

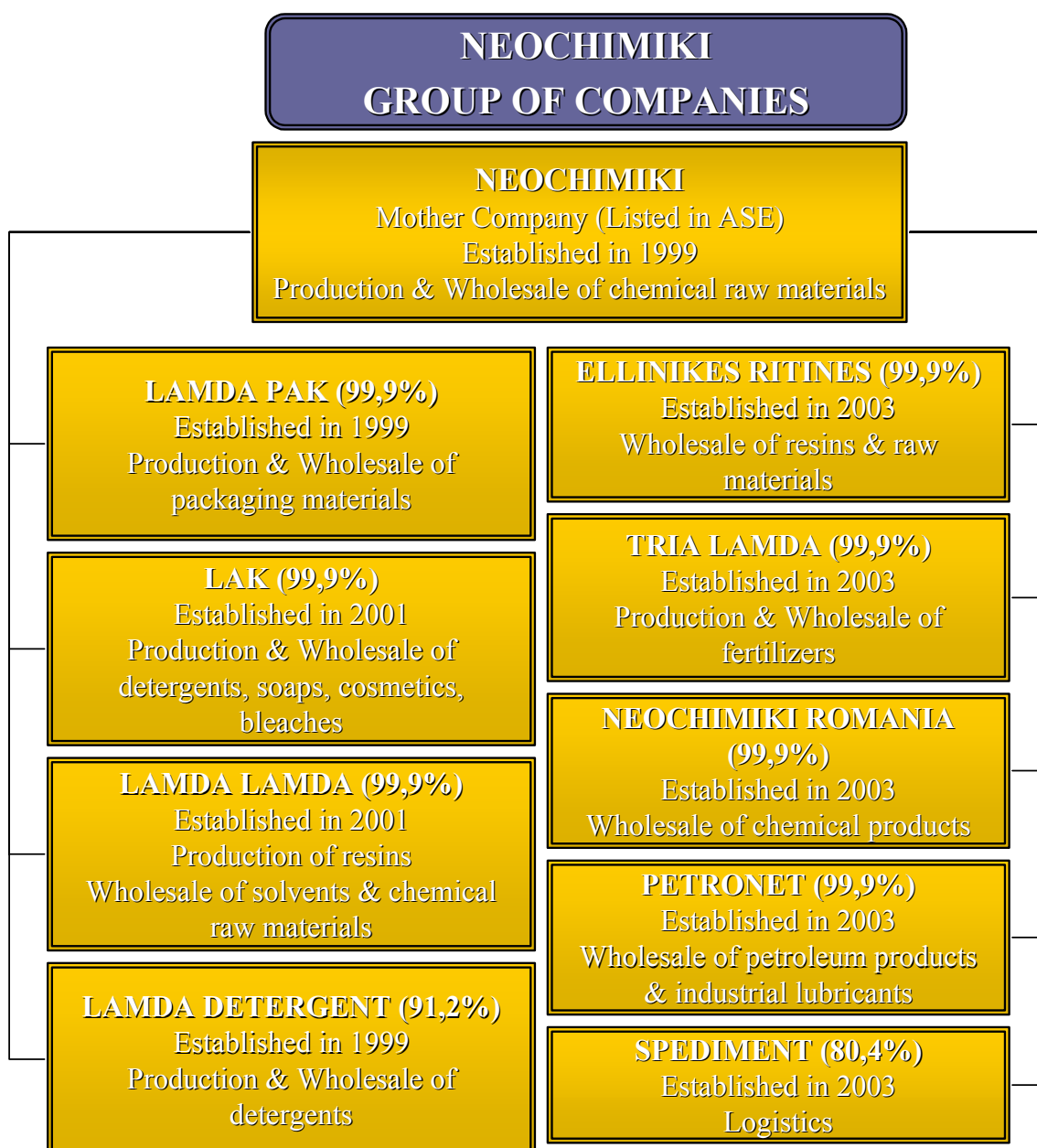
1. THE GROUP

Group Structure

NEOCHIMIKI, Group of Companies, engages in the production and wholesale sector of raw materials for chemical products, emphasizing on the production and trade of detergents in liquid and solid form. The Group's structure includes nine subsidiaries, in which the mother company holds a stake of at least 80%.

In the following chart we represent the structure of the Group:

Graph 1: NEOCHIMIKI's Structure



Source: NEOCHIMIKI

2. PRODUCTION UNITS & FACILITIES

Production Units

The Group's main production unit is the factory in Atalanti, Central Greece. Its total area is 90,000 sq.m, while the buildings cover an area of approximately 15,000 sq.m.

The factory's annual production capacity is 100,000 tons in powder detergents, 100,000 tons in liquid detergents and 25,000 tons in raw materials. The factory operates nineteen (19) different production lines. At the moment it employs only 30% of its production capacity.

The Group's sales resulting from the specific factory are expected at € 25 million for 2003, increased by 9.17% over 2002. In 2004, sales from the factory are expected to reach € 30 million, posting an increase of 20%, while in 2005 sales are expected to reach € 35 million, increased by 16% yoy.

We should point out that the production and sales of the subsidiaries LAMDA DETERGENT, LAMDA PAK and LAK are based on the factory in Atalanti.

Facilities

NEOCHIMIKI needs many and large storage areas. Besides the warehouses in the main production unit, NEOCHIMIKI owns many specialized storage facilities all over Greece. The most important of them is the storage area in Avlida, Central Greece, which covers an area of 20,000 sq.m. providing storage facilities of 3,000 sq.m. for raw materials. This storage area in Avlida is expected to contribute approximately € 18 million to the consolidated turnover in 2003. Moreover, sales are expected to reach € 25 million in 2004, an increase of approximately 39%, while in 2005 sales are expected at € 30 million, an increase of 20%.

The Group also uses smaller storage areas in Thessaloniki (rented, 5,000 sq.m. area, 1,300 sq.m. storage space and expected sales of € 12 million in 2003, € 15 million in 2004 and € 19 million in 2005). In Athens, the group has a smaller privately owned warehouse of 400 sq.m. of storage area with expected sales of € 1 million in 2003, € 2 million in 2004 and € 3 million in 2005.

NEOCHIMIKI has a € 10 million investment plan under development to build a new warehouse (storage area of 15,000 sq.m.) on an owned area in Thessaloniki. This new warehouse will help considerably the Group to cover more efficiently the increasing demand of the whole domestic market.

Last but not least, the Group plans to construct a port on a privately owned 48,000 sq.m. land in Lavrio, Central Greece, after 2006.

3. S.B.Us ANALYSIS

NEOCHIMIKI's activities can be divided into eleven (11) distinct Business Units. For better understanding of the turnover structure, we further divide the eleven SBUs into three categories: **Production**, **Trade** and **Production & Trade** combined.

Production

The first category (Production) consists of three (3) Business Units:

1. Production of detergents for multinational corporations
2. Production of private label detergents and
3. Production of raw materials for the detergent industries.

BUSINESS UNIT 1: PRODUCTION OF DETERGENTS FOR MULTINATIONAL CORPORATIONS

The production of detergents for multinational corporations is expected to contribute 20% to the consolidated turnover in 2003 and 22% in 2004-2005. In this particular Business Unit, the Group has achieved a monopoly, since out of € 9.4 million of total market the group's share is expected to be € 9 million in 2003. Gross profit margin of this Business Unit reaches 40%, operating margin reaches 30%, while net profit margin reaches 20%. The Subsidiary, LAMDA DETERGENT, operates in this specific Business Unit. The company specializes in the production of liquid and powder detergents for domestic and professional use. The company supplies with a variety of products multinational corporations such as: Henkel, Ecolab, Lever, Johnson Diversay, Sara Lee and also domestic super market chains such as: Carrefour, Dia, AB Vasilopoulos.

BUSINESS UNIT 2: PRODUCTION OF PRIVATE LABEL DETERGENTS

This particular Business Unit is expected to contribute 9% to the consolidated turnover in 2003 and 10% in 2004 and 2005. In an estimated market of € 21 million for 2003, the Group is expected to have a share of 20% (€ 4 million). Gross profit margin is expected at 35% in 2003, operating margin at 32%, while net profit margin of the Business Unit is expected at 15%. The main rivals of the Group in the production of private label detergents are Rolco Vianill, Persan, Chenoteknika and McBryte. Subsidiaries LAMDA DETERGENT and LAK operate in this specific Business Unit.

BUSINESS UNIT 3: PRODUCTION OF RAW MATERIALS FOR THE DETERGENT INDUSTRIES

The third Business Unit is expected to contribute 8% to the consolidated turnover in 2003-2005. In an estimated market for 2003 of € 9,5 million, the Group is expected to have a share of 40% (€ 3.8 million). Gross profit margin of the Business Unit is expected at 39%, operating

Table 1: NEOCHIMIKI PRODUCTION FACILITIES

NEOCHIMIKI – PRODUCTION FACILITIES							
UNITS	PALAIO FALIRO	AVLIDA	ATALANTI	AG. I. RENTIS	THESSALONIKI	THESSALONIKI	LAVRIO
OVERVIEW	Central Offices- state-of-art chemical laboratory- information technology (Rented)	Warehouses- tanks (Owned)	Detergent factory (Owned)	Offices- storage rooms-warehouses (Rented)	Property - Warehouses (Rented)	Property (Owned)	Property (Owned)
AREA (m²)	1,100	20,000	90,000	400	5,000	34,200	47,800
USEFUL AREA (m²)	1,000	3,000	15,000	400	1,300		
BOOK VALUE (€)		4,000,000	30,000,000			1,500,000	2,500,000
PRODUCTION		Raw materials storage	Powder, liquid, raw materials (acids, alcohols)	Raw materials storage	Raw materials storage		
PRODUCTION CAPACITY			100.000 Tons/year powder detergents, 100.000 Tons/year liquid detergents, 25.000 Tons/year raw materials			Three year investment plan is under construction: € 10.000.000 for the development of 15.000 m ² in warehouses, 1.000 m ² offices and tanks of 20.000 tons train interconnected	Investment plan for the development of private port facilities after 2006
NUMBER OF PRODUCTION LINES			19 lines				
CURRENT PRODUCTION vs CAPACITY			30%				
CONSTRUCTION COST (€ thousands)		4,000	30,000				
CONSTRUCTION PERIOD		5 years	3 years				
ESTIMATED MARKET VALUE (€ thousands)		6,000	50,000			2,000	10,000
TURNOVER (€ thousands)							
<i>2003E</i>		18,000	25,000	1,000	12,000		
<i>2004F</i>		25,000	30,000	2,000	15,000		
<i>2005F</i>		30,000	35,000	3,000	19,000		
BUSINESS UNIT PERSONNEL	70	22	130	5	15		
COMPANY	NEOCHIMIKI	NEOCHIMIKI, LAMDA LAMDA	LAMDA DETERGENT, LAMDA PAK, LAK	NEOCHIMIKI	NEOCHIMIKI	NEOCHIMIKI	NEOCHIMIKI

Source:NEOCHIMIKI

margin at 30%, while net profit margin is expected at 10%. The Group's main rivals are Kapahim and Cognis. The subsidiary LAMDA DETERGENT operates in this particular Business Unit.

Trade

The second category (Trade) consists of six (6) different Business Units:

4. Trade of polymers for plastics industries
5. Trade of raw materials for food industries
6. Trade of raw materials for textile companies
7. Trade of fertilizers
8. Trade of raw materials for cosmetics and detergent industries
9. Trade of raw materials for colors and lacquers industries.

BUSINESS UNIT 4: TRADE OF POLYMERS FOR PLASTICS INDUSTRIES

This particular Business Unit is expected to contribute 9% to the consolidated turnover in 2003, while for the years 2004-2005 this percentage is expected to reach 10%. In an estimated market for 2003 of € 21 million, the Group is expected to have a share of 20% (€ 4 million). Gross profit margin of this Business Unit reaches 12%, operating margin reaches 10%, while net profit margin reaches 8%. Group's main rivals are Rigas, Skeberis and Pentaplast. Besides the mother company (NEOCHIMIKI), LAMDA PAK operates in this Business Unit.

BUSINESS UNIT 5: TRADE OF RAW MATERIALS FOR FOOD INDUSTRIES

This Business Unit is expected to be stable at 8% in the consolidated turnover for the years 2003-2005. In an estimated market of € 19 million for 2003, the Group is expected to have a share of 20% (€ 4 million). Gross profit margin of this Business Unit reaches 19%, operating margin reaches 15%, while net profit margin reaches 8%. The main rivals are Elton Chemicals and Persefs, both listed in the Athens Stock Exchange, and Astron. The mother company operates in this specific Business Unit.

BUSINESS UNIT 6: TRADE OF RAW MATERIALS FOR TEXTILE COMPANIES

This Business Unit is expected to contribute 8% to the consolidated turnover for 2003, while for the years 2004-2005 this percentage is expected to reach 6%. The purchase and trade of raw materials for textile factories is estimated at € 47 million for 2003, with Group's share at 8% (€ 4 million). Gross profit margin of this Business Unit reaches 19%, operating margin reaches 16%, while net profit margin reaches 6%. The main rivals of the holding company (NEOCHIMIKI) are Ballis Chemicals and Persefs, which are both listed in the Athens Stock Exchange.

BUSINESS UNIT 7: TRADE OF FERTILIZERS

The trade of fertilizers is expected to contribute 7% to the consolidated turnover for 2003 and this percentage is expected to remain stable for the years 2004-2005. In an estimated market of €

Table 2: NEOCHIMIKI SBUs

NEOCHIMIKI S.B.Us												
S.B.U.	Production			Wholesale						Production & Wholesale		
	Detergent for multinationals (toll manufacturing)	Private label detergents	Raw materials for detergent industries (Atalanti)	Polymers for industrial plastics	Food industry raw materials	Textile raw materials	Fertilizers	Cosmetics & Detergent industry raw materials	Paint & rubber industry raw materials	Water management industry raw materials	Basic Metal industry raw materials	
2003 Market Size € millions.	9.4	21	9.5	21	19	47	330	38	52	76	28	
Market Share %	100%	20%		20%	20%	8%	1%	10%	8%	5%	10%	
Market Share € millions.	9	4	3.8	4	4	4	3.3	4	4	3.8	2.8	
Competition	Monopoly	Rolco Vianil Mivolará Persan Chenoteknika Mcbryte	Kapachem Cognis	Rigas Skeberis Pentaplus	ELTON Mosholios Astron	Mosxolios Balis	V.F.L. VETERIN	ELTON Rouboulakis Astron Dichem	Chima Interchem Petrobras BP Shell	Avlis ELTON	Kaplanoglou Tsopanelis	
% Turnover												
2003 ^A	20%	9%	8%	9%	8%	8%	7%	8%	9%	8%	6%	
(2004-2005) ^F	22%	10%	8%	10%	8%	6%	7%	8%	9%	7%	5%	
% Profit												
2003-2004	Gross	60%	35%	42%	15%	38%	40%	20%	25%	19%	50%	18%
	Operating	54%	32%	38%	14%	34%	36%	18%	23%	17%	45%	16%
	Bottom line	20%	15%	10%	8%	8%	6%	3%	6%	5%	10%	5%
Company	1. LAMDA DETERGENT	1. LAMDA DETERGENT 2. LAK	1. LAMDA DETERGENT	1. NEOCHIMIKI 2. LAMDA PAK	1. NEOCHIMIKI	1. NEOCHIMIKI	1. NEOCHIMIKI	1. NEOCHIMIKI	1. LAMDA DETERGENT 2. NEOCHIMIKI	1. NEOCHIMIKI	1. NEOCHIMIKI	

Source: NEOCHIMIKI

330 million in 2003, the Group is expected to have a share of 1% (€ 3,3 million). Gross profit margin for this Business Unit reaches 17%, operating margin and net profit margin reach 15% and 3%, respectively. NEOCHIMIKI's main rivals are: VETERIN, listed in the ASE, and B.F.L.

BUSINESS UNIT 8: TRADE OF RAW MATERIALS FOR COSMETICS AND DETERGENTS INDUSTRIES

This Business Unit is expected to contribute 8% to the consolidated turnover for 2003, while this percentage is expected to remain stable for the years 2004-2005. This specific market is estimated at € 38 million in 2003 and the Group is expected to have a share of 10% (€ 4 million). Gross profit margin reaches 19%, operating margin reaches 16%, while net profit margin reaches 6%. NEOCHIMIKI's main rivals are: ELTON, listed in the ASE, and Rouboulakis, Astron, Dichen.

BUSINESS UNIT 9: TRADE OF RAW MATERIALS FOR COLORS AND LACQUERS INDUSTRIES

The trade of raw materials for colors and lacquers industries is expected to contribute 9% to the consolidated turnover for 2003, while the percentage is expected to remain stable for the years 2004-2005. This specific market is estimated at € 52 million in 2003 with the Group having a share of 8% (€ 4 million). Gross profit margin reaches 19%, operating margin reaches 16% and net profit margin reaches 5%. In this specific Business Unit, operates the subsidiary LAMDA LAMDA, whose main rivals are: BP, SHELL, PETROBRAS, INTERCHEM and CHIMA.

Production and Trade

Besides the above nine Business Units, which are clearly distinguished in terms of production and trade, the Group consists of two additional Business Units in which it produces and distributes the product:

10. Production and Trade of raw materials for biologic cleaning water processing
11. Production and Trade of raw materials for metal industry

BUSINESS UNIT 10: PRODUCTION AND TRADE OF RAW MATERIALS FOR BIOLOGIC CLEANING WATER PROCESSING

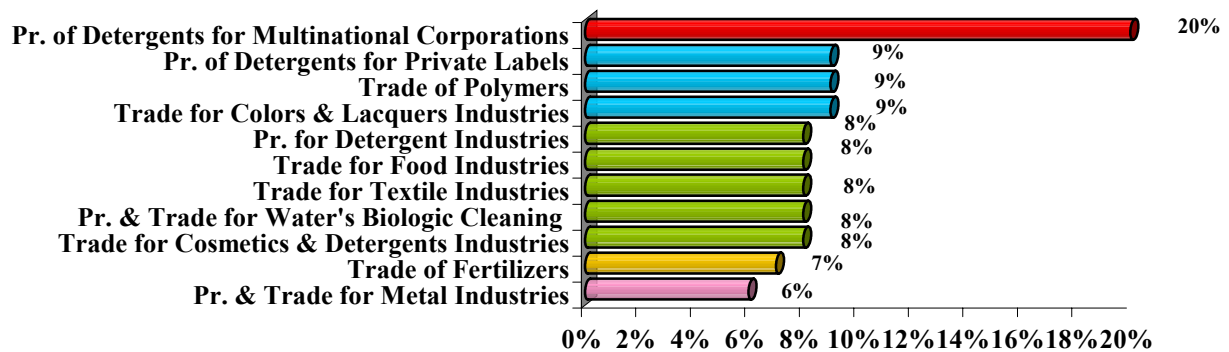
This Business Unit is expected to contribute 8% to the consolidated turnover for 2003. For the next two years (2004-2005), this percentage is expected to be 7%. The specific market is estimated at € 76 million in 2003 and the Group has 5% share (€ 3,8 million). Gross profit margin of the Business Unit reaches 38%, operating margin reaches 25%, while net profit margin reaches 10%. In the specific market the mother company's (NEOCHIMIKI) main rivals are: ELTON (listed in the Athens Stock Exchange) and Avlis.

BUSINESS UNIT 11: PRODUCTION AND TRADE OF RAW MATERIALS FOR METAL INDUSTRY

In 2003 the specific Business Unit is expected to contribute 6% to the consolidated turnover. This percentage is expected to be 5% for the years 2004-2005. The market of production and trade of raw materials for metal industry is expected to reach € 28 million in 2003 and the Group is expected to have a share of 10% (€ 2,8 million). Gross profit margin reaches 18%, operating margin and net profit margin reach 16% and 5%, respectively. The main rivals of the mother company (NEOCHIMIKI) are: Kaplanoglou and Tsopanelis.

The graph below shows the estimated share per Group Business Unit in the consolidated turnover for 2003:

Graph 2: Estimated Market Share / SBU (NEOCHIMIKI 2003)



Source: NEOCHIMIKI

4. SWOT ANALYSIS

SWOT	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Monopoly in detergents production for multinational corporations • Privately owned factory with 19 production lines • Stable and guaranteed turnover increase • High profit margins in the detergents production 	<ul style="list-style-type: none"> • Multiple S.B.U structure. • Low profit margins in wholesale.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Expansion of privately owned storage facilities in Northern Greece. • Gradual withdrawal of the multinational corporations from the domestic detergents production. • Further penetration in the production and trade of private label detergents. 	<ul style="list-style-type: none"> • Unpredictable price fluctuation in raw materials • Consolidation process leading to oligopolistic schemes in the sector of chemicals production in Greece

5. SECTOR ANALYSIS

Sector Analysis

NEOCHIMIKI participates in two distinct sectors: *"Wholesale Trade of Chemical Products"* and *"Production of Soaps and Detergents, Products of Cleaning and Polishing."*

The Group's products cover a wide range of industries, such as metal industry, textiles, as well as industry of soaps and detergents.

Production and Wholesale of Chemical Products

The main characteristic of *Wholesale Trade of Chemical Products* sector is the absence of an adequate number of raw materials production units. As a consequence, the majority of demand has to be covered through imports. Furthermore, only a small percentage of the final products is produced by domestic industries, leaving well-known multinationals with the largest market share.

The demand for chemical products is mainly affected by the development and growth of pharmaceuticals, detergents-soaps and cosmetics industries.

The lack of seasonality and diversification of demand result in minimizing systematic risk for the enterprises involved in this sector.

Chemical products sector is divided into a large number of small wholesale companies, mainly subsidiaries of large multinationals. Additionally, there are some domestic large companies, who represent foreign firms.

NEOCHIMIKI's production unit (Atalanti), which currently operates at 30% of its production capacity, and new investments in enlarging useful storage area will result in a more efficient coverage of the domestic market. Thus, we estimate that NEOCHIMIKI's operations in the production and wholesale of chemical raw materials should increase both market share and consolidated turnover.

Production of Detergents and Soaps

Detergents-soaps production sector, a subdivision of chemical industry, is characterized by high competition and significant growth potential. For the period 1990-2002, the domestic production of detergents and soaps has presented an average annual increase of 1.8%. Specifically, in 2002, production is estimated at 234,300 tons, from 190,000 tons in 1990.

Table 3: Production of Detergents & Soaps, Domestic Market (1990-2002)

(amounts in tons)	Cloth Detergents	Dish Detergents	Softeners	House Cleaning Detergents	Soaps	Total
1990	70.000	26.200	16.500	73.000	4.300	190.000
1991	62.000	28.000	16.800	74.200	4.000	185.000
1992	63.000	27.500	19.500	76.400	4.600	191.000
1993	63.500	25.200	19.000	78.000	4.300	190.000
1994	62.000	24.000	18.000	82.000	4.200	190.200
1995	70.000	27.500	21.000	85.000	4.000	207.500
1996	76.500	31.000	24.000	90.000	4.300	225.800
1997	74.000	31.500	26.000	95.000	4.600	231.100
1998	72.000	31.000	27.500	96.000	5.100	231.600
1999	70.000	32.000	29.500	98.000	5.600	235.100
2000	57.000	31.500	32.000	106.000	6.200	232.700
2001	54.000	32.000	35.000	104.000	6.800	231.800
2002	51.000	32.000	39.000	105.000	7.300	234.300

Source: ICAP: Report "Detergents & Soaps, May 2003".

In the period 1990-2002, cloth detergents production decreased by 19,000 tons (decrease of 2,6% yoy) reaching 51,000 tons in 2002 from an initial production of 70,000 tons in 1990. This reduction was the outcome of the gradual domestic production decrease of multinationals, starting with Procter & Gamble in 1997, then Henkel and finally Unilever. Due to the termination of Henkel

Hellas SA operations in Greece a great percentage decrease of 18,6% of cloth detergents production occurred in 2000.

A further decrease is expected by the end of 2003 caused by the end of domestic cloth detergents production of Unilever Hellas SA. This production will be substituted with imports.

As far as the domestic detergents and soaps market, in 2002 the six (6) largest companies had a market share of 80.5%-85%, showing high level of concentration in the sector. Unilever Hellas SA was in first place with share 29%-30%, then Colgate Palmolive Hellas SA, with share 15,5%-16%, Procter & Gamble Hellas Ltd., with share 11%-12%, Rolco Vianil Ltd. with share 10%-11%, Reckitt Benkizer Hellas SA, with share 9%-9.5% and Henkel Hellas SA with share 6%-6.5%.

The key figures of the domestic market (Production, Exports, Imports, Consumption) (in tons) during the period 1990-2002 are presented in the following table:

Table 4: Consumption of Detergents & Soaps, Domestic Market (1990-2002)

(amounts in tons)	Production	Imports	Exports	Consumption
1990	190.000	25.000	5.000	210.000
1991	185.000	40.000	5.000	220.000
1992	191.000	49.000	9.000	231.000
1993	190.000	50.000	10.000	230.000
1994	188.000	50.000	10.000	228.000
1995	203.000	55.000	10.000	248.000
1996	214.500	55.000	11.000	258.500
1997	210.500	70.000	13.000	267.500
1998	204.000	85.000	14.000	275.000
1999	235.100	80.000	40.600	274.500
2000	232.700	98.000	58.200	272.500
2001	231.800	98.000	54.800	275.000
2002	234.300	100.000	56.500	277.800

Source: ICAP: Report "Detergents & Soaps, May 2003".

From the above table we conclude that:

- Domestic production for the years 1990-2002 grew with a rate of 2% per annum (CAGR: 1.76%)
- Imports in the same period grew with a rate of 12% per annum (CAGR: 12.25%)
- Exports in the period 1990-2002 grew with a rate of 22% per year (CAGR: 22.39%)
- Total apparent consumption grew in the 1990-2002 with a rate of 2.5% per annum (CAGR: 2.36%)

Additionally, the total domestic market value, per product, in million Euro, for the years 1996-2002, appears in the following table:

Table 5: Domestic Market Value of Detergents & Soaps (1996-2002) per product, figures in € million

Product	Soaps	Cloth Detergents	Dish Detergents	House Cleaning	Bleaches	Total
Year						
1996	24,9	217,2	46,7	67,5	40,8	397,1
1997	32,3	248,9	48,1	79,2	44,9	453,4
1998	36,7	255,3	49,9	86,6	46,7	475,2
1999	42,6	267,7	48,7	91,3	44,6	494,9
2000	38,7	264,7	52,5	97,7	45,8	499,4
2001	35	281	53,5	100	46	515,5
2002	35	299	55	98,5	46	533,5

Source: SEVAS-AISE.

From the above table, we can see that the value of the domestic market increases on average by 4% per annum (CAGR: 3.77%).

Based on the above data we can draw the following conclusions:

Conclusions

1. The cloth detergents production subsector, where NEOCHIMIKI is involved, shows signs of reduction and a simultaneous increase of imports. NEOCHIMIKI has the opportunity to substitute a large share of imports from multinationals in the form of toll manufacturing.
2. Despite the fact that total volume of consumption remains stable, its total value steadily increases. This means that in case NEOCHIMIKI gains a great market volume share, the benefits in value will be higher and profit margins will grow significantly.
3. In the detergents production for multinationals in the form of toll manufacturing, NEOCHIMIKI is active in a € 9 million market, in which it enjoys the monopoly, while the total value of the detergent production market in 2002 was € 299 million. Therefore, NEOCHIMIKI's share stands at 3% and based on the gradual retreat of multinationals, this market share will probably expand.
4. The ultimate goal of NEOCHIMIKI's acquisitions, besides an increase in the domestic market share of detergents production on behalf of multinationals, should be the penetration into the production of private label products for large supermarket chains. So far, the latter have been of low quality, offering to NEOCHIMIKI the opportunity to quickly increase its share. Furthermore, Private labels products show great growth potential, since it is estimated that they possess a share less than 10% of total consumption, when the respective share in other European countries stand at 20-25% of total consumption.

6. ROE ANALYSIS

Table 6: Return on Equity Analysis (€ millions.)

Year	Net Operating Profit Margin	Net Operating Asset Turnover	Spread	Leverage	Return on Equity (ROE)
	(%)		(%)		(%)
2000A	13.5	0.72	8.46	0.47	16.04
2001A	8.7	1.22	8.82	0.40	17.39
2002A	7.6	1.33	10.32	0.62	21.22
2003E	10.4	1.36	16.14	0.53	29.06

Source: Company Financials , MERIT Securities

Net Operating Profit Margin = Net Income + Interest Expense

Net Operating Asset Turnover= Total Assets / Consolidated Sales

Spread= Net Operating Asset Turnover – (Interest Expense / Long Term Debt)

Leverage = (Bank Loans – Operating Cash) / Total Equity

Return on Equity (ROE) = Net Operating Asset Turnover + Spread* Leverage

Profit Margins

During the period 2000-2002, raw materials price increase has led to the reduction of net operating margin. From 2002 onwards prices have been stable. In FY 2002, we estimate that net operating profit margin will be stabilized at 10,4% and will gradually increase year over year.

Net Operating Assets Turnover

We consider that the degree with which the company uses its assets data in order to increase its sales is satisfactory. From 2000 until 2002 Net Operating Asset Turnover ratio has increased by 85%, while net operating capital was significantly increased mainly due to a 51,8% increase in accounts receivable.

Spread

The significant improvement of spread is mainly due to the increase of the Group's net debt by 136.8% and 196% for the years 2001 and 2002, respectively. ROE was not significantly affected by levels of spread, because debt ratio remains above 1 during the last three years. In 2003, spread (Operating ROA-Effective interest rate tax) is expected to reach 16.14%, since the Group plans not to issue additional debt.

Leverage

For the period 2000-2002 financial leverage has increased by 360%. For the current fiscal year, we anticipate that the ratio will be approximately 0.53 significantly lower than 0.62 last year.

ROE

In 2003, we anticipate ROE to reach 29,06% from 21.22% last year. We consider current ROE satisfactory and we estimate that the Group will maintain this level of ROE in the next two years. In 2002, market's ROE was roughly 9% and wholesale sector's ROE was at 7%.

7. FINANCING – INVESTMENTS (CAPEX)

NEOCHIMIKI has a € 10 million investment plan under development to build a new warehouse (storage area of 15,000 sq.m.) on an existing owned area in Thessaloniki. This new warehouse will help considerably the group to cover more efficiently the increasing demand of the whole domestic market. The above project will be funded by the Group's equity.

Additionally, the Group plans to construct a private port on a privately owned 48,000 sq.m. land in Lavrio, Central Greece, after 2006.

In our valuation model working hypotheses, we estimate that the Group will need capital infusion by the end of 2004. In our valuation model we assume share capital increase causing dilution of 25%.

8. GROUP ESTIMATES

In 2003, we expect consolidated turnover at €55 million from € 46.8 million, an increase of 17%. Turnover breakdown has shown that Group's annual turnover increase will be driven by an upturn in multinationals and private labels sales. For 2004 and 2005, we estimate that the Group's turnover will increase on consolidated basis by 40% and by 37%, respectively.

Table 7 : Consolidated Turnover Breakdown per SBU

	2002A	2003E	2004F	2005F	2006F	2007F	2008F	2009F
Production								
Detergents for Multinationals (toll manufacturing)	10.4	13.7	18.4	26.5	30.8	34.5	37.2	39.5
Private label Detergents	7.1	6.6	9.3	13.8	15.5	18.1	19.7	21.6
Wholesale								
Polymers for industrial plastics	4.8	5.2	8.0	10.9	11.1	12.6	13.5	14.7
Food industry raw materials	3.2	3.6	5.5	7.3	7.7	8.1	9.4	10.8
Fertilizers	3.8	4.5	6.7	8.6	10.2	10.4	10.9	11.4
Water management industry raw materials	3.5	4.1	6.3	8.7	9.9	11.0	11.7	12.1
Basic Metal industry raw materials	2.9	3.4	5.5	7.5	8.7	9.1	9.8	10.8
Cosmetics & Detergent industry raw materials	2.9	4.0	6.2	7.9	9.9	10.4	11.0	12.7
Paint & rubber industry raw materials	3.9	5.0	7.5	9.9	10.2	11.1	12.3	13
Raw materials for detergent industries (Atalanti)	4.5	4.9	6.6	8.9	10.0	10.7	11.5	12.4
Total Consolidated Turnover	47	55	80	110	124	136	147	159
%Δ Consolidated Turnover y.o.y	58%	17%	45%	37%	12%	10%	8%	8%

Source:MERIT

Group's gross profit margin will decrease by approximately 11.2%, due to increased cost of goods sold. On the other hand, in 2003, Group's EBITDA margin is expected to increase at 13.5% of consolidated turnover from 12.9% in 2002, due to significant increase of consolidated turnover. As a result, net profit margin will reach 9.6% from 6.7% in 2002 caused by limited interest expenses..

9. GROUP VALUATION (WORKING HYPOTHESES)
**Working
Models
Assumptions**

According to our estimates, net profit will increase by 68.4% in 2003 reaching € 5.29 million from € 3.14 million, last year. Effective tax rate is set approximately at 28%.

For the valuation of NEOCHIMIKI Group of Companies three different models have been used:

- ◆ The discounted dividends model (DDM),
- ◆ The discounted free cash flows model (FCF) and
- ◆ The discounted abnormal earnings model (AE/EVA).

In all three valuation models, NEOCHIMIKI weighted average cost of capital (WACC), set at 8.95% was used as the discount rate.

Based on the above working hypotheses, all three models end up with a target price for 31/12/2003 at € 4.80 and market capitalization of the company at € 172.9 million.

For 31/12/2004 all three models of valuation give target price of € 4.97 and market capitalization at € 223.6 million.

For 31/12/2005 target price rises to € 5.40 and market capitalization at € 243.6 million.

The working hypotheses for NEOCHIMIKI in all valuation models appear in the following table (see also introductory page):

Table 8 : NEOCHIMIKI Valuation

	WACC	31/12/2003		31/12/2004		31/12/2005	
		Cap € millions	Target Price €	Cap € millions	Target Price €	Cap € millions	Target Price €
Average (DDM, FCF, AE/EVA)	8.95%	172.9	4.80	223.6	4.97	243.6	5.40

Source: MERIT

Valuation Models: DDM, FCF, AE/EVA	
Working Hypotheses	
1. WACC:	8.95%
2. Risk Free Rate:	2.50%
3. Effective Tax Rate:	28%
4. Realized Tax Rate:	35%
5. Consolidated Turnover Growth:	
	2003 (+17%)
	2004 (+45%)
	2005 (+37%)
After terminal year	2009 (+8%)

10. SHARE CAPITAL STRUCTURE

Table 9 : Changes in Share Capital Structure

Date	Par Value.	Share Price Value.	Conditions	Reason	Number of New Shares	Total Number of Shares
20/05/2003	1.00	5.50		Pre Listing	0	7,150,000
20/05/2003	1.00	5.50		IPO	1,850,000	9,000,000
23/09/2003	0.30	0.00	3 New/1 Old	Split	27,000,000	36,000,000

Source: Athens Stock Exchange

11. INVESTMENT OPINION & RATING

NEOCHIMIKI will sustain its monopolistic market share and its dominant position in the toll manufacturing detergents production sector. In addition, consolidated turnover will increase as NEOCHIMIKI will manage to substitute the decreasing domestic production by multinationals, caused by the end of their operations in the domestic market.

NEOCHIMIKI will continue penetrating into the market of private label products thus enlarging its market share, based on Group's know how, high quality of products and the potential growth development of the sector domestically, in comparison with the European standards.

Enlarging market share in the above mentioned sectors, i.e. production and wholesale of private label products and detergent production on behalf of multinationals, will significantly boost Group's profit margins given that these operations have the highest profit margin among the 11 business units of the group.

Expanding both facilities in the domestic market and operations in the Balkan market, through the new factory in N. Greece and the subsidiary in Romania, will further strengthen Group's financial position and geographical diversification. We expect that the above will start having a positive effect on Group's results, especially consolidated turnover, from 2004 onwards.

Based on our estimates: Consolidated turnover for FY 2003 will grow by 17% yoy while in FY 2004 it will be 45% higher over 2003. Net profit margin will gradually increase, reaching in 2003 9.67% of consolidated turnover from 6.09% in 2002.

Assuming that our estimates for the current fiscal year will be confirmed and our projections for the coming years as far as the consolidated turnover and profit margins are concerned will not prove false, we set our investment rating at 5/5 and our investment opinion is:

BUY (5/5)
 ACCUMULATE (4/5)
 HOLD (3/5)
 AVOID (2/5)
 REDUCE (1/5)