



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Investment Research



**Index: FTSE-ASE Small-Cap 80
Sector: Chemicals-Diversified**

Update

May 10, 2005

Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document. In accordance with § 34b WpHG (Securities Trading Law), this financial analysis is exclusively for the distribution to individuals that buy or sell transferable securities at their own account or at the account of others in connection with their trading activities, occupation, or employment.

Disclaimer

Recommendation

Buy:	We expect absolute return to appreciate 20% or more over a 6-month period.
Accumulate:	We expect absolute return to be between 0% to 20% over a 6-month period.
Reduce:	We expect absolute return to be between 0% to -20% over a 6-month period.
Sell:	We expect absolute return to depreciate 20% or more over a 6-month period.

This document has been prepared by Independent Research GmbH independently of the companies mentioned in it. The opinions and forecasts contained in this document are exclusively those of Independent Research GmbH. The information and opinions are related to specific dates and may be changed at any time without prior notice.

Independent Research GmbH has prepared the contents of this document on the basis of generally available sources that are deemed to be reliable, but which it has not checked independently. For this reason, no express nor implied guarantee is given for the balance, accuracy, completeness or correctness of the information or opinions contained in this document. The recipient of this document should not rely on this information or these opinions. Independent Research GmbH assumes no responsibility nor liability for any damage resulting from the use of this document or the information contained therein or otherwise connected with it. Any investment decision should be based on a properly approved Prospectus or information memoranda and under no circumstances on the basis of this document.

This document represents neither an offer nor an invitation to subscribe or buy a security, nor does this document or the information contained in it form the basis for a contractual or other obligation of any kind.

The document is only intended for distribution to persons who in connection with their trade, profession or employment buy or sell transferable securities on own account or for third-party account. It is made available to them exclusively for information purposes. This document is subject to Independent Research GmbH copyright; it may not be reproduced either in part or in its entirety, nor may it be distributed on to another person.

Quotations from this document are to bear a citation of source. Any use beyond this requires previous written permission from Independent Research GmbH.

In the United Kingdom this document is only intended for distribution to persons described in Section 11(3) of the Financial Services Act 1986 (Investments Advertisements) (Exemptions) Order 1996 (in the latest amended version), and may not be passed on either directly nor indirectly to another group of persons. Neither this document nor a copy thereof may be sent or taken to or distributed in the United States of America, Canada or Japan or their territories or possessions nor may it be distributed to a US person as defined by the terms of the US Securities Act 1933 or to persons resident in Canada or Japan. Distribution of this document in other jurisdictions may be limited by law and persons in possession of this document should inform themselves of any restrictions and comply with these. Any failure to comply with these restrictions may represent a breach of current securities acts.

Independent Research GmbH and/or its affiliated companies and/or members of its management and/or employees may hold positions in any securities mentioned in this document or in connected investments and may increase or sell their holdings in these securities or connected investments.

Analysts of Independent Research GmbH and members of their households as well as persons reporting to the analysts generally must not have any financial interests in securities or futures of the companies being covered by a given analyst.

Possible conflicts of interest - As at: 05/10/2005 -

Neither Independent Research GmbH nor any affiliated company

- 1) hold an interest of 1% or more of the equity capital of the company being covered in this report.
- 2) was involved in the issuing of the securities analysed in this report.
- 3) hold a net short position of 1% or more of the analysed company's equity capital.
- 4) support the company on the stock exchange and in the market on the basis of a concluded contract.

Exception: Neochimiki L.V. Lavrentiadis S.A. and Independent Research GmbH have a business relationship concerning the preparation of research reports.

On acceptance of this document the recipient accepts that the above restrictions are binding.

As at: - 05/10/2005 -

Independent Research GmbH
 Managing director: Pierre Drach
 Staufenstr  e 46
 D-60323 Frankfurt
 Phone: +49-(0)69/971490-0
 Fax: +49-(0)69/971490-90
 e-mail: info@irffm.de

Responsible Supervisory Authority
 Bundesanstalt f  r Finanzdienstleistungsaufsicht
 Graurheindorfer Stra  e 108
 D-53117 Bonn
 and
 Lurgiallee 12
 D-60439 Frankfurt

NEOCHIMIKI L.V. LAVRENTIADIS S.A. 4)

Buy (Buy)

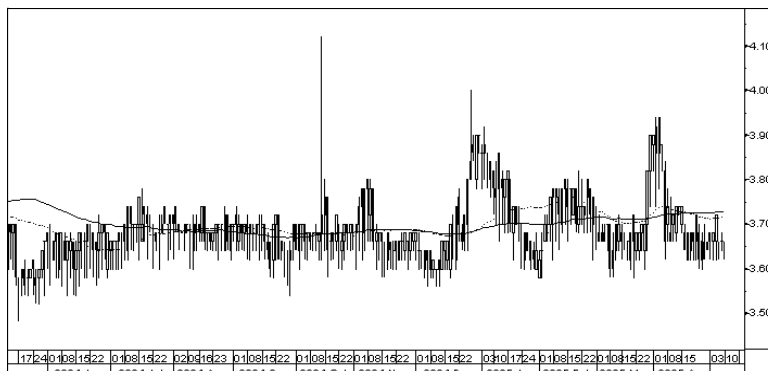
Event:

1st Quarter-Figures

Recommendation:

Buy

IR	1	2	2
Rating	Growth	Investor Relations	Dependability

Author: Norbert Kreflow (Analyst)

Neochimiki L.V. Lavrentiadis S.A.; May 10, 2005

- ⇒ **Neochimiki presented figures for fiscal year 2004 and Q1 2005 which were above our expectations**
- ⇒ **Neochimiki has a favourable market position. From our perspective Neochimiki has the strategic success factors necessary for continuing profitable growth in the future**
- ⇒ **The Neochimiki share is a suitable investment for both, growth investors and investors seeking risk reduction and return enhancement via international diversification**
- ⇒ **Based on our assumptions Neochimiki's share is undervalued. According to our DCF model we estimate the fair market value of equity at EUR200.7m (before: EUR197.4). We maintain our Buy recommendation at an unchanged target price of EUR 5.50**

Neochimiki L.V. Lavrentiadis S.A		Chemicals-Diversified		Performance (in %)				
Country	GR	Fiscal year	31. Dez	Rel. 1 Month	2.4			
Shares (m)	36.000	www.neochimiki-lavrentiadis.gr/		Rel. 3 Months	-2.4			
∅ Trading Volume	322,132	Last dividend (Euro)	0.056	Rel. 6 Months	-10.7			
ISIN	GRS463003012	Payable day	08/27/04	Rel. 12 Months	-18.6			
Curr. Price (ASE)	3.64 Euro	Market cap. (EURm)	131.0	Beta	1.55			
05/10/05 12:00 PM		Currency	EUR	Volatility (60 days)	24.9			
52W High	4.12	Date	10/14/04	FTSE-ASE SMALL-CAP	1.467%			
52W Low	3.48	Date	05/17/04	ASE GENERAL IDX.	3.319%			
Shareholders:	Lavrentiadis Family 55.0%; free float 45.0%							
Investments:	Majority holdings of 14 subsidiaries of which 9 are located in Greece, 2 in Serbia and one each in Cyprus, Romania and Bulgaria							
FY	Sales	EBIT	EBT	EAT	EpS *	PER *	EV/Sales 06e:	1.4
2003**	55.8	8.5	6.6	5.4	0.15	23.3	EV/EBIT 06e:	11.3
2004**	82.9	12.2	8.7	7.7	0.21	17.5	Dividend yield 05e:	1.5%
2005e***	121.8	16.2	11.8	10.5	0.29	12.5	CAGR Sales 03-06e:	42.5%
2006e***	161.7	20.0	15.5	13.2	0.37	10.0	CAGR EAT 03-06e:	34.3%
Figures in EUR m except EpS, hist. PERs based on averaged share prices							AS: Greek GAAP/IFRS	
* listed since 05/09/2003; ** Greek GAAP; *** IFRS								

¹⁾²⁾³⁾⁴⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document.

Company description

Producer of detergents and distributor of chemical raw materials

Neochimiki L.V. Lavrentiadis S.A. is a company operating in the Greek chemical market. Neochimiki is based in Athens. The company runs two lines of business: production of detergents and distribution of chemical raw materials. Neochimiki was founded in 1974 as a trader of chemical products. Now it operates as a distributor of chemical products for large producers, while roughly two-thirds of group sales are generated through distribution. Purchase of production facilities in 1997/98 and 2000/01 allowed for the expansion of the business model to production of detergents and chemical raw materials, which account for roughly one-third of group sales.

Neochimiki is an operating parent company which consolidates subsidiaries. In most cases, the parent company owns nearly 100% of each subsidiary's stock. Neochimiki's comprehensive warehousing capacity is located in key areas in the chemical distribution geographic map of the Balkans.

Neochimiki's shares are traded on the Athens Stock Exchange (ASE). The IPO was in May 2003. The free float is at 45% of outstanding shares; 55% of shareholder's equity is held by the Lavrentiadis family. Dr. Lavrentis Lavrentiadis serves as President, Managing Director and member of the Board of Directors. Dr. Lavrentiadis holds a Bachelor's degree in Accounting and Finance and a Doctor's degree in Marketing. Although young in years (born in 1972) Dr. Lavrentiadis has more than ten years of experience in the company's management. He was appointed as CEO in 1996, and focused on making Neochimiki the leading specialty chemicals company in Greece. In various meetings with Dr. Lavrentiadis and CFO John Papavasiliou we had the opportunity to observe a detailed knowledge of Neochimiki combined with a clear strategic view and a strong commitment to shareholder value.

Operating development in 2004 above our expectations

Neochimiki surpassed our expectations for 2004

In financial year 2004 Neochimiki surpassed our expectations. In our last report in October 2004 we predicted full year sales of EUR80.1 (EUR55.8m). Our forecast indicated a YoY-sales growth of 42.4%. However, Neochimiki surpassed our expectations for the fourth quarter, delivering full-year sales of EUR82.9m. EBIT also was higher than expected, reaching EUR12.2m (EUR8.5m); we had forecasted EUR10.7m. Net profit was EUR7.7m (EUR5.4m), also surpassing our expectations (EUR7.1m).

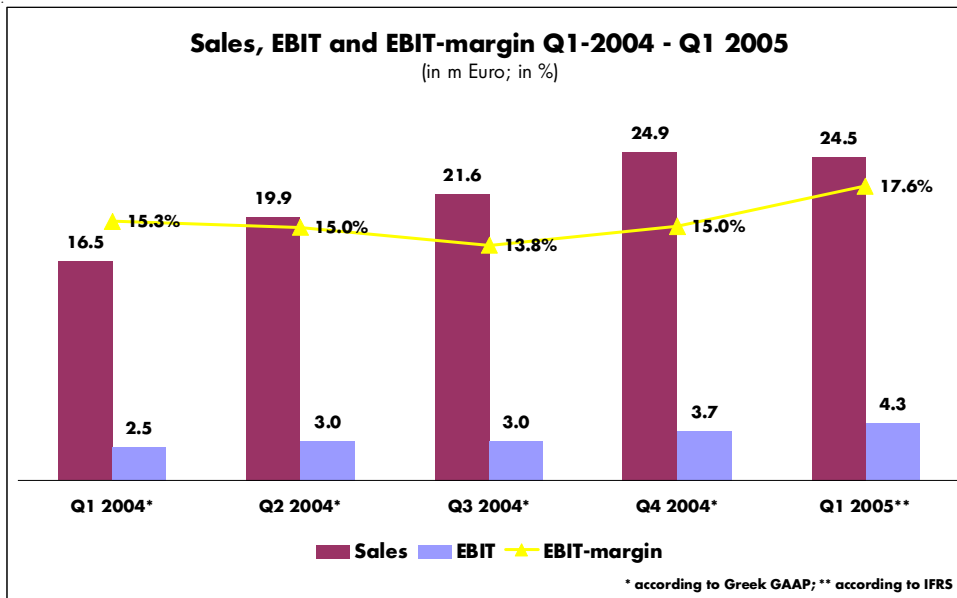
Operating development in Q1 2005: consistent strong growth

Sales increase due to high production and distribution activities

In Q1 2005 Neochimiki continued to grow at high speed and still managed to maintain considerably high profit margins. Sales were up 48.1% to EUR24.5m (EUR16.5m). Growth was fuelled by both production and distribution activities. Actually, Q1 2005 showed an overproportionally strong increase in production. Regarding regional sales development, sales were still primarily generated in Greece. In Q1 2005 Neochimiki generated EUR21.5m (EUR14.1m) in the Greek market, representing an increase of 53.3%. Sales

¹⁾²⁾³⁾⁴⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document.

Figure 1:



Source: Independent Research, Neochimiki

Greece remains most important market

in other countries of the European Union advanced at a slow pace where they totalled EUR1.4m (EUR1.3m). Sales in other countries are still relatively low, where Neochimiki generated EUR1.6m (EUR1.2m). However, growth of 31.3% indicates that this sector is of growing importance to Neochimiki. Neochimiki already operates affiliates in Romania (2003), Bulgaria, Serbia, and Cyprus (2004). Additional affiliates are to be set up in Slovenia, Bosnia, Montenegro, Albania, F.Y.R.O.M. (Macedonia), Moldavia, and the Ukraine.

Gross profit reached EUR8.3m (EUR5.4m) in Q1 2005. This means an increase in gross profit margin to 33.8% from 32.9% in the same period last year. We believe this increase is attributable to the overproportional growth of production sales, since this division operates with considerably higher gross margins. EBIT was EUR4.3m (EUR2.9m). The EBIT margin was marginally reduced to 17.6% (17.8%). This was mainly attributable to a disproportionately strong increase in sales and marketing expenses, with an expense ratio of 12.2% (11.1%) reflecting cost of growth. Net profit for the period was EUR2.7m (EUR1.8m).

High growth pace at high operating margins

From our perspective the company's Q1 figures were good. Neochimiki shows that its favourable market position in the Greek market enables a high growth pace at high operating margins. The increase in gross margins also shows an important aspect with regard to the company's sensitivity to crude oil price movements. Because the company operates in the chemicals industry, prices of raw materials and thus prices of crude oil are cause for concern. However, Neochimiki has contractual agreements with all cooperating partners which is on a cost plus basis. These contracts have lifetimes of between 1 year and 10 years. Neochimiki expects gross margins for the company to remain stable even if crude oil prices should increase. We feel this favourable situation is due to the strategic success factors Neochimiki enjoys in the Greek market. That situation should not be taken for granted, as we see a certain risk involved in this matter. However, from our point of view, the danger of a significant worsening is marginal.

¹⁾²⁾³⁾⁴⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document.

Forecast

Neochimiki benefits from the outsourcing trend in the chemicals industry

We believe Neochimiki will be able to sustain its profitable growth. The company operates in different lines of business and has different growth strategies for every sector.

With regard to the production line of business, we feel Neochimiki benefits from the prevailing outsourcing trend in the chemicals industry. Neochimiki produces detergents on behalf of multinational groups such as Henkel, Ecolab, Unilever, Johnson Diversey, and Sara Lee. The multinational groups reduce their production activities in Greece. In 1997 Procter & Gamble discontinued its production activities in Greece, and later Henkel and Unilver followed suit. This development enables Neochimiki to enter into cooperations and increase its production business. According to Neochimiki, the company's production facility is the only privately-owned facility in Greece which meets the requirements of multinational cooperation partners. This has allowed the company to become market leader in the production of detergents on behalf of multinationals in the Greek market.

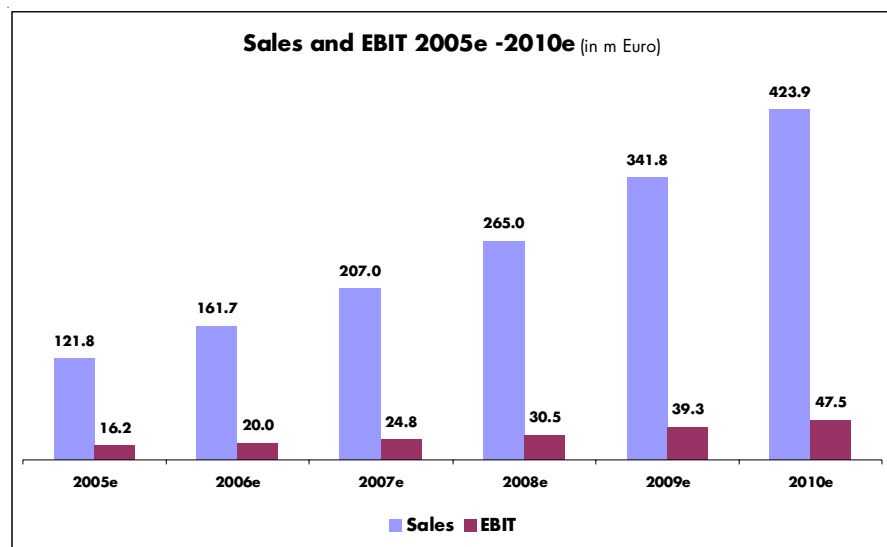
Regarding the private label products, we believe that Neochimiki will not only benefit from its production facility, but also from expected growth of the market share of private labels in the Greek market.

We expect sales from distribution to continue to increase in the future. There are two major sources of growth. Neochimiki continues to increase its market penetration in Greece in cooperation with existing and new partners in the Greek market. Additionally, we expect to see international expansion into Eastern European markets. We see good chances of a successful expansion into Eastern Europe. One reason is that Neochimiki intends to generate more than 50% of sales in these markets, with existing customers also entering Eastern Europe. Furthermore, there is a close historic, cultural and religious relationship between the markets chosen by Neochimiki and Greece.

Due to good figures for 2004 we raise our forecasts

Based on these factors we assume further growth. Owing to the good figures for the fiscal year 2004 and Q1 2005, we are raising our forecasts and expect sales of EUR121.8m

Figure 2:



Source: Independent Research

¹⁾²⁾³⁾⁴⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document.

(old: EUR105.1m) and net profit of EUR10.5m (old: EUR7.1m) in 2005. For the 2006 fiscal year we expect sales of EUR161.7m (old: EUR138.1m) and net profit of EUR13.2m (old: 8.1m).

Financing

In recent years Neochimiki has invested heavily in its assets. From 2002 to 2004 the company spent EUR74m, mainly on fixed assets, but also on participations. Due to this, debt increased. As of March 31st 2005 Neochimiki showed total loans of EUR95.0m (EUR85.3m) including financial leases of EUR11.3m. However, we believe that Neochimiki is still well financed. The interest coverage ratio for 2004 was 5.0. We believe this figure is very solid for a company operating in a stable market. In this environment we feel coverage ratios of 2 and above are solid. For 2005 we expect to see the same figure. For 2006e we feel the ratio will improve to 4.4 and should continue to improve in the future. This is mainly due to the fact that we believe Neochimiki will be able to decrease its CAPEX spending over the next several years to around EUR12m. This should be possible because the production facility currently operates at only one third of its total capacity.

Interest coverage ratio should benefit from decreasing CAPEX

Valuation and Summary

Neochimiki presented figures for fiscal year 2004 and Q1 2005 which were above our expectations. Accordingly we raised our forecasts. The company again proves that it is a growth story in a saturated market. Neochimiki has a favourable market position. From our perspective Neochimiki has the strategic success factors necessary for continuing profitable growth in the future. Based on our assumptions Neochimiki's share is undervalued. According to our DCF model we estimate the fair market value of equity at EUR200.7m (before: EUR197.4). We maintain our Buy recommendation at an unchanged target price of EUR 5.50. The Neochimiki share is a suitable investment for both, growth investors and investors seeking risk reduction and return enhancement via international diversification.

At a price target of 5.50 Euro we hold on to our Buy recommendation


Table 2:

Neochimiki						
Profit and loss statement (Group)						
Unit :	EURm	2002	2003	2004	2005e	2006e
Fiscal year-end :	Dec. 31					
Reporting standard :	Greek GAAP/IFRS		Greek GAAP		IFRS	
Sales		46,8	55,8	82,9	121,8	161,7
annual percentage change		-	19,3%	48,5%	47,0%	32,8%
Cost of sales		34,2	36,8	55,0	83,0	113,4
as percentage of sales		73,0%	65,9%	66,4%	68,1%	70,1%
Gross Profit		12,7	19,0	27,9	38,9	48,4
as percentage of sales		27,0%	34,1%	33,6%	31,9%	29,9%
Other operating income/expenses		0,1	0,1	0,1	0,2	0,3
as percentage of sales		0,1%	0,1%	0,1%	0,2%	0,2%
Administrative expenses		1,1	2,1	3,2	4,1	4,7
as percentage of sales		2,4%	3,7%	3,8%	3,4%	2,9%
R&D expenses		0,0	0,1	0,1	0,1	0,1
as percentage of sales		0,0%	0,1%	0,1%	0,1%	0,1%
Selling, distribution expenses		3,6	5,7	8,1	11,8	15,6
as percentage of sales		7,7%	10,3%	9,8%	9,7%	9,6%
EBIT		6,0	8,5	12,2	16,2	20,0
as percentage of sales		12,9%	15,3%	14,8%	13,3%	12,4%
Financial results		-1,6	-1,9	-3,5	-4,4	-4,6
as percentage of sales		-3,4%	-3,4%	-4,2%	-3,6%	-2,8%
EBT		4,5	6,6	8,7	11,8	15,5
as percentage of sales		9,5%	11,9%	10,5%	9,7%	9,6%
Taxes		1,5	1,0	1,0	1,3	2,3
as percentage of EBT		33,8%	15,3%	12,0%	11,2%	15,0%
Minorities		0,1	0,2	0,0	0,0	0,0
Net result		2,9	5,4	7,7	10,5	13,2
as percentage of sales		6,1%	9,7%	9,2%	8,6%	8,1%
Number of shares (in Mio.)		-	-	36,0	36,0	36,0
Earnings per share *		-	-	0,21	0,29	0,37
Dividend per share *		-	-	0,06	0,09	0,11

Source: Independent Research / Neochimiki

* listed since 05/09/2003

1)2)3)4) Please notice the advice regarding possible conflicts of interests as well as the disclaimer on page 2 of this document.

 Independent Research

Staufenstrasse 46
60323 Frankfurt am Main

Telefon: +49 (69) 971490-0
Telefax: +49 (69) 971490-90
E-Mail: info@irffm.de
www.irffm.de