	**3,714**	**10,684**	▼	-65.2%
Margin	*4.6%*	*6.5%*	▼	*-1.9%*	*1.9%*	*6.9%*	▼	*-5.0%*
Net Profit	**3,626**	**3,693**	▼	-1.8%	**2,805**	**8,162**	▼	-65.6%
Margin	*3.9%*	*4.8%*	▼	*-0.9%*	*1.5%*	*5.3%*	▼	*-3.8%*
Source: Apranga								

Apranga reported rather mixed results for the first half of the year. Revenues growth was good but earnings were disappointing. First half revenues grew by 24.5% yoy to LTL 92.9m (€55.86m) but looking just at the 2Q top line, growth dipped down to 19.6% yoy. Still the growth rate remained high but the slowdown became more evident. Each country (Lithuania, Latvia and Estonia) delivered more or less similar increase in revenues.

Sales LTLm	**1H08**	**1H07**		**Change**
Lithuania	127.1	102.8	▲	23.6%
Latvia	48.0	37.7	▲	27.3%
Estonia	17.7	14.4	▲	23.1%
Source: Apranga				

The 2Q slowdown we would explain with a general economic slowdown and high inflation in all three Baltic countries. The economic slowdown in combination with high inflation has a direct impact on consumers' behavior. Apparel business is a cyclical business and this period is not the best. The slowing business became even more evident in preliminary 3Q turnover figures. Apranga announces preliminary monthly turnover figures, which encompass revenues plus VAT. The 1H08 luxury turnover (revenues + VAT) went down by 7.5% yoy.

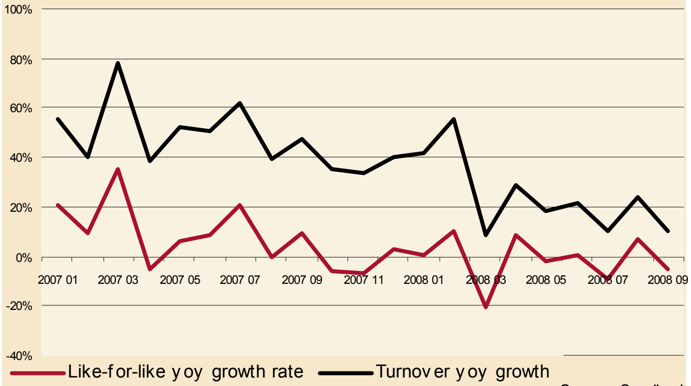
Turnover by segment '000 LTL	**1H08**	**1H07**		**Change**
Family fashion	42,708	38,600	▲	10.6%
Youth fashion	59,882	38,799	▲	54.3%
Business and luxury	54,361	46,672	▲	16.5%
City	*28,632*	*18,848*	▲	*51.9%*
Luxury	*25,729*	*27,824*	▼	*-7.5%*
Zara	70,056	55,454	▲	26.3%
Outlets	6,622	3,593	▲	84.3%
Source: Apranga				

During the first half of this year Apranga opened 5 new stores with the trading area of 2 thousand sq. m. This year up to date the company has opened 8 new stores and closed one. Currently Apranga has 90 stores under supervision: 60 in Lithuania, 23 in Latvia and 7 in Estonia. Until the end of the year the company expects to open another 13 and to close 3 stores. The new stores are planned in a shopping mall called Panorama in Vilnius, Lithuania. Panorama will be opened on the 7th of November and afterwards Apranga will revise its forecasts for the year. The revision is expected to be downwards.

Despite good growth in revenues, the first half earnings were significantly pressed down. Apranga indicated several reasons for lower profitability: as a result of unfavorable weather conditions the company incurred net loss in 1Q08, aggressive store chain expansion last year and intense situation in the labor market increased operating expenses, slowing economy in the region, new stores require longer time span to reach top sales.

Slowing like for like sales

Monthly turnover (revenues + VAT) and like-for-like yoy growth



Source: Swedbank

One tendency is rather obvious: like-for-like sales growth gradually goes down as the company expands its store chain. This year like-for-like sales growth remains close to zero and the company's top line grows from the trading area expansion. Considering the current economic conditions in the Baltic States we can not rule out possible negative growth in like-for-like sales.

Update in our model

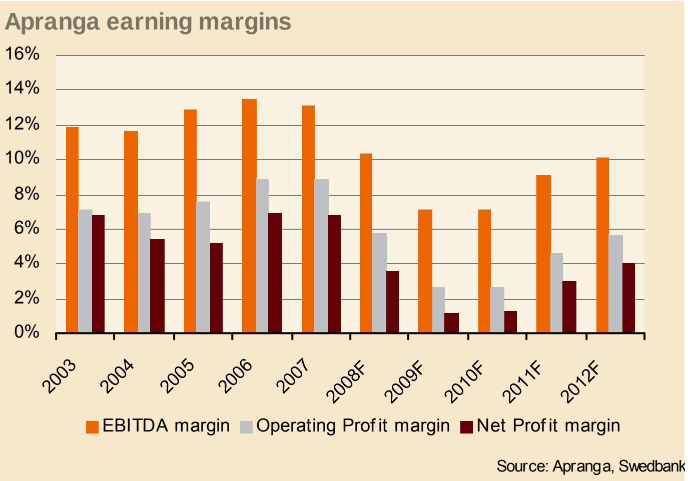
During the last 12 months economic conditions changed in the Baltic countries. From an excessive optimism we finished up with an economic slowdown and double digit inflation. An economic slowdown is more evident in Latvia and Estonia while Lithuania keeps growing but at a far lower pace. Under the new macro conditions Apranga still declares aggressive expansion plans in the Baltics. The initial plan was to achieve LTL 1 billion turnover (revenues + VAT) in 2010. The current economic slowdown (or possible hard landing scenario), in our view, might make the company's further expansion a bit questionable. The company might increase the stores' number further but it might come at the expense of efficiency and profitability. The sales efficiency we measure using yoy growth in sales per square meter and profitability. Apranga already faces almost zero like-for-like yoy sales growth and diminishing profitability even the economic conditions still remain relatively good. For 1H08 the company's earnings dropped at around 65% yoy. Having all in mind we make some revision in our model, especially on the earnings side for next year.

Apranga plans further aggressive expansion

Op. forecasts		**2008E**		
	Old	New		Change
Stores in operation	100	100	—	0.0%
Increase in the stores number	17	17	—	0.0%
Total trading area (sq. m.)	66,790	60,930	▼	-8.8%
Increase in the trading area	12,790	6,930	▼	-45.8%
Sales per sq. m.	7,358	7,016	▼	-4.6%
		2009E		
	Old	New		Change
Stores in operation	117	125	▲	6.8%
Increase in the stores number	17	25	▲	47.1%
Total trading area (sq. m.)	78,790	76,125	▼	-3.4%
Increase in the trading area	12,000	15,195	▲	26.6%
Sales per sq. m.	7,578	6,526	▼	-13.9%
Source: Swedbank estimates				

In our previous research we assumed slower expansion due to the economic slowdown. We expected the company to focus on sales efficiency, i.e. increase in sales per sq.m. and maintaining profitability. Apranga still declares aggressive store chain expansion in the nearest future, therefore we make some revision in our forecasts. We increased newly opened stores number in 2009 and lowered our sales per square meter forecasts. The decrease in forecasted sales per sq. m. is higher because we shifted new openings to the end of the year. This boosted the denominator calculating sales per sq. m. at the end of the year. Nevertheless, the slowdown in organic sales is our projection as apparel business is not that resilient to economic slowdowns.

Economic slowdown will press earnings further



The second half of the year is the best for Apranga in terms of revenues and especially earnings. This is common business seasonality and the best month is October. Nevertheless, the first half earnings were so pressed that there are little chances that the company could catch up with the targeted earnings. Apranga will announce its new targets in the beginning of November and we expect it to be lower. The biggest decrease in margins we project next year. In our view, the current economic slowdown will become even more vicious next year due to a significant increase in energy prices (central heating and electricity in Lithuania), the same high inflation, lower consumer spending and hard availability of credits. A recovery in earning margins we would anticipate starting from 2010.

2009 will be challenging

For this year we expect the company to deliver LTL 427m (€123.7m) in sales, up by 15.9% yoy. This would be the slowest growth since 2002. In the beginning of the year Apranga forecasted the turnover (revenues + VAT) of LTL 580m (€168m) and EBT of LTL 39.5m (€11.4m). The company suspended the guiding until the following update in the beginning of November. Having in mind the 1H08 results the targets will be revised downwards. We anticipate that Apranga will deliver EBT of LTL 18.4m (€5.34m), down by 39% yoy. The 2008 net profit we see at LTL 15.3m (€4.43m), down by the same 39% yoy.

This year does not look promising but next year will be even more challenging. We expect further store chain expansion and this will drive the top line up but at the same time we expect lower sales per square meter. We estimated the 2009 sales at LTL 496.8m (€143.9m), up by 16.2% yoy. The 2009 net profit we anticipate to go down by 62.6% yoy to LTL 5.7m (€1.65m). This is our view under the current market conditions in the light of economic slowdown, double digit inflation, credit crunch and slowing consumer spending. The company's further expansion will press earnings in 2009 but later it will give an additional growth boost.

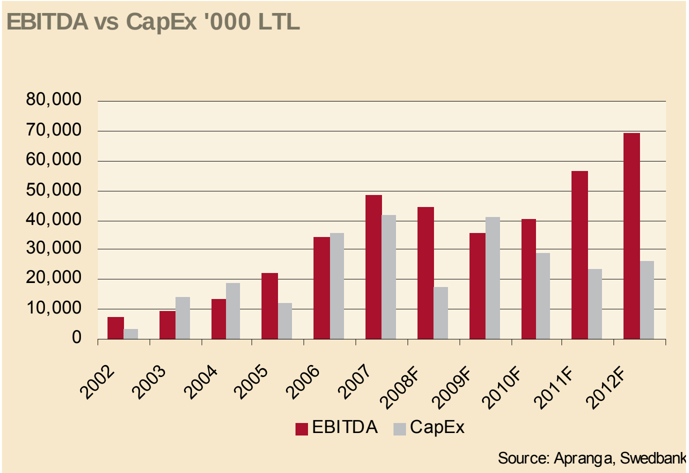
Balance sheet

At the end of the second half of the year Apranga had the net financial debt of LTL 70.18m (€20.3m). The company had LTL 47m (€13.6m) in long term financial liabilities, LTL 25.9m (€7.5m) in short term debt and LTL 2.8m (€0.8m) in cash. At the end of 1H08 the company's debt to equity ratio stood at 86% and equity ratio at 44%. Considering the current credit market crunch such leverage involves additional risk that has to be reviewed.

The company does not disclose interests it pays for the bank loans. The only information available that the credit line's interest rate is calculated as the overnight VILIBOR (current ~7% which is high looking from the historic perspective) plus the margin. SEB provided the company with the credit line of LTL 80m (€23.17m) up to the 31st of May 2009. On the 16th of June 2007 the company issued bonds for LTL 20m (€5.8m). Yearly coupon was set at 5.99% and the bonds have to be bought back on the 15th of June 2009.

We consider the debt level as high but at the same time, in our view, the company will refinance it with no problems but at higher interest rate. Making our medium term forecasts we increased interest rate from 6% to 8%.

CapEx revision



Next year we expect Apranga to open 25 new stores and the trading area is expected to increase by ~15'000 sq. m. All in all, we anticipate 2009 CapEx at around LTL 41m (€11.9m) which is a bit higher than the corresponding EBITDA. Looking beyond 2009 we anticipate lower capital expenditures due to the projected slower store chain expansion.

Comparative valuation

One couldn't argue that during the last six months economic condition in the EU, Baltic States and Lithuania has changed. From robust growth we arrived to a serious economic slowdown or even recession. Earlier Apranga was traded with a big growth premium, which under the current economic conditions became questionable. The company's 1H earnings and the latest turnover figures revealed a slowdown and this is not a wishful tendency for any company, including Apranga.

COMPARATIVE ANALYSIS

Ticker	Company	Currency	Price	Mcap (m€)	P/E	EV/EBITDA	EV/Sales
MON PW Equity	MONNARI TRADE	PLN	13.15	46	13.0	14.7	1.1
HMB SS Equity	HENNES & MAURITZ	SEK	243.00	19,924	13.5	11.6	2.2
ITX SM Equity	INDITEX	EUR	24.30	15,147	12.0	8.4	1.4
BOS GR Equity	HUGO BOSS	EUR	12.91	855	6.0	7.9	0.9
LPP PW Equity	LPP	PLN	1100.00	488	13.8	13.8	1.5
MMO1V FH Equity	MARIMEKKO	EUR	9.05	73	8.4	8.6	0.9
BLT1T ET Equity	BALTIKA	EUR	1.23	23	19.7	8.3	0.5
SFGAT ET Equity	SILVANO FASHION GROUP	EUR	0.90	36	7.8	5.9	0.4
				Median	12.5	8.5	1.0
				Average	11.8	9.9	1.1
APG1L LH Equity	**APRANGA PVA**	**LTL**	**2.65**	**27**	**4.8**	**3.6**	**0.4**
				Apranga to median	-62%	-57%	-61%
				Apranga to average	-59%	-63%	-64%

Ticker	Company	P/Sales	P/BV	ROA	ROE	EBITDA margin	Net profit margin
MON PW Equity	MONNARI TRADE	1.1	4.9	16.2%	26.8%	12.9%	10.6%
HMB SS Equity	HENNES & MAURITZ	2.2	10.4	35.2%	45.4%	25.8%	17.3%
ITX SM Equity	INDITEX	1.4	5.2	19.5%	32.7%	22.8%	13.3%
BOS GR Equity	HUGO BOSS	0.9	6.1	15.5%	29.6%	17.6%	9.5%
LPP PW Equity	LPP	1.5	11.6	21.9%	39.8%	18.0%	10.6%
MMO1V FH Equity	MARIMEKKO	0.9	5.1	19.6%	27.4%	15.3%	10.0%
BLT1T ET Equity	BALTIKA	0.3	4.2	6.5%	13.0%	8.6%	3.5%
SFGAT ET Equity	SILVANO FASHION GROUP	0.4	3.9	19.7%	31.5%	22.8%	12.1%
	Median	1.0	5.1	19.5%	30.6%	17.8%	10.6%
	Average	1.1	6.4	19.2%	30.8%	18.0%	10.9%
APG1L LH Equity	**APRANGA PVA**	**0.23**	**1.1**	**9.7%**	**23.2%**	**11.0%**	**4.8%**
	Apranga to median	-78%	-78%				
	Apranga to average	-79%	-83%				

Source: Bloomberg, Swedbank estimates

Apranga is traded at a hefty discount to its peer group. Some discount could be justified with the negative sentiment on the region. Nevertheless, we consider that the Apranga's share price has been beaten too heavily and such discount is hardly justified. Complicated economic conditions do not suggest quick share price recovery but in the medium term we see a good value for investors.

DCF valuation

We made a downwards revision in the medium term sales and especially earnings. Currently the company increases revenues due to store chain growth while like-for-like sales are close to zero with a distinct downwards trend. Apranga declares further aggressive store chain expansion and this causes the main risk. With the current economic slowdown and diminishing retail sales the main risk is in maintaining profitability. At the same time, aggressive store chain expansion increases CapEx and reduces the free dash flow.

We also revaluated risk assessment calculating the discount rate (WACC): increased the required rate of return on equity to 15.50 from 13.3% and WACC increased to 12.70% from 11.30%. At the same time we reduced a free cash flow growth rate in perpetuity to 2% from 3%.

Based on our DCF model, we estimated a fair value of Apranga at LTL 6.55 (€1.90) per share, which represents 147% upside from the current share price. Once again we stress that the DCF valuation is very sensitive to any changes in assumptions. For that reason we recommend to study the sensitivity analysis table represented below with due diligence.

In our view, next year will be very challenging for Apranga, however, in the medium term we maintain positive view towards the company. The current share price, in our view, has already incorporated a lot of bad news and represents a significant discount compared to the peer group. The discount we could not justify in full amount and based on the DCF valuation we consider Apranga as a buy candidate with a high risk assessment. We set the price target at LTL 6.55 per share (€1.90) with a “BUY” recommendation with a high risk assessment.

Accounting note

In their material event releases and press comments Apranga regularly announces turnover numbers and forecasts in absolute numbers that include value added tax (VAT 18%), not necessarily stating it clearly. In the clothing retail market most customers receive no VAT refunds after purchasing the items, therefore it may be appropriate to consider the market in terms of values that include VAT. However VAT must not be considered as a source of revenues for a company and therefore it is not regularly included under income/cost lines in the financial reports. We would stress the necessity for the investor to pay attention to whether values with or without VAT are announced. In the text we refer, and for the financial analysis use, sales values without VAT.

Company Info

Investment Summary

We made a downwards revision in the medium term sales and especially earnings. Currently the company increases revenues due to store chain growth while like-for-like sales are close to zero with a distinct downwards trend. Apranga declares further aggressive store chain expansion and this causes the main risk. With the current economic slowdown and diminishing retail sales the main risk is in maintaining profitability. At the same time, aggressive store chain expansion increases CapEx and reduces the free dash flow.

In our view, next year will be very challenging for Apranga, however, in the medium term we maintain positive view towards the company. The current share price, in our view, has already incorporated a lot of bad news and represents a significant discount compared to the peer group. The discount we could not justify in full amount and based on the DCF valuation we consider Apranga as a buy candidate with a high risk assessment. We set the price target at LTL 6.55 per share (€1.90) with a "BUY" recommendation with a high risk assessment.

Positives

- Apranga has a leading position (>30%) among the apparel retailers in Lithuania.
- Apranga covers almost all apparel market segments: from family to luxury.
- Rapid store chain expansion supports Apranga sales growth.
- Well developed business strategy through the franchise stores (Inditex in the first place) allows the company to expand store chain very rapidly.
- Local distribution rights for a number of brands: from family to luxury.

Negatives

- The Sales of fashion clothing is strongly dependent on economic cycles and the economic slowdown in the Baltic region will hurt the company's performance.
- As the market saturation increases, it is highly probable that the company's stores might start "cannibalizing" each other. In the future Apranga might start chasing the sales growth at the expense of profitability.
- The company has not announced any distinct plans or aims regarding its penetration into other foreign markets.
- Wages inflation and other soaring costs might press the company's margins harder than we expect.
- The company's operating results are very dependent on the success of Inditex brands.

Investment Risks

Low liquidity of the stock might cause high volatility on the market.

Apranga is a "growth" stock therefore its share pricing is largely based not on the latest operating results, but on the presumptions about the company's potential to generate cash flows in the medium and long term. High share price volatility may be expected with respect to changes in sentiment surrounding the company and its business prospects.

Negative sentiment and a panic sell-off on the VSE puts companies' shares under severe pressure.

Profile

APB Apranga is the largest clothing retailer in the Baltic countries, based in Lithuania and rapidly expanding to the neighbouring Latvia (entered in 2003) and Estonia (2004). Apranga is the partner of the world's leading apparel retailer INDITEX since 2004 and has developed a comprehensive sales strategy that includes 5 different types of stores: family fashion (Apranga), young fashion (Mango, Aprangos Galerija, Mexx, Bershka, Pull and Bear and other), business (City, Betty Barclay), Luxury (Hugo Boss, MaxMara, Emporio Armani, GF Ferre, Ermenegildo Zegna and other), Zara stores and outlets. The branded stores are operated under franchise agreements (Zara, Mango, Emporio Armani, GF Ferre and other). Apranga also represents Hugo Boss, Max Mara, Jack&Jones, Betty Barclay and other.

Company Structure

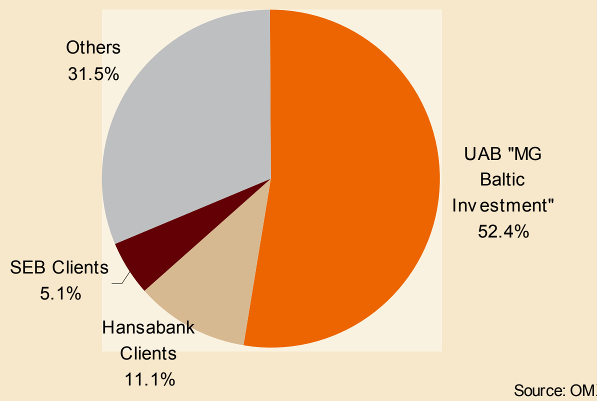
- UAB "Apranga LT"
- UAB "Apranga BPB LT"
- UAB "Apranga PLT"
- UAB "Apranga SLT"
- SIA "Apranga"
- SIA "Apranga LV"
- SIA "Apranga BPB LV"
- SIA "Apranga PLV"
- OU "Apranga"
- OU "Apranga Estonia"
- OU "Apranga BEE"

Management

Rimantas Perveneckas (2.26%), CEO since 1993

Vaidas Savukynas, the director of Finances and Economics

Key Shareholders



Source: OMX

History

Apranga was founded in 1945 as a state wholesale depot and after privatisation in 1992 was developed into a retail chain. For the past few years the company focused on the stores chain expansion. Apranga entered the first foreign market entered in 2003 – Latvia and the second in 2004 – Estonia. In 2004 the company became a partner of the world's leading apparel retailer INDITEX, which gave an additional boost for growth. Since 2004 the company has grown very rapidly (sales growth 40 – 50% a year) and the process still continues.

INCOME STATEMENT (quarterly), LTL thousand	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
Sales	**70,371**	**81,436**	**77,678**	**77,248**	**103,836**	**110,145**	**100,479**	**92,378**
COGS	39,998	43,019	44,029	40,237	59,855	56,838	59,723	49,167
Gross Profit	**30,373**	**38,417**	**33,649**	**37,011**	**43,981**	**53,307**	**40,756**	**43,211**
Net Operating Expenses	22,941	29,969	27,423	31,424	33,927	42,451	40,322	38,013
EBITDA	**10,403**	**11,795**	**9,734**	**9,451**	**14,253**	**15,048**	**5,342**	**10,242**
Depreciation	2,971	3,347	3,508	3,864	4,199	4,192	4,908	5,044
Operating Profit	**7,432**	**8,448**	**6,226**	**5,587**	**10,054**	**10,856**	**434**	**5,198**
Net Financial Items	-255	-781	-525	-604	-476	-1,076	-962	-956
Taxes	0	3,614	1,232	1,290	1,129	1,468	293	616
Minority Interest	0	0	0	0	0	0	0	0
Net Profit	**7,177**	**4,053**	**4,469**	**3,693**	**8,449**	**8,312**	**-821**	**3,626**
EPS, LTL	0.20	0.11	0.13	0.10	0.24	0.24	-0.02	0.10
GROWTH, yoy								
Sales	54%	52%	58%	47%	48%	35%	29%	20%
Gross Profit	63%	53%	62%	50%	45%	39%	21%	17%
EBITDA	94%	27%	129%	22%	37%	28%	-45%	8%
Operating Profit	138%	22%	283%	13%	35%	29%	-93%	-7%
Net Profit	151%	10%	209%	-22%	18%	105%	-118%	-2%
MARGINS, % of sales								
Gross Profit	43.2%	47.2%	43.3%	47.9%	42.4%	48.4%	40.6%	46.8%
EBITDA	14.8%	14.5%	12.5%	12.2%	13.7%	13.7%	5.3%	11.1%
Operating Profit	10.6%	10.4%	8.0%	7.2%	9.7%	9.9%	0.4%	5.6%
Net Profit	10.2%	5.0%	5.8%	4.8%	8.1%	7.5%	-0.8%	3.9%

BALANCE SHEET (quarterly), LTL thousand	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
Cash & Equivalents	3,642	4,770	4,285	4,455	5,762	7,287	3,612	2,750
Accounts Recievable	9,484	2,436	11,883	4,205	7,384	4,145	5,813	6,906
Inventories	62,785	49,744	66,732	51,121	92,734	74,939	91,731	69,499
Other Current Assets	0	0	0	0	0	3,883	0	0
Current Assets	**75,911**	**56,950**	**82,900**	**59,781**	**105,880**	**90,254**	**101,156**	**79,155**
Tangible Assets	82,103	84,598	85,707	92,641	97,446	110,439	107,322	108,513
Long-Term Financial Assets	438	894	599	634	1,958	857	1,032	1,102
Intangible Assets	681	721	785	771	820	981	1,245	1,330
Long-Term Assets	**83,222**	**86,213**	**87,091**	**94,046**	**100,224**	**112,277**	**109,599**	**110,945**
Total Assets	**159,133**	**143,163**	**169,991**	**153,827**	**206,104**	**202,531**	**210,755**	**190,100**
S-T Debt	20,253	28,298	82,067	4,111	10,439	54,247	41,204	25,932
Supplier Payables	53,529	27,927	3,758	25,145	70,168	36,007	57,659	26,863
Other S-T liabilities	0	1,668	2,511	1,846	2,794	1,112	1,589	1,921
Current Liabilities	**73,782**	**57,893**	**88,336**	**31,102**	**83,401**	**91,366**	**100,452**	**54,716**
L-T Debt	21,504	16,691	8,514	48,417	40,879	20,016	20,000	47,000
Other L-T liabilities	1,121	2,091	2,438	3,483	2,783	3,531	3,590	3,839
Non-current Liabilities	**22,625**	**18,782**	**10,952**	**51,900**	**43,662**	**23,547**	**23,590**	**50,839**
Shareholders' Equity	**62,726**	**66,488**	**70,703**	**70,825**	**79,041**	**87,618**	**86,713**	**84,545**
Total Liabilities and Equity	**159,133**	**143,163**	**169,991**	**153,827**	**206,104**	**202,531**	**210,755**	**190,100**
BVPS, LTL	1.78	1.88	2.00	2.01	2.24	2.48	2.46	2.40

INCOME STATEMENT, LTL thousand	2005	2006	2007	2008F	2009F	2010F	2011F	2012F	CAGR 07-12F
Net Sales	**170,058**	**253,489**	**368,907**	**427,477**	**496,805**	**560,396**	**620,252**	**682,277**	**13.1%**
Sales Growth	*50.5%*	*49.1%*	*45.5%*	*15.9%*	*16.2%*	*12.8%*	*10.7%*	*10.0%*	
Cost of Goods Sold	94,883	139,311	200,959	245,799	293,115	330,634	356,645	389,580	
Gross Profit	**75,175**	**114,178**	**167,948**	**181,678**	**203,690**	**229,763**	**263,607**	**292,697**	**11.8%**
Gross Margin	*44.2%*	*45.0%*	*45.5%*	*42.5%*	*41.0%*	*41.0%*	*42.5%*	*42.9%*	
Net Operating Expenses	62,296	91,706	135,225	157,216	190,591	214,613	235,293	254,474	
EBITDA	**21,939**	**34,224**	**48,486**	**44,230**	**35,382**	**40,295**	**56,356**	**69,029**	**7.3%**
EBITDA Margin	*12.9%*	*13.5%*	*13.1%*	*10.3%*	*7.1%*	*7.2%*	*9.1%*	*10.1%*	
Depreciation & Amortization	9,060	11,752	15,763	19,768	22,283	25,145	28,042	30,806	
Operating Profit	**12,879**	**22,472**	**32,723**	**24,462**	**13,099**	**15,150**	**28,313**	**38,223**	**3.2%**
Operating Margin	*7.6%*	*8.9%*	*8.9%*	*5.7%*	*2.6%*	*2.7%*	*4.6%*	*5.6%*	
Net Financial Items	-1,786	-1,422	-2,681	-6,020	-6,205	-6,407	-5,795	-5,180	
Taxes	-2,194	-3,614	-5,119	-3,135	-1,172	-1,486	-3,828	-5,617	
Minority Interest	0	0	0	0	0	0	0	0	
Net Profit	**8,899**	**17,436**	**24,923**	**15,306**	**5,722**	**7,256**	**18,691**	**27,426**	**1.9%**
Net Margin	*5.2%*	*6.9%*	*6.8%*	*3.6%*	*1.2%*	*1.3%*	*3.0%*	*4.0%*	
EPS, LTL	0.25	0.49	0.71	0.43	0.16	0.21	0.53	0.78	
EPS growth	*46.3%*	*95.9%*	*42.9%*	*-38.6%*	*-62.6%*	*26.8%*	*157.6%*	*46.7%*	
Fully Diluted EPS, LTL	0.25	0.49	0.71	0.43	0.16	0.21	0.53	0.78	
Dividends per Share, LTL	0.06	0.11	0.16	0.09	0.03	0.04	0.13	0.39	
Dividend Payout	*24%*	*22%*	*23%*	*20%*	*20%*	*20%*	*25%*	*50%*	

BALANCE SHEET, LTL thousand	2005	2006	2007	2008F	2009F	2010F	2011F	2012F	CAGR 07-12F
Cash & Equivalents	2,516	4,770	7,287	19,563	9,936	11,208	12,405	16,615	
Accounts Receivable	5,379	2,436	4,145	8,198	9,528	10,897	12,060	13,266	
Inventories	47,444	49,744	74,939	84,178	100,382	113,231	122,139	133,418	
Other Current Assets	0	0	3,883	0	0	0	0	0	
Current Assets	**55,339**	**56,950**	**90,254**	**111,939**	**119,846**	**135,335**	**146,604**	**163,299**	**12.6%**
Tangible Assets	61,430	84,598	110,439	107,996	126,441	130,223	125,932	121,618	
Long-Term Financial Assets	481	894	857	857	857	857	857	857	
Intangible Assets	515	721	981	991	1,001	1,011	1,021	1,031	
Long Term Assets	**62,426**	**86,213**	**112,277**	**109,843**	**128,299**	**132,091**	**127,810**	**123,506**	**1.9%**
Total Assets	**117,765**	**143,163**	**202,531**	**221,783**	**248,144**	**267,426**	**274,414**	**286,805**	**7.2%**
S-T Debt	16,962	28,298	54,247	16,244	18,879	21,295	23,570	25,927	
Supplier Payables	20,693	27,927	36,007	43,773	52,199	58,880	63,512	69,377	
Other S-T liabilities	0	1,668	1,112	1,282	1,490	1,681	1,861	2,047	
Current Liabilities	**37,655**	**57,893**	**91,366**	**61,299**	**72,568**	**81,856**	**88,942**	**97,351**	**1.3%**
L-T Debt	26,562	16,691	20,016	60,000	72,409	76,438	59,081	40,000	
Other L-T liabilities	1,378	2,091	3,531	3,206	3,229	3,082	3,101	3,411	
Non-current Liabilities	**27,940**	**18,782**	**23,547**	**63,206**	**75,638**	**79,520**	**62,182**	**43,411**	**13.0%**
Shareholders' Equity	**52,170**	**66,488**	**87,618**	**97,278**	**99,938**	**106,050**	**123,290**	**146,043**	**10.8%**
Total Liabilities and Equity	**117,765**	**143,163**	**202,531**	**221,783**	**248,144**	**267,426**	**274,414**	**286,805**	**7.2%**
BVPS, LTL	1.48	1.88	2.48	2.76	2.83	3.00	3.49	4.14	
Net Working Capital	17,684	-943	-1,112	39,627	47,278	53,479	57,662	62,979	

FCFF, LTL thousand	2008	2009	2010	2011	2012	2013-17	2018+
EBIT	24,462	13,099	15,150	28,313	38,223		
Depreciation	19,768	22,283	25,145	28,042	30,806		
Working Capital Investments	-1,473	-8,900	-7,346	-5,260	-6,434		
Fixed Capital Investments	-17,335	-40,738	-28,938	-23,761	-26,502		
Taxes on EBIT	-4,158	-2,227	-2,575	-4,813	-6,498		
Free Cash Flow to Firm	**21,264**	**-16,483**	**1,436**	**22,521**	**29,595**	**226,595**	**531,912**
PV of Free Cash Flow	20,030	-13,777	1,065	14,821	17,281	91,216	170,832
Cumulative PV of FCFF	**20,030**	**6,253**	**7,318**	**22,139**	**39,420**	**130,636**	**301,468**
Enterprise Value							**301,468**
Less: Net Debt							70,182
Shareholders' Value							**231,286**
Equity Value Per Share, LTL							**6.55**
Current Market Price							2.67
Premium/(Discount) to market							145.4%

Cost of Capital Calculation			
Risk Free Rate	4.5%	Debt/Total Capitalisation	32.2%
Equity Risk Premium	11.0%	Effective Tax Rate	15.0%
Fundamental Beta	1.10	After-Tax Cost of Debt	6.8%
Cost of Equity	15.5%	WACC	12.7%
Cost of Debt	8.0%	Terminal Grow th	2.0%

COST of EQUITY CALCULATION		**Comment**
Cost of Equity	**15.50%**	Risk Free Rate + Equity Risk Premium
Risk Free Rate	**4.50%**	
Equity Risk Premium	**11.00%**	Fundamental Beta * (Market Risk Premium+Company Specific Risks+Financial Risk+Company Specific Liquidity Risk)
Market Risk Premium	5.00%	Universal Liquidity and Risk Premium assigned for Baltic countries by HBM
Industy Risk		
Fundamental Beta	1.10	Apparel industry is highly copetitive and evolving to be a multi-brand retailing business
Company Specific Risks	**2.00%**	
Management	0.00%	n/a
Corporate Governance/shareholders	0.00%	n/a
Markets/Business	2.00%	The risk of overheating economy in the Baltics and risk to the consumption
Financial Risk	**2.00%**	
Short-Term Debt	0.00%	n/a
Long-Term Debt	2.00%	n/a
Company Specific Liquidity Risk	**1.00%**	n/a

SENSITIVITY ANALYSIS, LTL					
Sales Grow th	-5%	-3%	0%	3%	5%
Target price	4.70	5.38	6.55	7.92	8.95
Operating Margin	-3%	-1%	0%	1%	3%
Target price	6.46	6.40	6.55	6.78	7.44
Cost of Equity	-2%	-1%	0%	1%	2%
Target price	8.22	7.33	6.55	5.88	5.29
Terminal Grow th	-2%	-1%	0%	1%	2%
Target price	5.71	6.10	6.55	7.10	7.78
CAPEX	-10%	-5%	0%	5%	10%
Target price	6.64	6.60	6.55	6.52	6.49

RATIOS	2005	2006	2007	2008F	2009F	2010F	2011F	2012F
Market Ratios								
P/E	10.6	5.4	3.8	6.2	16.5	13.0	5.0	3.4
P/CEPS	5.2	3.2	2.3	2.7	3.4	2.9	2.0	1.6
P/BV	1.8	1.4	1.1	1.0	0.9	0.9	0.8	0.6
Dividend Yield	2.2%	4.1%	6.0%	3.2%	1.2%	1.5%	5.0%	14.6%
EV/EBITDA	7.5	4.8	3.4	3.7	4.6	4.1	2.9	2.4
Liquidity Ratios								
Current Ratio	1.47	0.98	0.99	1.83	1.65	1.65	1.65	1.68
Quick Ratio	0.21	0.12	0.17	0.45	0.27	0.27	0.28	0.31
Activity Ratios								
Sales Grow th Rate	50.5%	49.1%	45.5%	15.9%	16.2%	12.8%	10.7%	10.0%
Days in Receivables	11.5	3.5	4.1	7.0	7.0	7.0	7.0	7.0
Days in Payables	79.6	73.2	65.4	65.0	65.0	65.0	65.0	65.0
Days Inventory Held	182.5	130.3	136.1	125.0	125.0	125.0	125.0	125.0
Required Financing Period	114.5	60.7	74.8	67.0	67.0	67.0	67.0	67.0
Fixed Asset Turnover	2.8	3.4	3.7	3.8	4.2	4.3	4.8	5.4
Total Asset Turnover	1.5	1.9	2.1	2.0	2.1	2.2	2.3	2.4
Profitability Ratios								
Gross Profit margin	44.2%	45.0%	45.5%	42.5%	41.0%	41.0%	42.5%	42.9%
EBITDA margin	12.9%	13.5%	13.1%	10.3%	7.1%	7.2%	9.1%	10.1%
Operating Profit margin	7.6%	8.9%	8.9%	5.7%	2.6%	2.7%	4.6%	5.6%
EBT margin	6.5%	8.3%	8.1%	4.3%	1.4%	1.6%	3.6%	4.8%
Net Profit margin	5.2%	6.9%	6.8%	3.6%	1.2%	1.3%	3.0%	4.0%
ROA	8.0%	13.4%	14.4%	7.2%	2.4%	2.8%	6.9%	9.8%
ROE	18.5%	29.4%	32.3%	16.6%	5.8%	7.0%	16.3%	20.4%
Leverage Ratios								
Debt/Equity	83.4%	67.7%	84.8%	78.4%	91.3%	92.2%	67.0%	45.1%
Debt/Capital Ratio	45.5%	40.4%	45.9%	43.9%	47.7%	48.0%	40.1%	31.1%
Equity Ratio	44.3%	46.4%	43.3%	43.9%	40.3%	39.7%	44.9%	50.9%
Times Interest Earned	6.6	13.3	12.2	4.1	2.1	2.4	4.9	7.4
Investment Input Ratios								
CAPEX/Sales	7.4%	12.9%	13.9%	4.1%	8.2%	5.2%	3.8%	3.9%
CAPEX/EBITDA	57.5%	95.3%	105.5%	39.2%	115.1%	71.8%	42.1%	38.4%
CAPEX/Depreciation	139.3%	277.6%	324.5%	87.6%	182.8%	115.0%	84.7%	86.0%

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