

# Neochimiki L.V. Lavrentiadis

Non-Cyclical Goods & Services

**Neutral**  
**High risk**

**€4.00**

Market Cap.: 144.00mn

FTSE-140: 3,594.74

12/05e TP: €4.19, +5%

## Reason for Report: Initiating Coverage

NCHR.AT, NEOCHI GA

June 22, 2005

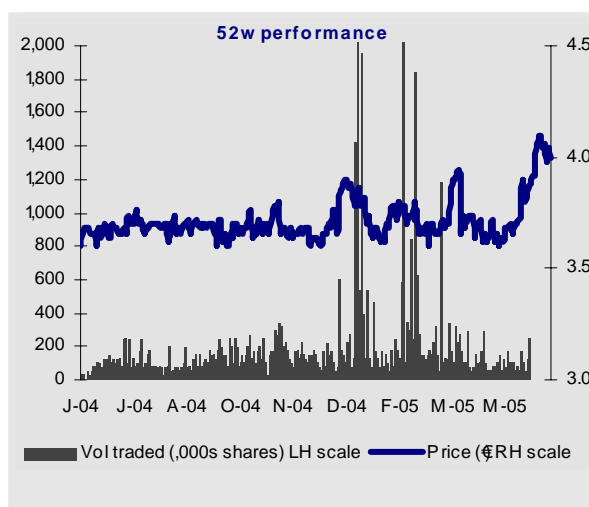
Changes: Rating - TP - EPS -

Valuation	2004a	2005e	2006e	2007e
P/E	18.8x	15.1x	11.0x	9.1x
P/BV	3.3x	2.8x	2.3x	1.9x
EV/Sales	0.9x	0.7x	0.5x	0.4x
EV/EBITDA	4.3x	3.7x	3.1x	2.7x
EV/EBIT	5.8x	5.1x	4.1x	3.6x
Div. Yld.	2%	2%	2%	2%
FCF Yld.	-22%	-3%	-2%	1%
ROE	17%	19%	21%	21%
Leverage	2.1x	2.1x	2.0x	1.9x
Gearing	1.7x	1.6x	1.5x	1.3x

Per share	2004a	2005e	2006e	2007e
EPS (€)	0.21	0.26	0.36	0.44
BVPS (€)	1.21	1.41	1.70	2.06
DPS (€)	0.06	0.07	0.07	0.08
FCFPS (€)	-0.86	-0.10	-0.07	0.02

Fundamentals	2004a	2005e	2006e	2007e
Turnover (€m)	82.91	119.1	160.6	203
EBITDA (€m)	16.7	21.1	27.5	32.5
EBIT (€m)	12.2	15.5	20.7	24.5
Net profit (€m)	7.7	9.5	13.1	15.8

Stock data	1m	3m	6m	12m
Rel. Performance	2%	1%	2%	-26%
Abs. Performance	9%	8%	9%	8%
H / L 52w	€4.14/ €3.64			
Market cap. (€m)	€144.00			
Shares outstanding (m)	36			
Free float (% , €m)	44.79%, €64.50mn			
Avg. vol. Traded (52w)	212,634 shares			
Index constituent & weight	FTSE80 (2.57%), FTSE140 (0.12%)			



## Galloping turnover, weak medium term cash flows

### Dominant position

Neochimiki L.V. Lavrentiadis S.A. is the market leader in the production of detergents on behalf of major multinationals and private label companies, as well as, the largest distributor of chemical raw materials in Greece.

### Impressive turnover

During the last three years, 2002-2004, Neochimiki L.V. Lavrentiadis has managed to almost double its turnover from €46.82 m in 2002 to €82.91 m in 2004.

### Strong relationships with major multinationals

Neochimiki has managed to establish strong relationships with major multinationals both as a producer and distributor. Among them, to name few, we find Henkel, Unilever, Sara Lee, Johnson Diversey, BP, Shell and Sasol. Its proven know-how, coupled with the state of the art machines and facilities, gave Neochimiki the chance to emerge as a reliable partner of multinational detergent companies.

### Weak cash flows

The company is facing continuous Capex and significant working capital requirements.

### Neochimiki's Product Mix

The fact that 60% of total turnover comes from its distribution activities cause gross profit margin's contraction, as the margins of distribution activities are significantly lower than those of production activities.

### Rating

We have set a target price of **€4.19** per share, providing a 5% upside from current levels, using the DCF approach. We initiate our coverage with a **"Neutral"** recommendation.

### Company Description

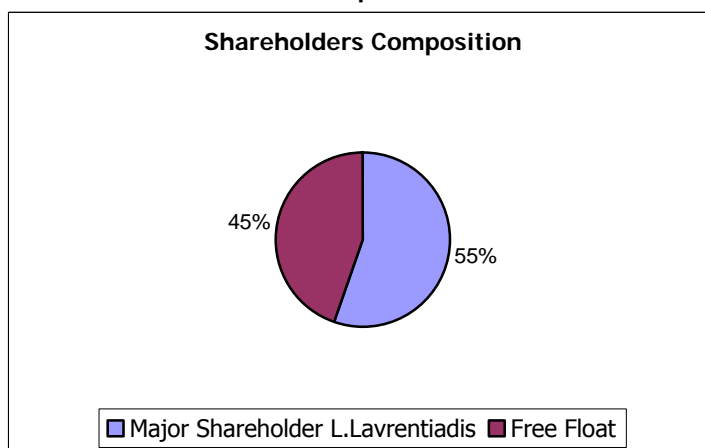
Neochimiki L.V. Lavrentiadis is activating in the production of detergents and the distribution of chemical products in Greece and abroad.

[www.neochimiki-lavrentiadis.gr](http://www.neochimiki-lavrentiadis.gr)

## Company Description

**Neochimiki Group of Companies** Neochimiki is activating in the **production of detergents** (40% of its total turnover) and the **distribution of chemical products** (60% of its total turnover). Having almost 30 years of experience, Neochimiki is the largest distributor of chemical products in Greece – cooperating with major multinationals and supplying industries of almost all sectors - and a pioneer as well as the market leader in the production of detergents. Neochimiki entered the Athens Stock Exchange in 2003 and has currently a market capitalization of €144.00 m (21/06). The company is organized in a group of 14 majority owned subsidiaries and its operations and activities are also found in Cyprus, Serbia, Romania and Bulgaria. Its presence in the above-mentioned markets is managed through the establishment of Neochimiki Romania, Neochimiki Beograd, Neochimiki Bulgaria and Neochimiki Ltd. in Cyprus. According to Mr. Lavrentiadis, Neochimiki is also examining the prospect of entering the Ukrainian market expanding thus its business activities in the Eastern European markets. As for Neochimiki's shareholders composition we would like to mention that Mr. Lavrentiadis holds 55.21% of Neochimiki (19,877,000 shares), while the rest of it, 44.79% (16,123,000 shares) is free float (Graph 1).

Graph 1



Source: Neochimiki (Annual Report, 2004 as of 12/05/05)

**Historical Data** Neochimiki was founded in **1974** as a small family business, trading chemical raw materials. From **1996** when Mr. Lavrentis Lavrentiadis took over the management of the company, a new era has arisen. In **1998** Neochimiki proceeds to the purchase of a part of the Hoechst Hellas S.A facilities, entering thus in the production of liquid chemical products. During the same year the establishment of its new subsidiary LAMDA DETERGENT S.A, marks its presence in the area of detergents. In **2000** the company proceeds to a movement of strategic importance as the purchase of Henkel Hellas' factory in Atalanti gave it the chance to emerge as a manufacturer of detergent end products and as a partner of major multinationals. On May 20, **2003** Neochimiki becomes member of the Athens Stock Exchange.

**Production and Storage facilities** Neochimiki's main **production facilities** are found in Atalanti (Lamda Detergents S.A) and Avlida (Lamda Lamda S.A), while its **storage facilities** are accommodated in Avlida and Thessalonica. The Atalanti's privately owned production unit is one of the biggest in the Balkan Peninsula. Its main activities are the production of powder and liquid detergents, as well as, the production of chemical ingredients for detergents. Its manufacturing capacity is of 100,000tn/yr in powder, 100,000tn/yr in liquid detergents and 25,000tn/yr in raw materials. In terms of its production units we would like to mention that these are working at a 40% capacity - a thing that unveils Neochimiki's capabilities and plans for further growth -, while its storage facilities, mainly accommodated in Thessalonica, are such (storage area of 5000 m<sup>2</sup>) that can cover not only the domestic needs but also the needs of its neighboring markets.

**Group Activities** The operations of Neochimiki L.V Lavrentiadis Group can be categorized into **production activities** and **distribution activities**. **Production activities** are focused on the production of detergents for multinationals and private labels as well as in the production of raw materials, necessary for the production of detergents and paints & lacquers. **Distribution activities** are focused on the distribution of raw materials in the majority of all Greek industries. These two business activities are further divided into four and nine business units respectively.

**Production Activities** **Production Activities:** Through its subsidiary, LAMDA Detergents SA, Neochimiki is activating in the production of detergents for multinationals and private labels. Lamda Detergents is producing detergents in a liquid and powder form on behalf of major multinationals (Henkel, Ecolab, Unilever, Sara Lee, Johnson Diversey) and private labels (Carrefour, Makro etc). Besides that, Neochimiki is also activating in the production of raw materials, which are essential for the production of detergents as well as of paints & lacquers. As already mentioned above Neochimiki's production activities are divided into four business units.

1. Production of detergents on behalf of major multinationals,
2. Production of private label detergents
3. Production of raw materials for the detergent Industry
4. Production of resins for Paints and Lacquers Industry (since 2004)

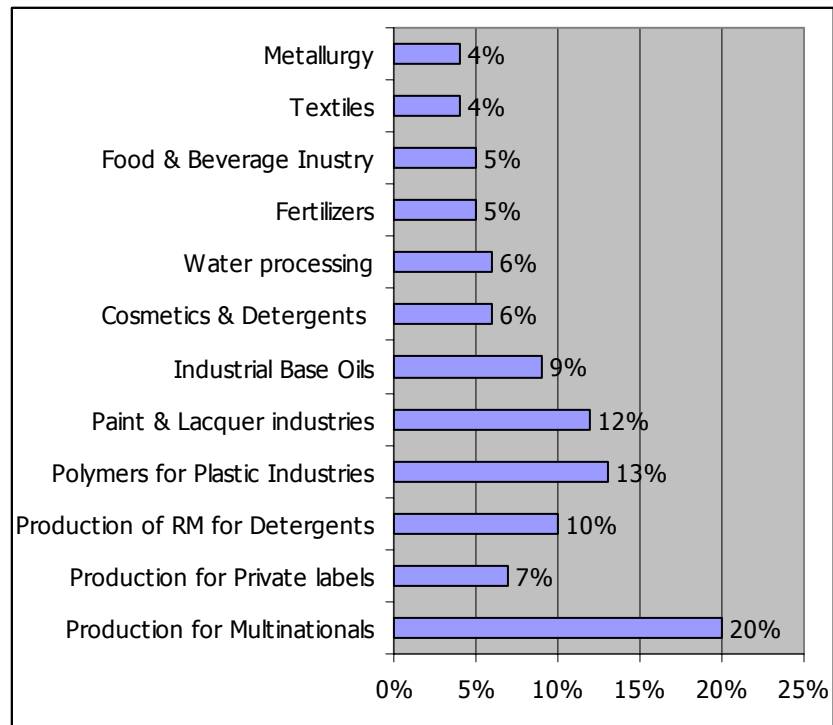
**Distribution Activities** **Distribution Activities:** Neochimiki is the largest distributor of chemical products in Greece and it is currently supplying with raw materials a variety of industries like Detergents & Cosmetics, Metallurgy, Textiles & Dyes, Water Processing, Food & Beverage, Paints & Lacquers and Plastics. More specifically Neochimiki is activating in the distribution of:

1. Polymers for plastic industries
2. Raw materials for paints and lacquer industries
3. Industrial base oils
4. Raw materials for cosmetics and detergent industries
5. Raw materials for water processing
6. Fertilizers
7. Raw materials for food and beverage industries
8. Raw materials for textile companies
9. Raw materials for metal industry

Neochimiki is the largest distributor of chemical products on behalf of major multinationals. Among them, to name few, we find Shell, BP, Basf, FMC Foret, Sasol, Rhodia, ADM, Solvay. The cooperation with large multinationals, both as suppliers and clients, coupled with the fact that Neochimiki's current clientele is consisted of 2,500 clients, are reckoned as its most important advantages.

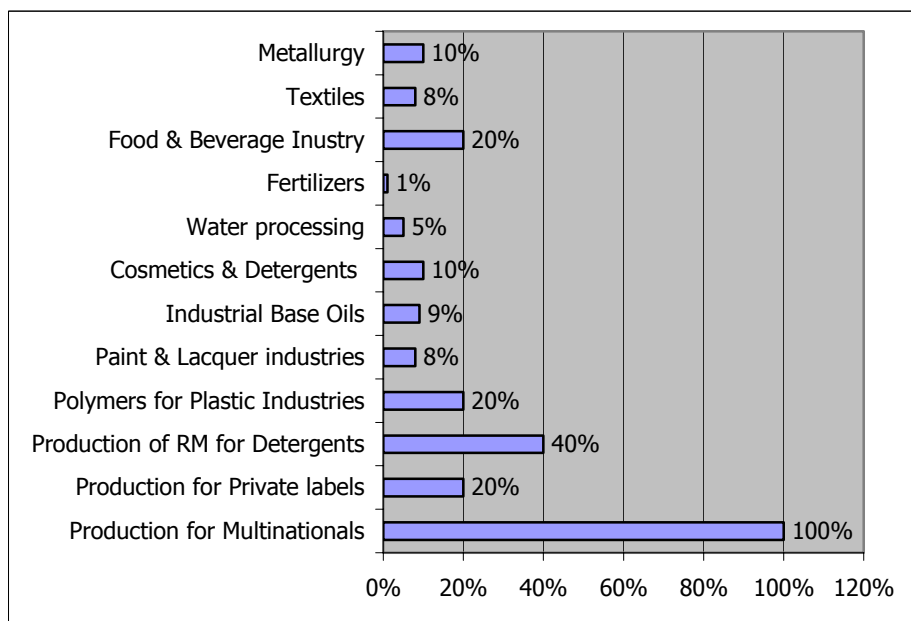
Below graphs show us the contribution of each business unit to Neochimiki's turnover, as well as, the market shares that each one of them possesses.

**Graph 2**  
SBU Contribution/Sales (2004)



Source: Neochimiki

**Graph 3**  
Market Share/Business Unit (2004)



Source: Neochimiki

## Chemical Sector

Our chemical sector's analysis is going to be focused on the distribution of raw materials in the Greek market as well as abroad, and more specifically in the Eastern European countries, and it will end up with the presentation of the detergent market and more specifically with the production activity that Neochimiki Group is exhibiting in this specific area. Every single aspect is going to be examined, of course, in terms of the growth that each one of them will be able to offer to the Group.

In Greece the **chemical sector** is exclusively based on the import of raw materials since the manufacturing units of petrochemical products are not sufficient. Until recently the distribution of raw materials was conducted exclusively by a small number of major multinationals, revealing thus a great level of concentration. Companies like BP Chemicals and Shell were importing their products and distributing them mainly through their own resources and secondarily through outsourcing. During the last years large multinationals have turned their eye to local distributors increasing thus their outsourcing. This trend has been fully exploited by Neochimiki, which right now is considered to be the **leading distributor** of chemical products on behalf of multinationals. Neochimiki's goal is to grasp this arising opportunity increasing thus its volumes, exploiting in parallel its existing installations, which are designed to handle a significantly greater capacity. According to Neochimiki, the total market of chemicals in Greece reaches the amount of €5 bn. The Group's activity is currently accounting for 1.3% of this amount. Neochimiki's **main objective** for the following years is to fight for an even bigger market share not by taking volumes from its competitors but by undertaking new deals from major multinationals, exploiting thus further the trend that such companies are currently following.

As for the **Eastern European countries** the strategy that Neochimiki is following is similar to that of the Greek market. Neochimiki is trying to evolve as one of the most significant distributors of chemical products in markets that seem very lucrative. According to Neochimiki, the total market of chemicals in Eastern Europe reaches the amount of €15bn. The Group has a market share of 0.13%. As someone can understand the prospects that these markets hide, coupled with the trend already described above, are even greater, compared to those of the Greek market. One of Neochimiki's short-term plans is either to build a production unit or a group of storage facilities (this remains to be seen), a move that reveals of course management's intentions to increase further its market share.

A similar situation is also prevailing in the **detergent area**, which is a subcategory of the chemical sector. Until recently, large multinationals had their own production units but during the last years many multinationals have decided to seize their operations turning thus to the import of the volumes that were necessary for the Greek market. Below tables confirm this trend.

Table 1

## Production of Detergents and Soaps, Greece

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 and Soaps, May 2003"

Table 2

## Consumption of Detergents and Soaps, Greece

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	190,200	50,000	10,000	230,200
1995	207,500	55,000	10,000	252,500
1996	225,800	55,000	11,000	269,800
1997	231,100	70,000	13,000	288,100
1998	231,600	85,000	14,000	302,600
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 and Soaps, May 2003"

The decrease of volumes in the cloth detergents area (Table 1), coupled with the increase of imports (Table 2), unveil the gradual withdrawal of multinationals from the production activity and the substitution of those volumes with imports. This strategic decision of large multinationals was fully exploited by Neochimiki, which after the purchase of the production facilities of Henkel Hellas (2000), has evolved in the **production process of detergents and soaps**, becoming thus a major manufacturer (toll manufacturer). According to Neochimiki the potential of substituting a part of the volumes that major multinationals are currently importing is still great. Until 2009 the company is expecting to add some extra €100 m.

**What about competition?** In terms of the **production activity** on behalf of multinationals Neochimiki is currently enjoying a monopoly, as it is the only domestic producer of detergents on behalf of major multinationals. Due to this, its main competitors are coming from abroad and these are Mc Bride, Da Silva, Persan. As for the second business unit, that of production for private labels, domestic competition is coming from Rolco Viannil, while its foreign competitors are Hayat, Interstar, Persan, Mc Bride. Rolco Viannil is considered to be one of Neochimiki's major competitors as besides its own products (Rol, Ava, Essex, Forte, Rif, Purlan, Mirage, Roli, V82) it has also managed to become a major player in the area of supplying products for private labels, establishing thus business relationships with major retail chains like AB Vassilopoulos, Carrefour etc. According to Neochimiki's management Rolco Viannil cannot threaten it in the first business unit, as it does not satisfy the prerequisites that major multinationals have set. As for the competition that is currently facing in its third business unit - that of production of raw materials for detergent industries - we would like to mention that this is coming from the Greek Kapachem and the foreign Cognis, Basf and Sasol. Since 2004, Neochimiki has added a fourth business unit that has to do with the production of resins for paints and lacquers companies. The competition that is currently facing is coming from Interchem, Chima, Petrobras, BP, Shell, Brenntag and Univar.

Summing up what we have said, in terms of production activities, Neochimiki finds itself in an advantageous position as the cost of the establishment of a factory producing detergents, coupled with the fact of well established and long term agreements with major multinationals, makes the prospect of a new key player appearance rather remote.

In terms of its **distribution activity**, Neochimiki's competitors are coming both from the domestic market and abroad. Its domestic competitors are four listed companies (Ballis, Motor Oil, Veterin and Elton Chemicals) and some other smaller ones like Rigas, Skeberis, Astron etc. Moving deeper our analysis we would like to mention that Elton Chemicals after the merger with Moscholios (another listed company) is competing with Neochimiki in the areas of Water Processing, Detergents & Cosmetics, Food & Beverage and Textiles, Veterin is activating in the area of Fertilizers, Motor Oil (market leader) in the Base Oils, while Balis in the area of Textile industries. Motor Oil cannot be seen as an immediate competitor as its activities have to do mainly with the production of petrol, diesel, oil etc. The reason why it is quoted is because it is a market leader in a business unit in which Neochimiki is currently activating.

According to Neochimiki's management a peer group does not exist, as there is not such a company in Greece that performs the variety of its business activities. Each business unit has a different rival. Besides that the market capitalization of Elton Chemicals– a company that is viewed as Neochimiki's closest rival - is such (€10.96) that cannot be compared to Neochimiki's. Due to this Neochimiki's valuation will not be done on a peer group basis.

Ending the section we would like to mention that the competition in the distribution activity is fierce and the presence of many domestic competitors and some established well-known foreign chemical distributors makes Neochimiki's mission harder. Besides that we would like to mention the significant low margins with which Neochimiki is currently operating in its distribution activities. In comparison with those of production activities (Table 3) we reach the conclusion that the differences between them are significant.

Table 3

<b>Business Units' gross margins</b>	<b>2003</b>	<b>2004</b>
<b>Production Activities</b>		
Multinationals	50%	49%
Private Labels	47%	47%
Production of Raw Materials	46%	46%
<b>Distribution Activities</b>		
Plastics	25%	24%
Paints & Lacquers	25%	24%
Detergents & Cosmetics	25%	23%
Textiles	25%	23%
Food & Beverage	25%	23%
Water Processing	40%	38%
Metallurgy	25%	23%
Fertilizers	25%	23%
Industrial Oils	0%	23%

Source: Neochimiki

## 2004 Overview

According to the financial results of FY 2004, consolidated turnover has reached the amount of €82.91m, against €55.84m in 2003, unveiling thus an increase of 48%. Consolidated EBITDA has reached the amount of €16.7m, against €11.20 m in 2003, increasing by 49%, while in terms of bottom line Neochimiki, has surged by 41% to €7.66m from €5.43m in 2003. Since 2002 the company has managed to almost double all its financial figures indicating a remarkable growth and satisfactory margins. Until now Neochimiki has succeeded to handle its increasing volumes unveiling an organized and well-prepared company. We believe that one of Neochimiki's biggest bets is to remain efficient and flexible, as according to management's estimations, its growth potential is huge.

According to Neochimiki, FY 2005' consolidated turnover is expected to reach and exceed the amount of €120m unveiling thus a growth of almost 48%. As for the bottom line, Neochimiki's estimations are talking about an amount of €11m and a y-o-y growth of approximately 40%.

**Table 4**

<b>Income Statement</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Sales	46.82	55.84	82.91
Change %		19%	48%
COGS	33.32	35.61	52.56
Gross Profit	13.50	20.23	30.35
Change %		50%	50%
Gross Profit Margin	29%	36%	37%
OPEX	5.56	9.09	13.81
EBITDA	8.00	11.20	16.66
Change %		40%	49%
EBITDA Margin	17%	20%	20%
Depreciation	1.97	2.66	4.42
EBIT	6.03	8.54	12.24
Change %		42%	43%
EBIT Margin	13%	15%	15%
Taxes	1.51	1.01	1.05
Net Profit	2.85	5.43	7.66
Change %		91%	41%
Profit Margin	6%	10%	9%

**Source:** Neochimiki, Alpha Finance, under Greek GAAP

## Q1 2005

Neochimiki's Q1 05 results show us that the company continues to grow fast, making us to believe that it will reach and surpass the target of €120 m in sales. During Q1 2005 Neochimiki's turnover stood at €24.49m from €16.54m in Q1 2004, unveiling thus a growth of 48%. EBITDA, EBIT and Net Profit increased by 44%, 47%, 46% to €5.89m, €4.30m and €2.67m, respectively. Gross profit margin rose by 1% from 32% to 33%, while its EBITDA margin decreased from 25% to 24%. Our feeling is that the gross profit margin increased, simply because the sales that came from the production activities were more than those of the distribution activities and as we have already explained (Table 3) the gross profit margins with which the production division is operating are much more higher than those of the distribution division. EBITDA margin decreased, due to the increase in the operating expenses. As a result profit margin remained stable. Q1 2005 results confirm Neochimiki's estimations and make us optimistic as the company is currently enjoying a high rate of growth.

**Table 5**

<b>Income Statement</b>	<b>Q1 2004</b>	<b>Q1 2005</b>
Sales	16.54	24.49
Change %		48%
COGS	11.18	16.33
Change %		46%
Gross Profit	5.36	8.16
Gross profit Margin	32%	33%
OPEX	1.28	2.27
Change %		77%
EBITDA	4.08	5.89
Change %		44%
EBITDA Margin	25%	24%
Depreciation	1.15	1.59
EBIT	2.93	4.30
Change %		47%
EBIT Margin	18%	18%
Financials, Net	0.84	1.15
EBT	2.09	3.15
Change		51%
EBT Margin	13%	13%
Taxes	0.26	0.48
Minorities	0.07	0.00
Net Profit	1.83	2.67
Change %		46%
Profit Margin	11%	11%

**Source:** Neochimiki, Alpha Finance  
Under IFRS

## Prospects of Growth

- Production on behalf of Multinationals** As we have already mentioned in the beginning of our report, Neochimiki's operations depend on the substitution of imports and the undertaking of the production of several brands on behalf of major multinationals. Besides that, and as for its distribution activities, Neochimiki's goal is to undertake the distribution of products and raw materials that major multinationals are currently doing in the Greek market. In line with the above-mentioned practices Neochimiki is ready to start the production of new detergents and the distribution of raw materials and products on behalf of major multinationals establishing thus new and profitable agreements. Neochimiki has already agreed with **Henkel** to proceed into the production of **Dixan**, **Persil** and other **softeners** enhancing thus its production activities in one of its major business units ensuring in parallel its growth in the coming years.
- Private label products** Furthermore and as for its production activities we would like to mention that the market that has to do with private label products has not matured yet. The market shares of such products are still small and are expected to increase in the long run, taking off a slice of the market share that major brands are currently enjoying. According to Neochimiki, private label products in Greece hold a market share of **10%**, while those of European countries are in between **20%** and **25%**. Besides that we should not forget the fact that private label products are sold with a discount and are generally preferred by consumers with low income. This specific category of consumers is going to increase due to the increasing number of economic immigrants that are coming in our country. It is a market that appears to be very promising and Neochimiki's goal is to increase its market penetration. Having almost all of the major retail chains (8 out of 10) Neochimiki is ready to proceed into new agreements.
- Fertilizers** Based on Neochimiki's estimations, and as for its distribution activities, the undertaking of distribution of fertilizers on behalf of Haifa, coupled with the oncoming privatization of the V.F.L, which is of public interests, and the financial problems that Veterin is currently facing, offer to Neochimiki another source of growth in a market, which Neochimiki has estimated to reach €450m.
- Plastics** Furthermore the undertaking of distribution of raw materials that are addressing to the plastic industry on behalf of **BP** Company will also contribute to the increase of sales. In line with the above mentioned agreements comes also the undertaking of distribution of **Polymerlatex** products, which are also addressing to the plastic industry.
- Geographic Expansion** Besides the agreements that Neochimiki has established and whose goal is the substitution of imports as well as the substitution of distribution of products of major multinationals, it is also taking care of its geographic expansion by ensuring its presence in markets that until recently was not active. Due to this and after its expansion in countries of the Balkan Peninsula the establishment of a new subsidiary (Atlantic Polymers & Chemicals GmbH) in Germany gives Neochimiki the opportunity to activate in Germany, Poland, Czech Republic, Moldavia, Russia, France, Italy and Spain.

### SWOT Analysis

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Neochimiki is the market leader in the production of detergents. Competition is coming only from abroad.</li> <li>• It is the market leader in the distribution of chemical materials.</li> <li>• Strong relationships with major multinationals.</li> <li>• There is no dominant client. Neochimiki has a clientele basis of 2,500 customers.</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Weak Free Cash Flows until 2009.</li> <li>• Satisfactory cash flows are coming from 2010 onwards.</li> <li>• Payment Terms: The Company pays within 80 days, while ACP is almost 100 days.</li> <li>• 60% of its total turnover is coming from its distribution activities.</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Neochimiki has not fully exploited yet the benefits that the substitution of imports is offering to the local market. Therefore the perspectives of further growth in the production activity area are still great.</li> <li>• The emergence of private label products.</li> <li>• Further expansion of its business activities in the Eastern European markets.</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Neochimiki is fully dependent on the strategic decisions of large multinationals. What is going to happen if large multinationals suddenly decide to change their strategy?</li> </ul>

## Valuation

Before starting analysing our **DCF model** we believe that it would be very useful to mention several things that have to do with Neochimiki's distribution activities. As already mentioned in the beginning of our report the business units with which Neochimiki is activating are nine. Among them, four business units will not increase significantly. Sales that are coming from the distribution of raw materials to **textile industry and metallurgy** are not going to prosper, as both of these sectors are currently facing a very difficult period. More specifically the emergence of Chinese products and the increase in their demand has seriously damaged the domestic textile industry, while metallurgy also finds itself into a transitional period as the completion of 2004 Olympic Games has decreased the local demand.

In terms of the distribution of raw materials for water processing purposes, we would like to mention that this is a sector for which we do not have sufficient data. The presence of clients, like EYDAP (The Athens Water Supply and Sewerage Company), in Neochimiki's clientele, coupled with the presence of many retailers or clients that have swimming pools, lead us to the conclusion that we won't see any dramatic increase or decrease in the future, unless otherwise stated from the company. If for example Neochimiki's clientele did not include EYDAP, a possible co-operation with it would lead to a significant upside. Now, in the absence of clients of such magnitude and as the volumes that are coming from this business unit almost exclusively depend on retailers we do not expect any major increases in the future. The same thing more or less applies in the distribution of raw materials for Detergents and Cosmetics. This too is a business unit, which is not going to significantly increase in the coming years.

Our DCF model points to a **target price** of €4.19, providing a 5% upside from current levels. We have proceeded to the construction of our DCF model having in mind **two parameters**. **First of all**, and according to Mr. Lavrentiadis, the whole process of the substitution of imports and the undertaking of production of detergents, on behalf of major multinationals, will complete its cycle within 15 years. Based on that we have taken as a base year, the year **2000**, when Neochimiki purchased Henkel's facilities and as a terminal year, the year **2015**. The **second parameter** has to do with Neochimiki's estimations regarding its sales' prospects, after the period of 2005-2009 for which explicit company's estimates have been provided. Mr. Lavrentiadis is expecting sales to reach the amount of €1bn until 2012. From that point and on and until 2015 (terminal year) we do not have any information about sales' progress. Although Neochimiki's management is very optimistic and expects to retain the same, more or less, levels of growth we prefer to adopt a rather conservative scenario expressing thus our skepticism as our visibility cannot approach with certainty a time period of 8 to 10 years ahead.

Our model is divided into **three stages**. The first stage has to do with a time period of 5 years and more specifically from **2005-2009**. According to management's estimates and until **2009**, consolidated turnover is expected to reach €340m. From that point and on and until **2012**, sales are evolving with a CAGR 06-09 of 28% reaching thus, in 2012, a turnover of €720m. From **2013** and until the terminal year **2015**, we have assumed that sales are going to evolve with a 16% growth.

**Sales** are expected to grow due to the continuous substitution of imports that is currently consisting a trend in the Greek market. Besides that, Neochimiki's galloping is also based on the estimation that the Greek market of private labels will also increase in the following years. Furthermore the entrance of Neochimiki into new and emerging markets and the distribution of raw chemical materials on behalf of major multinationals will strengthen Neochimiki's volumes.

More specifically the increase of its production activity during the period 2005-2009, on behalf of major multinationals, is estimated to be of 10,000tn y-o-y, while its second business unit, that of production of detergents for private labels, is expected to grow by 6,000tn until 2007, 12,000tn in 2008 and 18,000tn in 2009 taking advantage thus of the market penetration that private label products are going to enjoy the following years. Furthermore Neochimiki's ample activation in business units in which its presence during the previous years was not so strong, like the production of resins and the distribution of industrial base oils, fertilizers and polymers not only in the Greek market but also abroad, will boost the sales of each business unit separately, contributing thus significantly to the company's total turnover.

**EBIT margin** is expected to decrease from 15% in 2004 to 11% in 2009, while from 2010 onwards it will move between 11% and 10%.

**Taxation:** Although company's guidance is talking about an average effective rate of 17% taking advantage of the low taxation rates that currently prevails in Eastern European countries, as well as, its continuous accession into new development laws, we have chosen to apply the actual tax rates for the explicit period 2006-2009, that is 29% for 2006 and 25% from 2007 and until 2009. From 2010 onwards when 70% of Neochimiki's total turnover would be coming from abroad (Neochimiki's estimations), we have applied a 22% tax rate instead of the actual 25% holding thus a rather conservative stance. At this point we would like to mention that the majority of Neochimiki's profits, after the year 2010, would be coming from countries like Romania, Serbia, Cyprus and Bulgaria where the current tax rates are much lower than the one of Greece. The fact that the realization of such an effective tax rate (17%) is quite remote (2010) coupled with the fact that we have to discount the same rate from 2010 until 2015 lead us to assign a rather "high" (22%) tax rate (compared to Neochimiki's guidance).

**Depreciation** is expected to increase due to the continuing investments that Neochimiki is planning to implement.

**Capex:** According to Neochimiki's management and during the following five years (2005-2009) its Capex will move in between €12m-€15m. From 2010 and until 2014, Capex is expected to remain the same (we have assumed €15m), as company's growing needs demand further investment in production and storage facilities, while in the year 2015 Capex is expected to increase by €1m to €16m.

**Working Capital:** Working capital needs increase year over year following thus the sales' growing pattern and being one of our model's most sensitive parts. From 2009, working capital needs are expected to decelerate, as according to Neochimiki's management, its further penetration into foreign countries will help the company to succeed better payment terms, decreasing thus the average collection period. At this point we would like to mention that in 2009, 1/3 of group's total turnover would be coming from foreign activities. We have incorporated in our model the aforementioned likelihood assuming a 1% decrease from 2010 onwards in company's working capital needs. Managing working capital needs to a reasonable level is Neochimiki's biggest bet, as right now is one of the reasons of company's weak free cash flows. If the problem of working capital needs remain unsolved then the valuation of the firm will not change.

Years	1	2	3	4	5	6	7	8	9	10
DCF model (€m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	160.59	202.99	261.70	339.92	436.44	560.38	719.51	834.63	968.17	1,123.07
Growth %		26%	29%	30%	28%	28%	28%	16%	16%	16%
EBIT	20.72	24.55	30.20	38.33	47.06	57.77	70.92	82.26	95.43	110.70
EBIT Margin	13%	12%	12%	11%	11%	10%	10%	10%	10%	10%
EBIT*(1-Tax Rate)	14.71	18.42	22.65	28.75	36.71	45.06	55.32	64.17	74.43	86.34
Tax Rate	29%	25%	25%	25%	22%	22%	22%	22%	22%	22%
Depreciation	6.75	7.97	9.24	10.10	11.00	11.80	12.70	13.50	14.40	15.40
Working Capital Needs	10.81	11.64	16.70	21.38	22.00	28.10	36.00	41.70	48.40	56.10
Capex	13.00	14.00	14.00	15.00	15.00	15.00	15.00	15.00	15.00	16.00
Debt	92.18	96.95	106.10	118.00	118.00	118.00	118.00	118.00	118.00	118.00
WACC	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
FCFF	-2.35	0.74	1.19	2.47	10.71	13.76	17.02	20.97	25.43	29.64
Discounted FCFF	-2.16	0.63	0.94	1.81	7.23	8.59	9.82	11.19	12.54	13.52
Perpetuity Growth	0%									
Total Present Value of FCFF	64.09									
Terminal Value	165.43									
Enterprise Value	229.52									
Net Debt	78.63									
Equity Value	150.89									
Equity value/share	4.19									
Upside/Downside	5%									

WACC Assumptions	
Risk Free Rate: 3.75%	Expected Market Return: 8.95%
Equity Risk Premium: 5.20%	Cost of Equity: 11.03%
Beta: 1.40	Cost of Debt: 6%

**Our view** Although we do like Neochimiki's business story, we are particularly concerned with its cash flow generation capacity. The fact that Neochimiki is obliged to pay its suppliers within 80 days, coupled with the fact that the average collection period is 100 days, increase working capital needs, decreasing thus in parallel cash flows. Although its cash flows from 2007 and until 2009 are positive, the magnitude of them is such that is considered to be immaterial. From 2009 onwards, cash flows are expected to increase. Despite the fact that from 2013 and until 2015 the growth of sales will decelerate, working capital needs and Capex will remain considerably high.

Despite being initially attracted by Neochimiki's growth we end up puzzled by weak cash flows until 2009, stemming from its high working capital needs and Capex, not to mention the risk of discounting quite remote cash flows. According to our model, satisfactory cash flows are expected from 2010 onwards, that is after 5-6 years, and only in the case that Neochimiki manages to improve its payment terms. Furthermore Neochimiki's product mix is such that 60% of its total turnover that is coming from its distribution activities contributes a lot to the contraction of gross profit margins. Based on that, we have approached the company holding a rather conservative stance in cases like taxation and working capital needs, for example, or the growth rate with which company's sales are going to evolve from 2013 onwards, choosing thus to present a conservative portrait of the company rather than a "bullish" one.

We will keep watching Neochimiki's case, as the tempo with which its sales increase is remarkable, waiting for some improvement in their working capital needs. The prospect of changing the product mix, coupled with the improvement in the average collection period that Neochimiki is expecting from its activities abroad, might prove enough to change the company's valuation. Right now and based on our assumptions and Neochimiki's estimates until 2009, we believe that the company is fairly valued. **We initiate coverage with a "neutral-high risk" rating and a target price of €4.19 a share.**

## Financial tables

<b>Balance Sheet</b>								
<b>ASSETS</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Installation Expenses, Net	0.29	1.74	2.69	1.86	1.04	0.21	0.00	0.00
<b>Fixed Assets</b>								
Tangible assets, net	31.65	50.85	89.42	96.74	103.81	110.67	115.64	120.54
Participations	0.03	0.08	0.12	0.12	0.12	0.12	0.12	0.12
<b>Total Fixed Assets</b>	<b>31.68</b>	<b>50.93</b>	<b>89.54</b>	<b>96.86</b>	<b>103.93</b>	<b>110.79</b>	<b>115.8</b>	<b>120.66</b>
<b>Current Assets</b>								
Inventories	8.61	11.20	19.14	22.89	30.87	39.02	50.31	65.34
Accounts Receivable	15.24	22.76	21.36	32.68	43.57	55.27	71.76	93.21
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marketable Securities	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Cash	0.59	1.20	1.83	1.63	7.22	7.52	12.20	20.42
<b>Total Current Assets</b>	<b>24.44</b>	<b>35.17</b>	<b>42.33</b>	<b>57.20</b>	<b>81.66</b>	<b>101.82</b>	<b>134.27</b>	<b>178.97</b>
Other	0.09	0.37	0.31	0.31	0.31	0.31	0.31	0.31
<b>Total Assets</b>	<b>56.50</b>	<b>88.21</b>	<b>134.87</b>	<b>156.23</b>	<b>186.94</b>	<b>213.13</b>	<b>250.34</b>	<b>299.94</b>
<b>LIABILITIES</b>								
<b>Shareholders' Equity</b>								
Share Capital	7.15	10.80	10.80	10.80	10.80	10.80	10.80	10.80
Share Premium	0.00	6.53	6.53	6.53	6.53	6.53	6.53	6.53
Adjustment differences	0.38	0.19	16.07	16.07	16.07	16.07	16.07	16.07
Reserves	3.07	7.77	14.15	19.81	28.84	40.79	55.92	75.78
Retained Earnings	3.18	1.89	0.59	2.07	3.57	4.62	6.30	8.83
FX differences	0.00	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Consolidation Differences	0.00	0.00	-4.61	-4.61	-4.61	-4.61	-4.61	-4.61
Minorities	1.00	1.27	0.27	0.27	0.27	0.27	0.27	0.27
<b>Total Equity</b>	<b>14.78</b>	<b>28.43</b>	<b>43.78</b>	<b>50.92</b>	<b>61.45</b>	<b>74.45</b>	<b>91.25</b>	<b>113.66</b>
Provisions	0.00	0.02	0.32	0.32	0.32	0.32	0.32	0.32
<b>Liabilities</b>								
<b>Long Term Liabilities</b>								
Loans (Bank Loans, Bonds)	21.00	33.00	57.64	52.41	47.18	41.95	52.10	65.00
Other L/T Liabilities	0.00	0.01	0.05	0.05	0.05	0.05	0.05	0.05
<b>Total L/T Liabilities</b>	<b>21.00</b>	<b>33.01</b>	<b>57.69</b>	<b>52.46</b>	<b>47.23</b>	<b>42.00</b>	<b>52.15</b>	<b>65.05</b>
<b>Short Term Liabilities</b>								
Suppliers	7.57	8.72	12.05	18.42	25.41	32.29	41.72	54.81
S/T Bank Loans	9.87	14.77	15.82	27.85	45.00	55.00	54.00	53.00
Dividends	0.63	2.02	2.21	2.40	2.60	2.80	3.00	3.20
Other S/T Liabilities	2.51	1.13	2.84	3.70	4.77	6.10	7.73	9.75
<b>Total S/T Liabilities</b>	<b>20.58</b>	<b>26.64</b>	<b>32.92</b>	<b>52.37</b>	<b>77.78</b>	<b>96.19</b>	<b>106.46</b>	<b>120.76</b>
<b>Total Liabilities</b>	<b>41.58</b>	<b>59.65</b>	<b>90.61</b>	<b>104.83</b>	<b>125.01</b>	<b>138.19</b>	<b>158.61</b>	<b>185.81</b>
Other	0.14	0.11	0.16	0.16	0.16	0.16	0.16	0.16
<b>Total Equity &amp; Liabilities</b>	<b>56.50</b>	<b>88.21</b>	<b>134.87</b>	<b>156.23</b>	<b>186.94</b>	<b>213.12</b>	<b>250.34</b>	<b>299.94</b>

<b>Income Statement</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales	46.82	55.84	82.91	119.09	160.59	202.99	261.70	339.92
Change %		19%	48%	44%	35%	26%	29%	30%
COGS	33.32	35.61	52.56	82.95	114.45	146.35	191.35	251.35
Change %		7%	48%	58%	38%	28%	31%	31%
<b>Gross Profit</b>	<b>13.50</b>	<b>20.23</b>	<b>30.35</b>	<b>36.14</b>	<b>46.14</b>	<b>56.64</b>	<b>70.35</b>	<b>88.57</b>
Change %		50%	50%	19%	28%	23%	24%	26%
<b>Gross Profit Margin</b>	<b>29%</b>	<b>36%</b>	<b>37%</b>	<b>30%</b>	<b>29%</b>	<b>28%</b>	<b>27%</b>	<b>26%</b>
<b>Other Operating Income</b>	<b>0.06</b>	<b>0.06</b>	<b>0.12</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>OPEX</b>								
<b>Administration Expenses</b>	<b>1.22</b>	<b>2.37</b>	<b>3.70</b>	<b>3.60</b>	<b>4.00</b>	<b>5.15</b>	<b>6.64</b>	<b>8.62</b>
Change %		94%	56%	-3%	11%	29%	29%	30%
% Sales	3%	4%	4%	3%	2%	3%	3%	3%
<b>R &amp; D</b>	<b>0.00</b>	<b>0.06</b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.08</b>
Change %								
% Sales		0%	0%	0%	0%	0%	0%	0%
<b>Distribution Expenses</b>	<b>4.34</b>	<b>6.66</b>	<b>10.05</b>	<b>11.43</b>	<b>14.60</b>	<b>18.90</b>	<b>24.20</b>	<b>31.43</b>
Change %		53%	51%	14%	28%	29%	28%	30%
% Sales	9%	12%	12%	10%	9%	9%	9%	9%
<b>Total Operating Expenses</b>	<b>5.56</b>	<b>9.09</b>	<b>13.81</b>	<b>15.09</b>	<b>18.67</b>	<b>24.12</b>	<b>30.91</b>	<b>40.14</b>
<b>EBITDA</b>	<b>8.00</b>	<b>11.20</b>	<b>16.66</b>	<b>21.05</b>	<b>27.47</b>	<b>32.52</b>	<b>39.44</b>	<b>48.43</b>
Change %		40%	49%	26%	30%	18%	21%	23%
<b>EBITDA Margin</b>	<b>17%</b>	<b>20%</b>	<b>20%</b>	<b>18%</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>
<b>Depreciation</b>	<b>1.97</b>	<b>2.66</b>	<b>4.42</b>	<b>5.51</b>	<b>6.75</b>	<b>7.97</b>	<b>9.24</b>	<b>10.10</b>
<b>EBIT</b>	<b>6.03</b>	<b>8.54</b>	<b>12.24</b>	<b>15.54</b>	<b>20.72</b>	<b>24.55</b>	<b>30.20</b>	<b>38.33</b>
Change %		42%	43%	27%	33%	19%	23%	27%
<b>EBIT Margin</b>	<b>13%</b>	<b>15%</b>	<b>15%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>12%</b>	<b>11%</b>
<b>Financials</b>								
Income from securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Income	0.03	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Interest Expense	-1.50	-2.17	-3.34	-4.61	-5.17	-5.67	-6.09	-6.72
Other Expenses	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financials, Net</b>	<b>-1.48</b>	<b>-2.16</b>	<b>-3.32</b>	<b>-4.59</b>	<b>-5.15</b>	<b>-5.65</b>	<b>-6.07</b>	<b>-6.70</b>
				4.61	5.17	5.67	6.09	6.72
<b>Extraordinary Items, Net</b>	<b>-0.09</b>	<b>0.25</b>	<b>-0.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EBT</b>	<b>4.46</b>	<b>6.63</b>	<b>8.72</b>	<b>10.95</b>	<b>15.57</b>	<b>18.90</b>	<b>24.13</b>	<b>31.63</b>
Change %		49%	31%	26%	42%	21%	28%	31%
<b>EBT Margin</b>	<b>0.10</b>	<b>0.12</b>	<b>0.11</b>	<b>0.09</b>	<b>0.10</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>
<b>Minorities</b>	<b>0.10</b>	<b>0.19</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>EBTAM</b>	<b>4.36</b>	<b>6.44</b>	<b>8.71</b>	<b>10.94</b>	<b>15.56</b>	<b>18.89</b>	<b>24.12</b>	<b>31.62</b>
Change %		48%	35%	26%	42%	21%	28%	31%
<b>Taxes</b>	<b>1.51</b>	<b>1.01</b>	<b>1.05</b>	<b>1.42</b>	<b>2.43</b>	<b>3.10</b>	<b>4.34</b>	<b>6.02</b>
<b>Net Profit (Cons)</b>	<b>2.85</b>	<b>5.43</b>	<b>7.66</b>	<b>9.52</b>	<b>13.13</b>	<b>15.79</b>	<b>19.78</b>	<b>25.60</b>
Change %		91%	41%	24%	38%	20%	25%	29%
<b>Profit Margin</b>	<b>6%</b>	<b>10%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>

<b>Cash Flow Statement</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Operating Cash Flow</b>								
Net Profit	2.85	5.43	7.66	9.52	13.13	15.79	19.78	25.60
Plus Minorities	0.10	0.19	0.01	0.01	0.01	0.01	0.01	0.01
Plus: Depreciation	1.97	2.66	4.42	5.51	6.75	7.97	9.24	10.10
Plus: Change in Provisions		0.02	0.30	0.00	0.00	0.00	0.00	0.00
<b>Gross Cash Flow</b>	<b>4.92</b>	<b>8.30</b>	<b>12.39</b>	<b>15.04</b>	<b>19.89</b>	<b>23.77</b>	<b>29.03</b>	<b>35.71</b>
<b>Working Capital</b>								
Less: Inventories		2.59	7.94	3.75	7.98	8.15	11.29	15.04
Less: Accounts Receivable		7.52	-1.40	11.32	10.89	11.70	16.49	21.45
Less: Other Receivables		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plus: Suppliers		1.15	3.33	6.37	6.99	6.88	9.43	13.08
Plus: Other S/T liabilities		-1.38	1.71	0.86	1.06	1.33	1.64	2.02
<b>Change in Working Capital</b>		<b>10.34</b>	<b>1.50</b>	<b>7.85</b>	<b>10.81</b>	<b>11.64</b>	<b>16.70</b>	<b>21.38</b>
<b>Operating Cash Flow</b>		<b>-2.04</b>	<b>10.89</b>	<b>7.20</b>	<b>9.08</b>	<b>12.13</b>	<b>12.33</b>	<b>14.33</b>
<b>Investing Cash Flow</b>								
Less: Capex		22.81	41.89	12.00	13.00	14.00	14.00	15.00
		-24.85	-31.00	-4.80	-3.92	-1.87	-1.67	-0.67
<b>Financing Cash Flow</b>								
Plus: Share Capital		3.65	0.00	0.00	0.00	0.00	0.00	0.00
Plus: Debt		16.90	25.69	6.80	11.92	4.77	9.15	11.90
Minus: Dividends		0.67	2.02	2.20	2.40	2.60	2.80	3.00
<b>Change in Cash Position</b>		<b>-4.97</b>	<b>-7.33</b>	<b>-0.20</b>	<b>5.60</b>	<b>0.30</b>	<b>4.68</b>	<b>8.23</b>
<i>Adjustment</i>								
Liquid Funds Jan. 1st		0.59	1.21	1.83	1.63	7.22	7.52	12.20
Liquid Funds Dec. 31	0.59	1.21	1.83	1.63	7.22	7.52	12.20	20.42

<b>Ratios</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Liquidity Ratios</b>								
Current Ratio (Times)	1.19x	1.32x	1.29x	1.09x	1.05x	1.06x	1.26x	1.48x
Quick or acid ratio (Times)	0.77x	0.90x	0.70x	0.66x	0.65x	0.65x	0.79x	0.94x
<b>Asset Management Ratios</b>								
Inventory Turnover	94.32	114.80	132.92	100.73	98.45	97.32	95.96	94.89
Days Sales Outstanding (ACP)	118.81	148.77	94.03	100.16	99.03	99.39	100.08	100.08
Creditors' Payment period	82.92	89.38	83.68	81.04	81.04	80.54	79.59	79.59
Fixed Assets Turnover	1.48	1.10	0.93	1.23	1.55	1.83	2.26	2.82
Total Assets Turnover	0.83	0.63	0.61	0.76	0.86	0.95	1.05	1.13
<b>Debt Management Ratios</b>								
Debt /Asset Ratio	74%	68%	67%	67%	67%	65%	63%	62%
<b>Profitability Ratios</b>								
Profit Margin	6%	10%	9%	8%	8%	8%	8%	8%
ROA	5%	6%	6%	6%	7%	7%	8%	9%
ROE	19%	19%	17%	19%	21%	21%	22%	23%
<b>Market Value Ratios</b>								
P/E		26.51x	18.80x	15.13x	10.97x	9.12x	7.28x	5.63x
P/BV (Times)		5.30x	3.31x	2.84x	2.35x	1.94x	1.58x	1.27x

Source: Alpha Finance

**Alpha Finance S.A.**

Member of the ASE  
5 Merlin street, 106 71 Athens  
Greece

T: +30-210-3677400, 3677545  
F: +30-210-3677514

[research@alphafinance.gr](mailto:research@alphafinance.gr)  
[www.alphafinance.gr](http://www.alphafinance.gr)

**Alpha Finance U.S. Corp.**

Member NASD, SIPC  
410 Park Avenue,  
New York, NY10022

T: +1-212-6569100  
F: +1-212-6569137

[sales@alphafinanceus.com](mailto:sales@alphafinanceus.com)  
[www.alphafinanceus.com](http://www.alphafinanceus.com)

**Alpha Finance Romania S.A.**

237B, Calea Dorobantilor  
2-nd floor, 712811, Sector 1  
Bucharest, Romania

T: +40-21-2092233  
F: +40-21-2315332

[office@alphafinance.ro](mailto:office@alphafinance.ro)  
[www.alphafinance.ro](http://www.alphafinance.ro)

**Alpha Finance Ltd.**

Agapinoros & Makariou street,  
P.O. Box 21661, 1596  
Nicosia, Cyprus

T: +357-22-885761

[investment@alphabank.com.cy](mailto:investment@alphabank.com.cy)

**Research**

Dimos Revelas  
George Pavlopoulos  
Thanos Ipirotis  
Dimitrios Giannoulis  
Manouos Stathoudakis  
Alexis Ahiliou  
T: +30-210-3677545  
F: +30-210-3677514  
[research@alphafinance.gr](mailto:research@alphafinance.gr)

**Sales - Trading**

Natasa Martseki  
Ariana Kourtali  
Vassilis Galleos  
Aris Ioannidis  
Stratis Aliprantis  
George Goufas  
Maria Vryoni  
Giota Kouli  
Christos Xikis

**Derivatives**

Lefteris Syrrakos  
Andreas Papanayotopoulos  
Dimitris Spartiotis  
Evangelos Kondylis  
Anastasia Koziraki

**Foreign Markets**

Petros Delagrammatikas  
Ioannis Batistakis  
Giannis Giouremos  
George Vaporidis

[name.surname@alphafinance.gr](mailto:name.surname@alphafinance.gr)

**Definition of Ratings**

Fundamental rating	-----Risk rating-----			Relative to	Horizon	% of AF Universe <sup>2</sup>
	Low	Medium	High			
Outperform	-----TRP <sup>1</sup> > +5%-----		TRP <sup>1</sup> > +15%	FTSE140	Dec. '05	49%
Neutral	-----(-5%) < TRP <sup>1</sup> < +5%-----					31%
Underperform	-----TRP <sup>1</sup> < (5%)-----		TRP <sup>1</sup> < (15%)			3%
Restricted (G)	Alpha Finance belongs to the same group of companies					3%
Restricted (IB)	Alpha Finance is rendering investment banking services					1%
Under review	No rating currently available					13%

Source: AF Research | 1: Total Return Potential (capital return + dividend yield) | 2: as of 10.12.04 | The AF universe consists of 70 companies accounting as of 10.12.04 for: 84% of total market value and 90% of the FTSE 140 market value

This report by no means provides investment advice as to any financial instruments contained herein. We aim to express our value judgements as to possible or existing investments, without any existing contractual obligation to our clients. We cannot assume any liability for any investments undertaken by our clients, since these investments will be a product of their own free will.

The information contained in this report has been taken from sources, which we deem to be reliable. We do not represent that such information is accurate or complete and it should not be relied upon as such.

All opinions and estimates expressed herein constitute our judgement as of this date and are subject to change without notice.

No part of this report may be reproduced in any manner without the prior written permission of the issuing company.