

KEY STOCKS FOR THE WEEK 20/08—24/08

- City Service**, Lithuanian facilities management company, will announce its **H1** result on Thursday. We estimate that an **EBITDA** figure of **LTL 8.5M** should satisfy the investors, and provide the much required boost in confidence on company's ability to deliver on its IPO promises. Being the first post-IPO interim financial report, we see it as a very important factor for mid term price development.
- Sanitas**, Lithuania based manufacturer of pharmaceuticals, is to announce its **July result** on Thursday. We expect the **EBITDA** margin to start slowing down during H2, with **July** result already as low as **30%**, for a total of **LTL 7.4M**. Unexpected deviations from the figure should lead to a corresponding price correction, yet question remains whether that would be enough to outweigh general market current.
- After **FED's** late Friday announcement of cutting discount rates to **5.75%**, we have seen markets around the globe react swiftly to the good news, with some indices witnessing sky-high increases. We expect the tendency to extend to Baltic markets immediately after opening, and possibly lasting all the way until the second half of the week. Positions that should benefit the most are those that suffered largest setback last week, without any change in underlying fundamental value. **PTA Grupp**, **Merko Ehitus**, **Arco Vara**, **Olympic Entertainment Group**, **Siauliu Bankas**, **Baltika**, **Invalda**, **Apranga**, and **TEO LT** are all expected to demonstrate impressive rebounds, should the positive expectations last for the better part of the week.

BALTIC MARKET EVENTS FOR THE WEEK 20/08—24/08

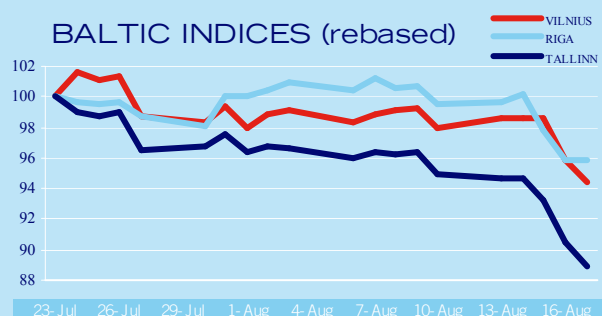
	Riga Stock Exchange	Tallinn Stock Exchange	Vilnius Stock Exchange
20 August	Liepajas Metalurgs - H1 result	Non-trading date	
21 August		Starman - H1 result	
22 August			
23 August			City Service - H1 result Sanitas - July result Vilniaus Baldai - July result
24 August			

LAST WEEK IN THE BALTIC STOCK MARKETS

US HOUSING CRISIS CONTAMINATES GLOBAL MARKETS...

	OMX RIGA INDEX	OMX TALLINN INDEX	OMX VILNIUS INDEX
Last Price	703.4	879.3	532.6
Market Cap (€ mln)	1,945.6	4,921.4	3,812.6
52-Week High Price	742.6	1086.4	574.4
52-Week Low Price	594.6	648.7	373.9
1-Week Return	-3.6%	-6.3%	-3.7%
1-Month Return	-2.4%	-10.0%	-2.7%
Year to Date	7.3%	2.7%	8.1%
1-Year Return	13.3%	35.1%	41.2%
% of Index Cap*	86.8%	95.1%	80.6%
P/E*	11.4	13.4	16.5
P/BV*	1.2	3.2	1.8

* - adjusted to include only the most liquid stocks (as listed on page 3)



Ten Most Traded Shares by Weekly Volume

	Last Price	% Change	Volume €
Eesti Telekom	7.63	-4.6%	21,419,537
Tallink Grupp	1.30	-4.4%	12,827,483
Ukio Bankas	4.63	-6.1%	11,699,504
Arco Vara	1.90	-10.8%	9,904,192
Apranga	18.60	-4.6%	4,689,700
Panevezio Statybos Trestas	18.80	-0.8%	4,394,543
TEO LT	2.33	-4.1%	4,334,653
Invalda	18.40	-4.7%	2,960,125
Siauliu Bankas	3.70	-6.1%	2,901,498
Lifosa	51.30	6.9%	2,478,604

Movement of the Baltic Markets

Number of Winners	2
Number of Unchanged	2
Number of Losers	45

Largest Winner and Largest Loser (Weekly Volume Exceeding EUR10,000)

	Last Price	% Change	Volume €
Lifosa	51.30	6.9%	2,478,604
PTA Grupp	4.35	-14.9%	158,657

Last Week's Stocks to Watch

	Last Price	% Change	Outlook *
Panevezio Statybos Trestas	18.80	-0.8%	↑
Ukio Bankas	4.63	-6.1%	↓
Merko Ehitus	21.10	-11.0%	↓

*based on last week's report

...AS PHARMACEUTICAL STOCKS FLOURISH

Lifosa, Lithuanian supplier of fertilizers, is enjoying what seems to be so far the best year in company's history. The company announced to have more than doubled its y/y sales during July, for a total of LTL 129.7M. At the same time, fuelled by +28% price jump of its main product, 7-month sales increased by +24.9% to a total of LTL 465.6M. Although a cyclical improvement, coupled with stock's small float and lack of fund interest, it is hardly surprising that the share price managed to be one of only two winners in the week of total decline, closing +6.9% higher than the week before.

Merko Ehitus, Estonian construction company, was, as expected, one of most adversely affected stocks in the market, with share price down by -11% after announcing withdrawal of a bid to build Latvian national library in Riga, a project worth EEK 6B. Notably, however, this does not fundamentally change future prospects of the company, and hence the share price is expected to rebound in the mid term, after market equilibrium is restored.

COMPANY	MARKET CAPITAL FREE FLOAT (€ mln)	SHARE PRICE (quoted currency)		YTD	P/E	P/B	EV/EBITDA
		2007.08.13	2007.08.17				
Consumer Discretionary							
Apranga	90.5	19.50	18.60	40.9%	32.1	9.3	17.2
Baltika	94.2	6.81	6.41	-13.4%	22.9	6.0	16.3
Express Grupp	32.4	5.62	5.15	-12.7%	15.7	2.9	12.9
Norma	31.9	5.00	4.90	-4.1%	10.4	1.2	2.9
Olympic Entertainment Gro	503.9	6.03	5.55	24.9%	34.7	6.2	19.8
PTA Grupp*	50.9	5.11	4.35	10.7%	33.1	5.3	16.6
Snaige	15.8	9.20	8.50	-29.8%		2.0	22.3
Starman	19.5	5.00	5.00	13.6%	22.4	4.8	11.7
Tallinna Kaubamaja	109.5	8.63	8.17	-11.0%	16.2	3.9	13.2
Vilniaus Baldai	7.2	19.05	19.00	5.0%		2.8	21.7
Consumer Staples							
Kalev	22.1	1.14	1.13	-28.9%		1.1	24.2
Latvijas Balzams	5.2	4.21	4.00	-9.7%	9.4	1.0	8.2
Pieno Zvaigzdes	48.9	5.26	5.05	-6.5%	14.8	2.2	6.5
Rokiskio Suris	39.8	63.00	62.50	13.6%	19.4	1.4	6.6
Saku Olletehas	30.0	15.90	15.00	10.3%	18.6	9.3	8.2
Zemaitijos Pienas	13.4	22.00	21.01	-16.8%	7.8	1.4	4.1
Energy							
Klaipėdos Nafta	30.6	1.08	1.05	-8.7%	47.0	0.9	12.5
Latvijas Gaze	17.5	10.25	10.20	-1.2%	19.1	1.3	10.1
Latvijas Kugniecība	112.9	1.36	1.27	18.7%	3.7	1.0	6.0
Lietuvos Dujos	30.6	3.61	3.56	-6.6%	18.9	0.9	10.1
Lietuvos Elektrinė	8.7	5.95	5.80	29.2%	-	0.9	14.5
Ventspils Nafta	60.5	2.97	2.89	23.0%	18.3	1.0	120.1
Financials & Real Estate							
Arco Vara	75.1	2.13	1.90	-21.8%	4.8	1.5	7.1
Invalda	69.8	19.30	18.40	47.4%	10.8	2.5	14.0
Siaulių Bankas	133.3	3.94	3.70	-5.1%	23.1	2.4	-
Snoras	20.6	5.29	5.04	0.8%	19.5	2.9	-
Ukio Bankas	111.4	4.93	4.63	18.4%	11.3	2.2	-
Healthcare & Pharmaceuticals							
Grindeks	44.7	8.05	8.00	11.1%	11.8	2.2	8.5
Olainfarm	10.7	3.07	2.98	21.6%	31.7	2.8	11.9
Sanitas	172.4	32.40	31.00	127.9%	28.1	3.1	25.7
Industrials							
Eesti Ehitus	65.4	5.90	5.45	3.1%	10.7	5.0	11.8
Harju Elekter	31.1	3.50	3.31	-20.2%	11.4	1.6	14.0
Lietuvos Juru Laivininkyste	10.3	0.62	0.61	-1.6%	58.0	0.5	6.3
Merko Ehitus	105.5	23.70	21.10	7.4%	9.2	3.5	8.2
Panevezio Statybos Trestas	39.7	18.95	18.80	24.5%	7.5	5.8	11.8
Rigas Kugu Buvetava	7.0	0.86	0.83	-10.8%	78.8	0.7	10.6
Tallink Grupp	499.3	1.36	1.30	1.7%	9.8	1.5	13.2
IT & Telecommunications							
Eesti Telekom	183.9	8.00	7.63	-9.2%	11.7	4.9	7.1
SAF Tehnika	4.0	4.40	4.00	-66.7%	109.0	1.4	12.0
TEO LT	183.5	2.43	2.33	-15.6%	12.5	1.8	4.4
Vilniaus Vingis	8.6	5.60	5.60	-4.3%	2.6	0.7	-
Materials							
Grigiskės	14.6	2.70	2.66	-9.8%	20.4	1.5	7.3
Liepājas Metalurģs	8.0	2.85	2.80	14.3%	4.4	0.7	-
Lifosa	16.3	48.00	51.30	139.7%	37.7	2.7	17.5
Utilities							
City Service	21.4	15.99	15.50	19.7%	39.4	8.5	31.9
Lietuvos Energija	34.7	4.92	5.01	27.2%	-	1.6	18.7
Rytu Skirstomieji Tinklai	45.9	3.95	3.85	2.7%	-	1.0	9.8
Tallinna Vesi	83.4	14.65	13.90	-7.4%	17.4	4.0	12.4
Vakarų Skirstomieji Tinklai	20.6	735.00	710.00	61.4%	-	1.9	8.9
Average	69.3			8.1%	22.5	2.8	15.0

* Values adjusted to include Silvano Fashion Group

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