

**Price Target € 3.08**

Previous Target: € 1.84

September 27, 2007

**Overweight****Highlights:**

- Profits after minorities for 1H 2007 reached € 2.08 mil from € -0.08 mil. in 1H 2006 mainly due to the growth in sales by 25.3% and the favourable economies of scales.
- The company has already formed two subsidiaries in Romania and Hungary, and it is expected to expand in SE countries like Bulgaria, Serbia, Croatia, and Turkey, boosting further the profits of the Group.
- The management of the company demonstrates a proven track record of continuous growth both, organically and through value creating acquisitions. The introduction of new products in conjunction with the penetration of new markets create further value catalysts for the company.
- We expect revenues to increase by a 14.4% CAGR 2006-2010 (a view mainly supported by the penetration of the SE European countries and new acquisitions) reaching € 95.64 mil and profits after taxes and minorities to reach € 5.27 mil with a CAGR of 43.1 % between 2006-2010.
- Our DCF model yields a value of €3.08 per share with an upside potential of 16.74% from current levels

**Greece,Retail/Wholesale**Rating **Overweight**

Target Price € 3.08  
 Price € 2.64  
 Previous Target Price € 1.84

**Key Data**

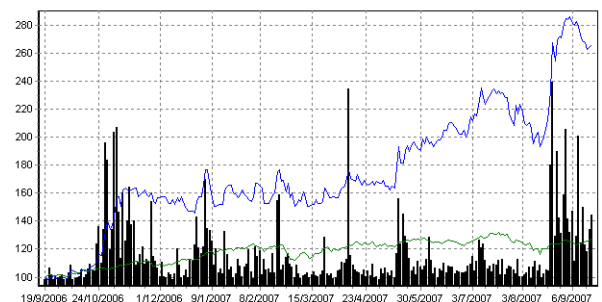
Reuters Code YALAT  
 Bloomberg Code YALCO GA  
 Mcap €mil. 34.83  
 Shares outstanding mil. 13.19  
 Free Float 30.0%

52 weeks high 2.53  
 52 weeks low 0.84

**Relative to general index**

Index Level 5,103.47  
 Stock price 2.64

	1M	3M	12M
Absolute	2.29	1.73	0.85
Absolute (%)	15.3%	52.6%	210.6%
Relative (%)	9.3%	47.2%	182.0%

**Yalco S.A vs GI****Estimates**

	2006	2007F	2008F	2009F	2010F
Revenues	55.79	72.13	82.97	89.86	95.64
Ebit	3.71	7.06	8.33	8.77	9.01
Ebit margin	6.65%	9.78%	10.04%	9.76%	9.42%
Ebitda	4.86	8.26	9.59	10.13	10.46
Ebitda Margin	8.72%	11.45%	11.56%	11.27%	10.94%
Pre-Tax Profit	2.31	5.42	6.49	6.87	7.03
Net Income	1.26	4.07	4.87	5.15	5.27
EPS	0.10	0.31	0.37	0.39	0.40
DPS	0.04	0.09	0.11	0.12	0.13
P/E	27.70	8.57	7.15	6.76	6.61
EV/EBITDA	12.59	7.88	7.05	6.79	6.60
ROEA	7.25%	20.78%	21.10%	19.42%	17.51%
P/BV	1.96	1.63	1.41	1.23	1.09

Source:Company accounts and Beta Securities Estimates

## 1H Results

Yalco S.A reported a strong set of Q2 results, far above our estimates, mainly due to the significant rise in sales by 25.3% and the expenses containment. Ebit margin rose by 7.34 bps reaching 10.26% from 2.91%, while ebitda margin increased by 6.95 bps reaching 12.05% from 5.10%. Bottom line, net profits turned from losses to €2.07 mil gains.

The management's effort on cost cutting bear fruits and cost containment remains a top priority. Excel and Omnishop demonstrated excellent growth adding at the Group's figures.

1H Results	1H 2006	%Δ	1H2007
Revenues	26.709	25.31%	33.469
Cost of good	17.746	21.89%	21.630
Gross profit	8.963	32.07%	11.838
Gross profit Margin	33.56%	+1.81 bps	35.37%
Other operating income	0.422	-9.22%	0.383
Distribution and administrative costs	8.607	2.11%	8.789
EBIT	0.778	341.04%	3.433
EBIT Margin	2.91%	+7.34 bps	10.26%
Depreciation	0.584	2.77%	0.600
EBITDA	1.362	196.03%	4.033
EBITDA Margin	5.10%	+6.95 bps	12.05%
Financial Results	0.644	36.16%	0.877
Pre-tax Profit	0.134	1804.26%	2.556
Tax	0.213	124.38%	0.479
EAT	-0.079		2.077
Minorities	0.000		-0.001
EATAM	-0.080		2.078

Source:Company accounts

## Growth Plan

According to the management, the company's growth will be further supported by acquisitions domestically and internationally. Yalco will introduce its own brand names.

The company's sectors of activity are:

- Wholesale of hotel equipment.
- Wholesale of household equipment.
- Retail activity with privately owned shops
- Retail activity in several countries of interest such as Hungary and further expansion in SE Europe

The company has already expanded in Hungary since 2004 and recently in Romania. In Romania it maintains the exclusive representation of Black & Decker. Among the short-term plans of the company is the expansion in numerous countries in South Eastern Europe like Bulgaria, Serbia, Turkey and Croatia, creating thus new sources of revenue for the group.

Omnishop, the first retail activity of Yalco, runs already 47 points of sale in Greece. The Company intends to reach 70 points of sale until the end of 2010 while growing in regions out of Greece.

The potential agreement with Habitat looks very promising since it will increase the product range of the group. The good quality of goods and the new pricing policy form two promising prerequisites for the new venture. Until the end of 2008 the management plans to establish 3 points of sale (shop in shop) in Attica region only.

## New estimates

### Old Estimates vs New Estimates

	2007E			2008E			2009E			2010E		
	Old	%Δ	New	Old	%Δ	New	Old	%Δ	New	Old	%Δ	New
Revenues	62.352	15.67%	72.125	68.592	20.95%	82.965	74.952	19.88%	89.856	79.632	20.10%	95.635
Ebitda	5.676	45.54%	8.261	6.164	55.57%	9.590	6.689	51.43%	10.129	7.105	47.26%	10.463
Ebitda Margin	9.10%	+2.35 bps	11.45%	8.99%	+2.57 bps	11.56%	8.92%	+2.35 bps	11.27%	8.92%	+2.02 bps	10.94%
Ebit	4.426	59.44%	7.057	4.879	70.70%	8.329	5.324	64.71%	8.769	5.653	59.43%	9.013
Ebit Margin	7.10%	+2.69 bps	9.78%	7.11%	+2.93 bps	10.04%	7.10%	+2.66 bps	9.76%	7.10%	+2.32 bps	9.42%
Pre-Tax Profit	2.839	90.90%	5.420	3.243	100.23%	6.494	3.588	91.59%	6.874	3.888	80.78%	7.029
EATAM	2.129	90.95%	4.065	2.420	101.22%	4.870	2.656	94.08%	5.155	2.858	84.41%	5.270

Source: Beta Securities Estimates

We revise our estimates for the coming years after the solid 1H 07 results. The company's profitability for the six months approached our initial estimates for the full year.

We decrease our margins from 2009 onwards due to the company's effort to beat intensive competition by using attractive pricing policies and due to the high start up costs from the re-launching of Habitat in Greece.

## Valuation

	2007F	2008F	2009F	2010F	Terminal Value
<b>CASH FLOW STATEMENT</b>					
Turnover	72.13	82.97	89.86	95.64	97.55
EBIT	7.06	8.33	8.77	9.01	9.19
Less: Adjusted Tax	1.76	2.08	2.19	2.25	2.30
Adjusted Operating Profit	5.29	6.25	6.58	6.76	6.89
Plus: Depreciation	1.20	1.26	1.36	1.45	1.95
<b>Operating Cash Flow</b>	<b>6.50</b>	<b>7.51</b>	<b>7.94</b>	<b>8.21</b>	<b>8.84</b>
Less: Change in Working Capital	6.85	5.18	3.72	3.10	2.55
Less: Capex	1.67	1.76	1.97	2.02	1.95
<b>Cash flow to the firm</b>	<b>-2.02</b>	<b>0.57</b>	<b>2.25</b>	<b>3.09</b>	<b>4.35</b>
Discount Factor	0.98	0.92	0.86	0.80	0.80
Present Value of Cash Flows	-1.98	0.52	1.93	2.47	
Accumulated Present Value	-1.98	-1.46	0.47	2.93	
Residual Value					85.23
<b>Present Value of Residual Value</b>					<b>67.96</b>

### WACC Calculation

Real interest rate	4.5%
Beta	1.06
Risk Premium	5.5%
Cost of Equity	10.3%
Debt / Debt+Equity	53.4%
Cost of Debt	5.7%
Tax Rate	25.0%
<b>WACC</b>	<b>7.10%</b>

### ASSUMPTIONS

	L-T Values
Growth Rate (Sales)	2.00%
EBIT Margin	9.42%
Tax Rate	25.00%
Work.Capital (chan.% of sales)	2.61%
Capex (% of sales)	2.00%
WACC	7.10%
Depreciation (% of sales)	2.00%

P.V. of Future Cash Flows	2.93
P.V. of Residual Value	67.96
<b>Enterprise Value</b>	<b>70.90</b>
Less: Net Debt	30.24
<b>Value of firm</b>	<b>40.65</b>
Share # (000)	13.19
<b>Target price</b>	<b>3.08</b>
Value of share	2.64
<b>Upside potential</b>	<b>16.74%</b>

We use a DCF model to determine the future price of the YALCO S.A. Real interest rate is set at 4.5%, beta is set at 1.06 due to the great volatility and risk premium at 5,5%. This brings a 10.3% cost of equity. Cost of debt is set at 5,7% with debt/ debt +equity ratio at 53.4%. Tax rate is set at 25.0%. That gives a weighted average cost of capital of 7.10%. Growth rate is set at 2.00%, while the EBIT margin is set at 9.42%. Our model yields a target price of €3.08 with an upside potential of 16.74% from current levels.

We have also performed a sensitivity analysis to see the effect of possible changes in growth rate and risk premium in target price

Risk premium\Growth	Sensitivity analysis						
	-1.00%	0.00%	1.00%	1.50%	2.00%	2.50%	3.00%
4.00%	1.40	1.99	2.79	3.32	3.97	4.78	5.84
5.00%	1.18	1.69	2.38	2.82	3.35	4.00	4.82
5.50%	1.08	1.56	2.19	2.60	3.08	3.67	4.40
6.00%	0.98	1.43	2.03	2.40	2.84	3.38	4.03
6.50%	0.89	1.32	1.87	2.22	2.62	3.11	3.70
7.00%	0.81	1.21	1.73	2.05	2.42	2.87	3.40

**Financial Forecasts (in mil. €)****YALCO S.A P&L**

	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Revenues</b>	<b>55.790</b>	<b>72.125</b>	<b>82.965</b>	<b>89.856</b>	<b>95.635</b>
	<b>18.84%</b>	<b>29.28%</b>	<b>15.03%</b>	<b>8.31%</b>	<b>6.43%</b>
Cost of good	36.539	46.593	53.305	57.957	61.780
	65.49%	64.60%	64.25%	64.50%	64.60%
<b>Gross Profit</b>	<b>19.251</b>	<b>25.532</b>	<b>29.660</b>	<b>31.899</b>	<b>33.855</b>
Gross Profit Margin	34.51%	35.40%	35.75%	35.50%	35.40%
Other operating income	1.129	1.152	1.235	1.365	1.400
Administrative Expenses	4.452	5.409	6.222	6.793	7.307
% Revenues	7.98%	7.50%	7.50%	7.56%	7.64%
Distribution costs	11.123	13.343	14.768	15.994	17.119
% Revenues	19.94%	18.50%	17.80%	17.80%	17.90%
Other Costs	1.093	0.875	1.576	1.707	1.817
% Revenues	1.96%	1.90%	1.90%	1.90%	1.90%
<b>Total Expenses</b>	<b>16.669</b>	<b>19.628</b>	<b>22.566</b>	<b>24.495</b>	<b>26.242</b>
<b>EBIT</b>	<b>3.711</b>	<b>7.057</b>	<b>8.329</b>	<b>8.769</b>	<b>9.013</b>
EBIT Margin	6.65%	9.78%	10.04%	9.76%	9.42%
Change %	136.53%	90.13%	18.02%	5.29%	2.77%
Depreciation	1.153	1.204	1.261	1.360	1.450
% of Revenues	2.07%	1.67%	1.52%	1.51%	1.52%
<b>EBITDA</b>	<b>4.865</b>	<b>8.261</b>	<b>9.590</b>	<b>10.129</b>	<b>10.463</b>
EBITDA Margin	8.72%	11.45%	11.56%	11.27%	10.94%
Change %	76.32%	69.81%	16.09%	5.63%	3.29%
<b>FINANCIAL RESULTS</b>					
Financial Income	0.012	0.013	0.015	0.015	0.016
Financial Expenses	1.412	1.650	1.850	1.910	2.000
Total Financial Results	-1.400	-1.637	-1.835	-1.895	-1.984
<b>Pre-Tax Profit</b>	<b>2.311</b>	<b>5.420</b>	<b>6.494</b>	<b>6.874</b>	<b>7.029</b>
Pre-Tax Profit margin	4.14%	7.51%	7.83%	7.65%	7.35%
Change %	349.19%	134.51%	19.81%	5.86%	2.24%
Tax Income	1.053	1.355	1.623	1.719	1.757
Effective Tax Rate	45.58%	25.00%	25.00%	25.00%	25.00%
Results from other activities	0.000	0.000	0.000	0.000	0.000
<b>Earnings after taxes</b>	<b>1.258</b>	<b>4.065</b>	<b>4.870</b>	<b>5.156</b>	<b>5.271</b>
EAT Margin	2.25%	5.64%	5.87%	5.74%	5.51%
Change %	10763.25%	223.18%	19.81%	5.86%	2.24%
Results from other discontinued activities	0.000	0.000	0.000	0.000	0.000
Minorities	0.000	-0.001	0.001	0.001	0.001
<b>Earnings After Taxes and Minorities</b>	<b>1.257</b>	<b>4.065</b>	<b>4.870</b>	<b>5.155</b>	<b>5.270</b>
EATAM Margin	2.25%	5.64%	5.87%	5.74%	5.51%
Change %	2645.61%	223.32%	19.78%	5.86%	2.24%
<b>EPS</b>	<b>0.095</b>	<b>0.308</b>	<b>0.369</b>	<b>0.391</b>	<b>0.400</b>
<b>DPS</b>	<b>0.041</b>	<b>0.092</b>	<b>0.113</b>	<b>0.122</b>	<b>0.129</b>

Source: Company accounts and Beta Securities Estimates

**YALCO S.A Balance Sheet**

	2006	2007F	2008F	2009F	2010F
<b>Fixed Assets</b>					
Intangible Assets	0.33	0.33	0.34	0.36	0.37
Participation in Affiliated companies	0.00	0.00	0.00	0.00	0.00
Other non- current assets	0.11	0.12	0.13	0.14	0.14
Deffered Tax Assets	0.16	0.15	0.16	0.16	0.16
Non-current assets for sale	0.00	0.00	0.00	0.00	0.00
Tangible Assets	12.90	13.56	14.31	15.25	16.01
Financial Assets	0.00	0.00	0.00	0.00	0.00
<b>Total Fixed Assets</b>	<b>13.50</b>	<b>14.16</b>	<b>14.94</b>	<b>15.92</b>	<b>16.68</b>
Change %	-5.27%	4.93%	5.49%	6.53%	4.82%
<b>Current Assets</b>					
Inventories	13.92	16.85	18.99	20.64	21.83
Inventory Turnover Ratio (days)	135.42	132.00	130.00	130.00	129.00
Debtors	29.00	33.99	38.64	41.85	44.54
Debtors Turnover Ratio (Days)	177.66	172.00	170.00	170.00	170.00
Other Receivables	1.56	2.02	2.24	2.43	2.58
% of Turnover	2.79%	2.80%	2.70%	2.70%	2.70%
Cash in bank and at hand	0.63	1.65	2.09	2.60	2.34
<b>Total Current assets</b>	<b>45.11</b>	<b>54.51</b>	<b>61.96</b>	<b>67.52</b>	<b>71.30</b>
Change %	11.85%	20.83%	13.67%	8.97%	5.60%
<b>Total Assets</b>	<b>58.61</b>	<b>68.67</b>	<b>76.90</b>	<b>83.43</b>	<b>87.98</b>
(CAPEX / Year)	1.75	1.67	1.76	1.97	2.02
<b>Capital &amp; Reserves</b>					
Share Capital	8.18	8.18	8.18	8.18	8.18
Total Reserves	4.49	4.89	5.38	5.89	6.42
Profit Carried Forward	-5.37	-2.93	-0.04	3.00	6.04
Share premium	10.44	11.25	11.25	11.25	11.25
Minorities	0.05	0.05	0.05	0.06	0.06
<b>Total Capital &amp; Reserves</b>	<b>17.78</b>	<b>21.45</b>	<b>24.83</b>	<b>28.37</b>	<b>31.95</b>
<b>Long Term Liabilities</b>					
Other	0.77	0.80	0.80	0.80	0.80
Provisions	0.86	0.90	0.95	0.99	1.00
Tax Liabilities	0.38	0.40	0.42	0.43	0.44
Long Term Bank Loans	14.94	13.65	15.00	15.00	14.00
<b>Total Long Term Liabilities</b>	<b>16.95</b>	<b>15.75</b>	<b>17.17</b>	<b>17.22</b>	<b>16.24</b>
<b>Current Liabilities</b>					
Suppliers	9.10	10.34	11.98	13.02	13.88
Suppliers Turnover Ratio (Days)	75.54	81.00	82.00	82.00	82.00
Banks	12.13	18.24	19.90	21.54	22.56
Taxes- Duties	1.11	1.39	1.53	1.80	1.89
Other	1.54	1.50	1.50	1.48	1.46
<b>Total Current Liabilities</b>	<b>23.87</b>	<b>31.47</b>	<b>34.90</b>	<b>37.84</b>	<b>39.79</b>
	-13.46%	31.82%	10.90%	8.41%	5.16%
<b>Total Liabilities</b>	<b>40.82</b>	<b>47.22</b>	<b>52.07</b>	<b>55.06</b>	<b>56.03</b>
Change %	8.70%	15.67%	10.27%	5.73%	1.77%
	69.66%	68.77%	67.71%	65.99%	63.69%
<b>Total Equity &amp; Liabilities</b>	<b>58.61</b>	<b>68.67</b>	<b>76.90</b>	<b>83.43</b>	<b>87.98</b>
Change %	7.38%	17.17%	11.99%	8.50%	5.45%

**YALCO S.A Cash Flow**

	2007F	2008F	2009F	2010F
Profit(losses) After Taxes	4.06	4.87	5.16	5.27
Plus:Change of Depreciation	1.20	1.26	1.36	1.45
Plus:Depreciation Differences from sale/acquisition of assets	-0.20	-0.26	-0.36	-0.20
<b>Gross Cash Flow</b>	<b>5.06</b>	<b>5.87</b>	<b>6.16</b>	<b>6.52</b>
Change in:				
(-) Trade Debtors	4.99	4.65	3.21	2.69
(-) Inventory	2.93	2.14	1.66	1.19
(-) Other Receivables	0.46	0.22	0.19	0.16
(+) Trade Creditors	1.24	1.64	1.05	0.86
(+) Liabilities from taxes	0.28	0.14	0.27	0.09
(+)Provision	0.04	0.05	0.04	0.01
(+) Other short term liabilities	-0.04	0.00	-0.02	-0.02
Change in Working Capital	-6.85	-5.18	-3.72	-3.10
<b>Operating Cash Flow</b>	<b>-1.79</b>	<b>0.69</b>	<b>2.44</b>	<b>3.42</b>
Change in:				
(-) Change in other current assets	0.00	0.02	0.01	0.00
(-)Capex	1.67	1.76	1.97	2.02
(-) Other fixed assets	0.00	0.00	0.00	0.00
(+) Other Long term Liabilities	0.05	0.02	0.01	0.01
(+) Minorities	0.00	0.00	0.00	0.00
<b>Cash Flow from Investment</b>	<b>-1.62</b>	<b>-1.76</b>	<b>-1.96</b>	<b>-2.01</b>
<b>Net Cash Flow Before Financing Activities</b>	<b>-3.40</b>	<b>-1.07</b>	<b>0.47</b>	<b>1.41</b>
Increase in Share Capital	0.00	0.00	0.00	0.00
Net Change in Reserves and surplus	0.82	0.00	0.00	0.00
Change in Long - Term Bank Liabilities	-1.29	1.35	0.00	-1.00
Change in Short - Term Bank Liabilities	6.11	1.66	1.64	1.02
Dividends	1.22	1.49	1.61	1.70
Minority Interests on Profit	0.00	0.00	0.00	0.00
<b>Net Cash Flow from Financing</b>	<b>4.42</b>	<b>1.51</b>	<b>0.03</b>	<b>-1.67</b>
Cash at Beginning	0.63	1.65	2.09	2.60
<b>Change in Cash and Marketable Securities</b>	<b>1.02</b>	<b>0.44</b>	<b>0.51</b>	<b>-0.26</b>
Cash at End	1.65	2.09	2.60	2.34

Source:Company accounts and Beta Securities Estimates

**Key Ratios**

<i>Market- Based Ratios</i>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Mcap</b>	34.83	34.83	34.83	34.83	34.83
<b>Net Debt</b>	26.44	30.24	32.80	33.94	34.22
<b>EV</b>	61.27	65.07	67.63	68.76	69.05
<b>EPS</b>	0.10	0.31	0.37	0.39	0.40
<b>P/E</b>	27.70	8.57	7.15	6.76	6.61
<b>DPS</b>	0.04	0.09	0.11	0.12	0.13
<b>Div Yield</b>	1.55%	3.50%	4.26%	4.62%	4.87%
<b>PEG ratio</b>	1.47	0.29	0.48	0.81	1.03
<b>Price-to-Sales Ratio</b>	0.62	0.48	0.42	0.39	0.36
<b>EV/EBITDA</b>	12.59	7.88	7.05	6.79	6.60
<b>P/BV</b>	1.96	1.63	1.41	1.23	1.09
<i>P&amp;L Statement Ratios</i>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Gross Margin</b>	34.51%	35.40%	35.75%	35.50%	35.40%
<b>Operating Margin</b>	6.65%	9.78%	10.04%	9.76%	9.42%
<b>Pre-Tax Margin</b>	4.14%	7.51%	7.83%	7.65%	7.35%
<b>Interest- Cover</b>	2.64	4.28	4.51	4.60	4.51
<b>Dividend Cover</b>	2.33	3.33	3.28	3.21	3.11
<i>Balance sheet Ratios</i>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Current Ratio</b>	1.89	1.73	1.78	1.78	1.79
<b>Acid Ratio</b>	1.31	1.20	1.23	1.24	1.24
<b>Debtors Days</b>	178	172	170	170	170
<b>Suppliers Days</b>	76	81	82	82	82
<b>Inventory Days</b>	135	132	130	130	129
<b>Inventory Turn</b>	3.56	4.01	4.28	4.37	4.35
<b>Debt-Equity Ratio(Gearing)</b>	1.49	1.41	1.32	1.20	1.07
<b>ROACE</b>	12.03%	19.62%	21.03%	20.02%	19.22%
<b>ROAE</b>	7.25%	20.78%	21.10%	19.42%	17.51%
<i>Cash flow Ratios</i>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Free cash flow</b>	0.41	-2.02	0.57	2.25	3.09
<b>Op. Cash Flow/Op.Profit</b>	0.07	-0.25	0.08	0.28	0.38
<b>P/FCF</b>	85.37	-17.22	61.58	15.45	11.27

Source:Company accounts and Beta Securities Estimates

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Company Mentioned: Yalco

Rating: OVERWEIGHT

Price: €2.64

Target Price: €3.08

Disclosures: 3

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We classify the stock as below:

Overweight: The stock's total return is expected to exceed the general index by 6% (or 10% for a stock with extra volatility\*).

Underweight: The stock's total return is expected to underperform the general index by 6% (or 10% for a stock with extra volatility\*).

Equalweight: The stock's total return is expected to move along with the general index. Its limits of return are determined by the limits of the overweight and underweight

\*Extra volatility has a stock if its historical volatility exceeds 40% for the last year or the analyst expects to present significant volatility in due time.

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