GREEK EQUITIES
INITIAL COVERAGE

DROMEAS S.A.

Reuters : DROr.AT **Bloomberg :** DROME GA
Sector: Personal & Household Goods - Furnishings

Ownership Structure (19.11.2007):

Papapanagiotiou Family	76.96%
Free Float	23.04%

Stock Data

Price (20/11/2007)	**€ 1.70**
Shares (in mn)	**34.72**
Mkt Cap (in mn)	**59.02**

Stock Ratios

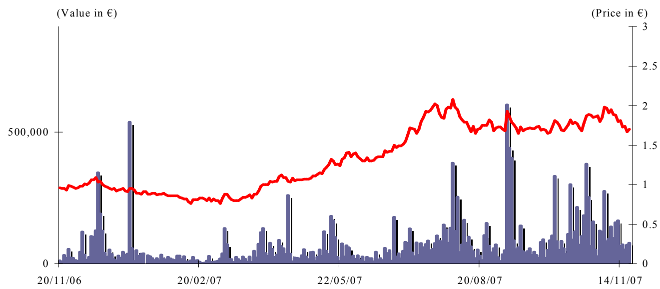
	2005	2006	2007 E	2008 E
P / E	58.85x	79.12x	42.20x	30.30x
P / BV	1.65x	1.61x	1.57x	1.52x
EV / EBITDA	42.43x	25.92x	18.51x	14.11x
Div. Yield	0.00%	2.94%	0.71%	0.99%
ROE	5.62%	2.06%	3.77%	5.09%
ROIC	4.33%	1.59%	2.90%	3.87%
Net Debt/Equity	0.22	0.25	0.24	0.25

Summary Financials

P&L (in mil. €)	2005	2006	2007 E	2008 E
Turnover	16.43	18.85	20.01	23.68
Gross Profit	6.98	8.50	9.14	10.81
OPEX	5.93	6.20	5.77	6.12
EBITDA	1.60	2.66	3.72	4.94
Finan. Results	-0.15	-0.58	-0.64	-0.77
Depreciation	1.01	1.19	1.34	1.57
EBT	0.44	0.89	1.74	2.60
EAT & Minor.	1.00	0.75	1.40	1.95

Source: Company Data & VRS Projections

Stock Graph (52 weeks)
Min: € 0.76 Max: € 2.08



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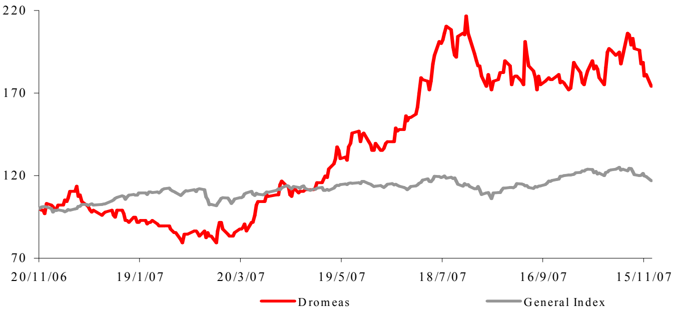
KEY INVESTMENT POINTS

- Dromeas is **the leading office furniture manufacturer in Greece.** The Company has diversified operations by vertically expanding in the production of industrial applications (aluminium die-casting). The recent completion of a strong investment program has transformed Dromeas into one of the leading companies in Europe, in terms of infrastructure, technology, production capacity and quality.
- **Future growth** will mostly derive from new large projects, expansion of operations in the kitchen furniture manufacturing and sales business, the development of new retail shops under franchising agreements, and the overall organic growth given that production capacity utilization stands at only 25%-30%, of the 1 shift operation.
- According to our estimations for the period 2007-2011, turnover will post an annual growth of 14.29%, while EBITDA margin will increase to 28.8% in fiscal 2011 from 14.1% in fiscal 2006. **By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of €2.04 per share, implying an outperform rating.** Our time horizon for this rating is approximately 12 months.
- Evaluating 2 different scenarios on possible forthcoming projects (projects of MTU for €5 mn p.a. 3-y, Daimler for €5.8 mn, during next 6-y and OPAP for €12 mn p.a. 5-y), we end up with fair values of € 2.41 incorporating the first two projects and € 3.24 incorporating all the three projects *(those projects have not been assigned yet)*.

Relative performance against General Index (52 weeks)
Stock Return: 77.08% - General Index Return: 16.13%



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INVESTMENT CASE

Dromeas is the leading office furniture manufacturer in Greece. The Company has diversified operations by vertically expanding in the production of industrial applications. The completion of a strong investment program has transformed Dromeas into one of the leading companies in Europe, in terms of infrastructure, technology, production capacity and quality. This potential makes the Company a prime candidate to undertake large and complicated projects in Greece and abroad for a) the furnishing and decoration of retail or office chains of domestic or international groups and b) die casting parts (aluminium & plastic) for large international groups. Future growth will mostly derive from:

1. the overall organic growth given that capacity utilization currently stands at 10% of the total capacity;
2. the expansion of retail shops under franchising agreements;
3. the expansion of operations in the kitchen furniture manufacturing and sales business;
4. new large projects in furnishing as well as in die casting part business.

☞ Vertical Diversification Allows for High Quality & Competitive Pricing

Dromeas has recently completed a strong investment program succeeding in diversifying its operations vertically by utilizing state of the art mechanical equipment for the complete manufacturing of furniture (including wood, metal and plastic components). The product portfolio of the Company includes:

i. Home furniture - sofas, wardrobes and youth furniture;
ii. Office and store furniture - complete office series, seating solutions, filling cabinets and bookcases, reception areas and partition walls;
iii. Kitchen – complete solutions, doors, kitchen worktops, kitchen box, mechanisms;
iv. Furnishing public places like airports, metro stations etc. – auditorium seating, waiting areas.

This diversification allows the Company to manufacture high quality products, fully controlled by its own resources (operations are certified), satisfying the specific customer requirements. The final product is of significant value added for the Company, which also controls the margins to offer competitive prices.

☞ Expansion in Kitchen Manufacturing Business

Dromeas is currently expanding operations in the kitchen furnish business. So far, the Company manufactured kitchen components selling them in turn to manufacturers of complete solutions or wholesalers. Today Dromeas is capable of manufacturing complete kitchen furnishing solutions, doors, kitchen worktops, kitchen box and mechanisms in its own facilities. The strategy of the Company is to promote its own products through a retail chain network of franchisees in all major cities in Greece (3 new stores during the fiscal 2007, 3-4 new during the fiscal 2008 and about 5 new during the fiscal 2009).

The Company targets at least 2% share from an estimated market of € 240 – 270 mn (complete kitchen solutions and kitchen parts, with the majority accounting for imports). According to our estimates this potential will boost gross profit margins for these sales category by at least 10%.

☞ Larger Retail Network

The Company's sales network consists of 32 renowned stores (7 own stores and 25 under franchise agreement) located throughout the main cities of Greece and the Balkans. Apart from the already mentioned new franchise stores for the kitchen furniture products in the next 3 years, another sales point, a large exhibition centre for office furniture is about to come during the fiscal 2008 in Kiffisias Avenue in Athens, Greece. This will be a 1,500 m^2 exhibition centre offering Dromeas' selected office furniture products.

Main emphasis is given to the Company's export department which has so far led to exporting end products and components to countries like Great Britain, Germany, Saudi Arabia, Australia, the UAE, Egypt, Cyprus, Russia, Bulgaria, Romania, Serbia, Albania and the Philippines. Dromeas has so far participated in all major international exhibitions such as the Orgatec and the Interzum in Germany, the Index in the UAE and the Workplace in the UK.

☞ New Large Projects in Furniture Manufacturing

Apart from the retail sales network, Dromeas has the production capacity and capability (state of the art technological infrastructure) to bid and undertake large projects for the manufacturing of furniture or furnishing solutions. The Company has so far undertaken large projects for public places like airports, metro stations, banks and ministries, delivering auditorium seating, solutions for waiting areas, custom made workstations and other related furnishes and solutions in Greece and abroad. Dromeas is currently carrying out projects under signed agreements with Greek and international companies:

- Mercedes Benz: Dealer exhibition room furniture all around Europe worth about € 4 mn (€ 2 mn for the fiscal 2008) with the potential to extent the agreement.
- Piraeus Bank: Furniture renewal of branches in Bulgaria, Rumania, Albania and Serbia. This project worth about € 2 mn for the fiscal 2008 with the potential to extent the agreement.
- EFG Eurobank: Furniture renewal for the branches in Rumania, worth about € 1.5 mn annual turnover for the next 2-3 years.
- Commercial Bank of Greece: Provision of new furniture of € 0.5 mn total annual revenue.
- Attica Bank: Provision of new furniture of € 0.5 mn total annual revenue.
- OPAP: Dromeas is one of the preferred candidates (the other is the Greek listed company Sato) to undertake the redecoration of OPAP's retail network for the next 5-year period. This project which amounts to about € 60 mn is not included in our projection and valuation model.

☞ Large Projects in the Diversified Industrial Applications

In addition, the Company has diversified activities by entering into the industrial application production in order to bid for large projects. Dromeas has its own integrated tool making plant, where it can manufacture any kind of tool. It has also extended activities in the field of production of high pressure aluminum die casting parts and injection molding for the production of plastic parts. This ability gives the Company the necessary flexibility, for the manufacturing of dies and the production of parts, becoming reliable with regard to quality and delivery time, offering competitive pricing (favourable margins due to vertical integrated production). Dromeas has currently signed project agreements with international groups such as:

- MTU (subsidiary of Daimler): for the manufacture of die casting parts for sea engine. The project is worth about € 300,000 for the fiscal 2007 implying an annual growth rate of 25%-30% for the next 3-4year period.

The Company has also bid to undertake the manufacturing of die casting parts for sea engine worth up to € 5 mn per year for a 3-year period *(the project has not been assigned to the Company yet)*.

- Daimler: for the manufacture of aluminium parts for its tracks. The agreement is under the final product tests. This project will add to total turnover about € 0.4 mn for the fiscal 2008, € 0.6 mn for the fiscal 2009 implying annual growth rate of 30% for the next 4years.
    - We have not included the above two projects in our projection and valuation model since we are waiting for the final agreement to materialise.

Dromeas is provider of high quality final products which is the prerequisite for Daimler Group as well as other groups that could assign similar projects to the Company. Dromeas is in the middle of a € 5 mn investment program for the expansion of production facilities for the processing and coating of steel, and the production of die casting parts. This investment realizes in order to improve current infrastructure and ensure the prerequisites agreed for the above mentioned projects and at the same time bid for more similar projects in future.

☞ Production Capacity Utilization

The completion of the investment boosted Company's total production capacity value to approximately € 200 mn (equals with 100% utilization under 3 operating shifts). The Company today operates on 1 shift utilizing about 10% of total capacity. Dromeas has the potential to multiply its sales assuming a more dynamic promotion of products, sales network expansion, and capturing opportunities across the Europe and Middle East. In addition, the higher capacity utilization will also boost operating margins since operating expenses will not alter significantly to cover the increase. The promotion is supported by a) certified quality of products, b) the ability to manufacture custom made products and c) competitive prices. In our financial projection model, we have conservatively estimated a 1 shift capacity utilization of about 45%-50% by the end of the fiscal 2011. However, if the Company realizes the expected agreement with MTU, Daimler and OPAP, utilization will exceed 25% of total capacity.

VALUATION & SENSITIVITY ANALYSIS

Based on our forecasts for the next 5-years (explicit period) and the long-term assumptions (terminal value), the application of the discounted free cash flow methodology leads to a fair price of € 2.04 for the stock (total value of € 70.86 million) which implies an outperform rating. The fair price assumes a P/E ratio of 36.4x for the fiscal 2008 and 24.6x for the fiscal 2009.

	2007 E	2008 E	2009 E	2010 E	2011 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	6.15%	18.30%	16.56%	15.31%	15.56%	**2.50%**
EBIT Margin	11.89%	14.24%	16.81%	20.16%	22.39%	**24.00%**
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	**25.00%**
Working Capital (% of sales)	5.87%	6.03%	5.44%	4.60%	3.72%	**2.50%**
Capex (% of sales)	4.32%	10.56%	7.32%	1.92%	1.66%	**2.00%**
Cost of Capital	8.21%	8.14%	8.20%	8.35%	8.51%	**8.12%**
Depreciation (% of sales)	6.70%	6.62%	6.70%	6.64%	6.37%	**2.00%**
CASH FLOW STATEMENT						
Turnover	**20.01**	**23.68**	**27.60**	**31.82**	**36.77**	**37.69**
EBIT	2.38	3.37	4.64	6.41	8.23	**9.05**
Less: Adjusted Tax	0.59	0.84	1.16	1.60	2.06	**2.26**
Adjusted Operating Profit	**1.78**	**2.53**	**3.48**	**4.81**	**6.17**	**6.78**
Plus: Depreciation	1.34	1.57	1.85	2.11	2.34	**0.75**
Operating Cash Flow	**3.12**	**4.10**	**5.33**	**6.92**	**8.52**	**7.54**
Less: Change in Working Capital	1.18	1.43	1.50	1.46	1.37	**0.94**
Less: Capex	0.86	2.50	2.02	0.61	0.61	**0.75**
Cash Flow to the Firm (FCFF)	**1.08**	**0.17**	**1.81**	**4.85**	**6.54**	**5.84**
Discount Factor	0.92	0.86	0.79	0.73	0.66	0.61
Present Value of Cash Flows	1.00	0.15	1.43	3.52	4.35	
Accumulated Present Value	1.00	1.15	2.57	6.09	**10.44**	
Residual Value						103.97
Present Value of Residual Value						**70.37**

VALUATION	
Enterprise Value	80.8
% Residual Value of Total	87.08%
Less: Net Debt	9.8
Minorities	0.13
Value of firm (in € ,000)	**70.86**
Outstanding # of shares (000)	**34,720**
Value of share (in €)	**2.04**

WACC CALCULATION	
Risk Free Rate	4.50%
Beta Factor	1.0
Market risk Premium	5.00%
Cost of Equity	9.50%
Debt / Debt + Equity	25.00%
Cost of Debt	5.30%
Tax Rate	25.00%
Weighted Average Cost of Capital	**8.12%**

Source: VRS Estimates

We have applied the following major assumptions in our model:

- Weighted average cost of capital at 8.12%, affected by both the cost of equity and the cost of debt (debt = 25% of total capital employed);

- We have estimated sustained growth in all activities during the examined period and infinity sales growth of 2.5%;
- Infinite EBIT margin of 24.00%.

The realization of the aforementioned growth and valuation scenarios requires (we exclude the undertaking of MTU, Daimler and OPAP projects):

- Market share expansion by the end of the fiscal 2011;
- Launch of new retail stores in the coming 3-year period;
- The maintenance of operating expenses close to our estimates.

Applying a sensitivity analysis to the above DCF model, based on different growth rates and different levels for weighted average cost of capital (WACC), we end up with the following table:

		WACC				
		6.1%	7.1%	8.1%	9.1%	10.1%
GROWTH	1.50%	2.46	2.12	1.72	1.43	1.21
	2.00%	3.04	2.34	1.87	1.54	1.29
	2.50%	3.47	2.60	**2.04**	1.66	1.38
	3.00%	4.05	2.93	2.25	1.80	1.48
	3.50%	4.84	3.35	2.51	1.97	1.60

Source: VRS Estimates.

STOCK DATA & VALUATION RATIOS

(Data as of 20/11/2007)	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Price (in €)	**€ 1.70**					
Shares Outstanding (,000)	**34,720**					
Market Capitalization (in € ,000)	**59,024**					
EPS (in €)	0.02	0.04	0.06	0.08	0.12	0.16
Book Value / Share (x)	1.05	1.08	1.12	1.17	1.23	1.32
EV (in € mn)	68,948	68,843	69,693	69,884	67,908	64,871
P/E (a.t.& m.i.)	79.12x	42.20x	30.30x	20.48x	13.69x	10.32x
P/BV	1.61x	1.57x	1.52x	1.45x	1.38x	1.29x
EV/EBITDA	25.92x	18.51x	14.11x	10.77x	7.97x	6.13x
EV/Sales	3.66x	3.44x	2.94x	2.53x	2.13x	1.76x
Dividend / Share (in €)	0.05	0.01	0.02	0.03	0.06	0.08
Dividend Yield	2.94%	0.71%	0.99%	1.95%	3.65%	4.85%

Source: Company Financials & VRS Projections

VALUATION SCENARIOS

☞Scenario 1

We have proceeded with the valuation of the Company assuming that it will undertake the two large projects of MTU and Daimler registering earnings from the fiscal 2008. Adopting the DCF valuation method, we end up with a fair value of €2.41 for the stock (total value of € 83.82 million). The new fair price assumes a P/E ratio of 30.9x for the fiscal 2008 and 19.01x for the fiscal 2009.

	2007 E	2008 E	2009 E	2010 E	2011 E	L-Term Assumptions
CASH FLOW STATEMENT						
Turnover	**20.01**	**27.08**	**33.20**	**37.60**	**39.78**	**40.78**
Operating Cash Flow	**3.12**	**4.82**	**6.74**	**8.67**	**9.53**	**8.46**
Less: Change in Working Capital	1.18	1.63	1.50	1.46	1.37	1.02
Less: Capex	0.86	2.50	2.02	0.61	0.61	0.82
Cash Flow to the Firm (FCFF)	**1.08**	**0.69**	**3.22**	**6.60**	**7.55**	**6.63**
Discount Factor	0.92	0.86	0.79	0.73	0.66	0.68
Present Value of Cash Flows	1.00	0.59	2.54	4.79	5.02	
Accumulated Present Value	1.00	1.59	4.13	8.92	**13.94**	
Residual Value						117.94
Present Value of Residual Value						**79.83**

VALUATION	
Enterprise Value	93.8
% Residual Value of Total	85.13%
Less: Net Debt	9.8
Less: Minorities	0.13
Value of firm	**83.82**
Outstanding # of shares (000)	**34,720**
Value of share	**2.41**

WACC CALCULATION	
Risk Free Rate	4.50%
Beta Factor	1.0
Market risk Premium	5.00%
Cost of Equity	9.50%
Debt / Debt + Equity	25.00%
Cost of Debt	5.30%
Tax Rate	25.00%
Weighted Average Cost of Capital	**8.12%**

We have applied the following major assumptions in our model:

- Weighted average cost of capital at 8.12%, affected by both the cost of equity and the cost of debt (debt = 25% of total capital employed);
- We have estimated sustained growth in all activities during the examined period and infinity sales growth of 2.5%;
- Infinite EBIT margin of 25.00%.

☞Scenario 2

We have proceeded with the valuation of the Company assuming that it will undertake all three large projects of MTU, Daimler and OPAP, registering earnings from the fiscal 2008. Adopting the DCF valuation method, we end up with a fair value of € 3.24 for the stock (total value of € 112.6 million). The new fair price assumes a P/E ratio of 20.82x for the fiscal 2008 and 14.66x for the fiscal 2009.

	2007 E	2008 E	2009 E	2010 E	2011 E	L-Term Assumptions
CASH FLOW STATEMENT						
Turnover	**20.01**	**39.08**	**45.20**	**49.60**	**51.78**	**52.82**
Operating Cash Flow	**3.12**	**7.39**	**9.76**	**12.30**	**13.56**	**11.36**
Less: Change in Working Capital	1.18	2.36	1.50	1.46	1.37	1.32
Less: Capex	0.86	2.50	2.02	0.61	0.61	1.06
Cash Flow to the Firm (FCFF)	**1.08**	**2.53**	**6.24**	**10.22**	**11.58**	**8.98**
Discount Factor	0.92	0.86	0.79	0.73	0.66	0.68
Present Value of Cash Flows	1.00	2.17	4.93	7.42	7.70	
Accumulated Present Value	1.00	3.17	8.10	15.51	**23.21**	
Residual Value						146.75
Present Value of Residual Value						**99.33**

VALUATION	
Enterprise Value	122.5
% Residual Value of Total	81.06%
Less: Net Debt	9.8
Less: Minorities	0.13
Value of firm	**112.59**
Outstanding # of shares (000)	**34,720**
Value of share	**3.24**

WACC CALCULATION	
Risk Free Rate	4.50%
Beta Factor	1.0
Market risk Premium	5.00%
Cost of Equity	9.50%
Debt / Debt + Equity	25.00%
Cost of Debt	5.30%
Tax Rate	25.00%
Weighted Average Cost of Capital	**8.12%**

We have applied the following major assumptions in our model:

- Weighted average cost of capital at 8.12%, affected by both the cost of equity and the cost of debt (debt = 25% of total capital employed);
- We have estimated sustained growth in all activities during the examined period and infinity sales growth of 2.0%;
- Infinite EBIT margin of 26.00%.

Corporate Profile

Dromeas was established in 1979, in Serres Greece, an area 80 km north east of the Port of Thessalonica. The Company is vertically integrated in the manufacturing and sale (both wholesale & retail) of home furniture (kitchen, youth furniture, house office furniture and bookstores), office furniture (desks, chairs and more) partition walls and filling systems. The Company's shares were listed on the ASE in November 2000.

Production

The production, warehousing and administration facilities cover an area of 55,000 m^2 of a total company - owned land area of 115,000 m^2. All **production facilities** are vertically integrated and equipped with high tech machinery in the fields of:

- Processing and coating of wood;
- Processing and coating of steel;
- Die casting of aluminium;
- Injection of plastic;
- Injection of p.u ;
- Production of metal components;
- Upholstery.

Dromeas is certified with ISO 9001: 2000, ISO14001:2004, EMAS and ELOT 1801.

Subsidiaries

Dromeas holds a stake to the following companies:

a) A 92.54% stake in a plastic and metal mould manufacturing company by the name **KEM S.A.,** founded in 2002. The Company's 2,534 m^2 production plant is located in the industrial area of Serres on a 6,655 m^2 field and is equipped with state of the art machinery. KEM S.A. is involved in the manufacturing of moulds appropriate for aluminum and plastic infusion of any type, as well as the manufacturing of any plastic device and component.

b) A 100% stake in **Dromeas Bulgaria**, founded in 2003. The Company is located in the center of Sofia, the capital of Bulgaria, and is involved in office furniture retail (Dromeas brand only) in the region.

Company's Large Projects:

- 12,000 custom made workstations supplied to the Ministry of Finance and Customs clearing offices throughout Greece.
- Custom made furniture supplied to all showrooms of the Hellenic Organization of Telecommunications. 600 custom made workstations supplied to the call centers and further furnishings for the Organization such as swivel seats and office cabinets.
- 8,500 custom made P/C workstations for the Hellenic Social Security Organization.
- Furnishings for the new Athens International Airport located in the Spata area, Athens, Greece.
- Passenger seating for all Athens Metro stations, as well as furnishings for the Attica Metro Headquarters.
- 8,500 waiting seats supplied to all Airports throughout Greece.
- Custom made furnishing for Eurobank's branches.
- 2,000 work stations for the Athens 2004 Olympic Games Organizing Committee and furnishing of 5,000 rooms of the Olympic village and various Press villages.

A fraction of international major projects include the following: waiting seats of the new Manila International airport, as well as, passenger seating of the Larnaka and the Limassol International airports of Cyprus, passenger seating of the Riyadh (Saudi Arabia) intercity bus station, furnishings of the Cypriot Organization of Telecommunications, furnishings of the Armenian Organization of Telecommunications, passenger seating of the Luxor and Sharm El Sheikh International airports of Egypt, die casting parts for MTU and Mercedes Benz, and furnishing of several banks in Bulgaria, Serbia and Romania.

THE FURNITURE SECTOR IN GREECE

The current market value of office furniture in Greece is estimated at € 150 mn compared to € 118 mn in fiscal 2005. According to market participants, the office furniture market in Greece is expected to be slowly growing, by 2.5%-3.0%, in the next 2-3 years. The domestic office market is quite concentrated since the 3 leading companies control 53%-55% of the total market value. Sato SA is the leader of the market, having captured a market share of 31.5%-32.0%, followed by Neoset 13.5% - 14.0% and Dromeas SA 8.0%-8.5%.

Economics & Trends of Greek Office Furniture Market	
Supply Side	- Strong competition, with a small number of companies dominating the market - Most players operate well organized retail networks - There are also many importers, with imports steadily rising over the past years
Demand Size	- Cyclical sector, depends on business activity and the size of companies operating in the economy - Market characterized by one-digit growth - Demand highly elastic against price - Manufacturers constantly update design and price of products to meet customer needs
Trends	- Modern way of living makes necessary the use of office furniture at home - Redecoration of offices globally have become more frequent

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Strong competition in the office and home furniture market in Greece and abroad.	The Company distinguishes itself by selling premium category products. It has also differentiated its activities by entering into the industrial applications sector.
2	Economic turmoil could affect the demand and profit margins of the Company.	The Company has vertically diversified its activities, controlling all steps of manufacturing and gaining on value added final products.

Source: Company Data, VRS Research Department.

TURNOVER FORECASTS

For the period 2006-2011, Dromeas' turnover is expected to increase by approximately 14.29% on average annually reaching € 36.77 mn in fiscal 2011 from € 18.85 mn in fiscal 2006. The growth is mostly attributed to:

1. The 11.73% average annual increase of the office furniture division (desks, chairs, drawers, bookstores and partition walls) affected by the introduction of the new large exhibition centre in Kifisias Avenue, Athens, the competitive pricing policy in correlation to high quality products and the implementation of current projects.
2. The 6.95% average annual increase of the youth home furniture division, mostly attributed to the sub-sector growth and the competitiveness of Dromeas' products.
3. The 25.38% average annual increase of the kitchen furniture division mostly attributed to the expansion of the sales network that will utilise the production capacity of the Company.
4. The 49.39% average annual increase of the die casting part division, attributed to implementation of the currently signed projects. *We have not included the full undertaking of the MTU and Daimler projects.*
5. The 12.21% average annual increase of the subsidiary net sales attributed to participation of KEM to the die casting production projects and the Bulgarian market growth (for the Bulgarian subsidiary that acquires the majority of its stock from the parent Dromeas).

Historic & Projected Turnover Breakdown

(in € ,000)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Office Furniture	**13,930**	**16,063**	**16,735**	**18,956**	**21,451**	**24,322**	**27,972**
y-o-y Change %		15.31%	4.19%	13.27%	13.16%	13.38%	15.01%
% of Total Domestic Revenues	86.45%	86.85%	85.40%	81.71%	79.29%	77.88%	77.42%
Youth Home Furniture	**1,245**	**544**	**520**	**572**	**629**	**692**	**761**
y-o-y Change %		-56.31%	-4.38%	10.00%	9.97%	10.02%	9.97%
% of Total Domestic Revenues	7.72%	2.94%	2.65%	2.47%	2.32%	2.22%	2.11%
Kitchen Furniture	**939**	**1,531**	**1,980**	**2,572**	**3,274**	**4,093**	**4,742**
y-o-y Change %		62.93%	29.36%	29.90%	27.29%	25.02%	15.86%
% of Total Domestic Revenues	5.83%	8.28%	10.10%	11.09%	12.10%	13.11%	13.12%
Industrial Applications	**0**	**357**	**360**	**1,100**	**1,700**	**2,125**	**2,655**
y-o-y Change %			0.89%	205.56%	54.55%	25.00%	24.94%
% of Total Domestic Revenues	0.00%	1.93%	1.84%	4.74%	6.28%	6.80%	7.35%
Total Parent Revenues	**16,114**	**18,494**	**19,595**	**23,200**	**27,054**	**31,232**	**36,130**
y-o-y Change %		14.77%	5.95%	18.40%	16.61%	15.44%	15.68%
% of Total	98.06%	98.09%	97.91%	97.99%	98.03%	98.15%	98.26%
Revenues from KEM	**778**	**949**	**987**	**1,136**	**1,306**	**1,502**	**1,727**
y-o-y Change %		22.00%	4.00%	15.00%	15.00%	15.00%	15.00%
Revenues from Bulgaria	**1,054**	**1,305**	**1,338**	**1,371**	**1,406**	**1,441**	**1,477**
y-o-y Change %		23.87%	2.50%	2.50%	2.50%	2.50%	2.50%
Intercompany Sales	**1,513**	**1,894**	**1,907**	**2,031**	**2,169**	**2,354**	**2,563**
Total Turnover	**16,433**	**18,854**	**20,014**	**23,676**	**27,596**	**31,821**	**36,771**
y-o-y change		**14.73%**	**6.15%**	**18.30%**	**16.56%**	**15.31%**	**15.56%**

Source: Historic Data & VRS Estimates

Operating Expenses Evolution

For the fiscal 2011, we expect EBITDA margin to reach the level of 28.76% from 14.11% at the end of the fiscal 2006, settling at € 10.58 mn from € 2.66 mn. The improvement of operating profit margins is attributed to:

1. The higher capacity utilisation that does not affect the larger part of operating expenses, which is expected to increase by around 6% average annual growth rate.
2. The adjustment of kitchen furniture sales from kitchen component manufacturing to own complete solutions.

Historic & Projected Operating Expenses Breakdown

(in € ,000)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Employee Payments	**1,815**	**1,981**	**2,080**	**2,184**	**2,293**	**2,408**	**2,528**
y-o-y Change %		9.15%	5.00%	5.00%	5.00%	5.00%	5.00%
% of Total	30.61%	31.98%	36.04%	35.66%	35.30%	34.95%	34.52%
Third Party Payments	**407**	**920**	**738**	**769**	**801**	**836**	**871**
y-o-y Change %		126.04%	-19.83%	4.23%	4.25%	4.26%	4.27%
% of Total	6.86%	14.85%	12.78%	12.55%	12.34%	12.13%	11.90%
Third Party Benefits	**951**	**842**	**821**	**971**	**1,131**	**1,305**	**1,508**
y-o-y Change %		-11.46%	-2.55%	18.30%	16.56%	15.31%	15.56%
% of Total	16.04%	13.59%	14.22%	15.85%	17.42%	18.94%	20.58%
Other Expenses	**2,756**	**2,452**	**2,134**	**2,201**	**2,270**	**2,342**	**2,417**
y-o-y Change %		-11.03%	-12.99%	3.14%	3.15%	3.17%	3.22%
% of Total	46.48%	39.58%	36.97%	35.93%	34.94%	33.99%	33.00%
Total OPEX	**5,929**	**6,195**	**5,772**	**6,124**	**6,496**	**6,890**	**7,324**
y-o-y change		**4.49%**	**-6.83%**	**6.11%**	**6.07%**	**6.06%**	**6.30%**
% of Turnover	**36.08%**	**32.86%**	**28.84%**	**25.87%**	**23.54%**	**21.65%**	**19.92%**

Source: Historic Data & VRS Estimates

Projected Gross Profit Breakdown (we have deducted depreciation expenses)

(in € ,000)	2007 E	2008 E	2009 E	2010 E	2011 E
Office Furniture	**7,235**	**8,260**	**9,406**	**10,676**	**12,319**
y-o-y Change %		14.16%	13.87%	13.50%	15.39%
% of Total Domestic Revenues	88.75%	85.46%	82.62%	78.33%	77.26%
Youth Home Furniture	**196**	**217**	**238**	**262**	**288**
y-o-y Change %		10.58%	9.97%	10.02%	9.97%
% of Total Domestic gross profit	2.40%	2.24%	2.09%	1.92%	1.81%
Kitchen Furniture	**614**	**803**	**1,146**	**1,842**	**2,276**
y-o-y Change %		30.95%	42.61%	60.73%	23.58%
% of Total Domestic gross profit	7.53%	8.31%	10.06%	13.51%	14.27%
Industrial Applications	**108**	**385**	**595**	**850**	**1,062**
y-o-y Change %			54.55%	42.86%	24.94%
% of Total Domestic gross profit	1.32%	3.98%	5.23%	6.24%	6.66%
Total Domestic Gross Profit	**8,153**	**9,665**	**11,385**	**13,630**	**15,945**
y-o-y Change %		18.55%	17.79%	19.72%	16.99%
% of Total	98.93%	99.01%	99.07%	99.14%	99.19%
Gross Profit from KEM	**346**	**397**	**457**	**526**	**604**
y-o-y Change %		15.00%	15.00%	15.00%	15.00%
Gross Profit from Bulgaria	**241**	**247**	**253**	**259**	**266**
y-o-y Change %		2.50%	2.50%	2.50%	2.50%
Intercompany Gross Profit	**498**	**548**	**604**	**667**	**740**
Total Gross Profit	**8,241**	**9,762**	**11,492**	**13,748**	**16,076**
y-o-y change		**18.46%**	**17.72%**	**19.63%**	**16.94%**

Source: VRS Estimates

Historic & Projected Financial Ratios

	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Profit Margin							
Gross Margin	42.49%	45.06%	45.68%	45.68%	46.14%	47.66%	48.00%
EBITDA Margin	9.71%	14.11%	18.58%	20.87%	23.51%	26.79%	28.76%
EBIT Margin	3.56%	7.80%	11.89%	14.24%	16.81%	20.16%	22.39%
Pre-tax profit margin	2.65%	4.72%	8.71%	10.98%	13.94%	18.09%	20.77%
Net Profit margin	6.10%	3.96%	6.99%	8.23%	10.44%	13.55%	15.56%
Activity							
Stock Days	337	334	335	325	310	305	300
Debtors Days	130	125	130	120	115	110	100
Creditors Days	150	113	105	105	105	105	105
Operating Cycle	467	459	465	445	425	415	400
Cash Cycle	317	346	360	340	320	310	295
Capital Structure							
Total Debt/ Total Equity	0.56	0.51	0.52	0.55	0.54	0.49	0.45
Bank Loans/ Total Equity (D/E ratio)	0.30	0.29	0.31	0.33	0.31	0.26	0.22

Source: Company Financials & VRS Projections

Historic & Projected Profit & Loss Account

(in € ,000)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Turnover	**16,433**	**18,854**	**20,014**	**23,676**	**27,596**	**31,821**	**36,771**
y-o-y change %		14.73%	6.15%	18.30%	16.56%	15.31%	15.56%
Cost of Sales	**9,451**	**10,358**	**10,872**	**12,861**	**14,863**	**16,655**	**19,122**
% of turnover	57.51%	54.94%	54.32%	54.32%	53.86%	52.34%	52.00%
y-o-y change %		9.60%	4.97%	18.29%	15.56%	12.06%	14.81%
Other Income / Expense	**543**	**359**	**350**	**250**	**250**	**250**	**250**
Operating Expenses	**5,929**	**6,195**	**5,772**	**6,124**	**6,496**	**6,890**	**7,324**
% of turnover	36.08%	32.86%	28.84%	25.87%	23.54%	21.65%	19.92%
y-o-y change %		4.49%	-6.83%	6.11%	6.07%	6.06%	6.30%
EBITDA	**1,596**	**2,660**	**3,719**	**4,941**	**6,488**	**8,525**	**10,575**
EBITDA Margin	9.71%	14.11%	18.58%	20.87%	23.51%	26.79%	28.76%
y-o-y change %		67%	39.83%	32.84%	31.31%	31.41%	24.04%
Depreciation	**1,011**	**1,190**	**1,341**	**1,568**	**1,850**	**2,111**	**2,343**
% of turnover	6.15%	6.31%	6.70%	6.62%	6.70%	6.64%	6.37%
EBIT	**585**	**1,470**	**2,379**	**3,372**	**4,638**	**6,414**	**8,232**
% of turnover	3.56%	7.80%	11.89%	14.24%	16.81%	20.16%	22.39%
y-o-y change %		151.28%	61.81%	41.78%	37.52%	38.29%	28.34%
Net Financial Results	**-149**	**-581**	**-636**	**-773**	**-790**	**-658**	**-594**
Net Results Before Taxes	**436**	**889**	**1,743**	**2,600**	**3,848**	**5,756**	**7,638**
EBT Margin	2.65%	4.72%	8.71%	10.98%	13.94%	18.09%	20.77%
y-o-y change %		103.90%	96.05%	49.17%	48.01%	49.59%	32.68%
Income Tax	**-550**	**147**	**349**	**650**	**962**	**1,439**	**1,909**
Effective Tax Rate	33.28%	35.96%	29.00%	25.00%	25.00%	25.00%	25.00%
Net Results After Taxes	**986**	**742**	**1,394**	**1,950**	**2,886**	**4,317**	**5,728**
EAT Margin	6.00%	3.94%	6.97%	8.24%	10.46%	13.57%	15.58%
y-o-y change %		-24.75%	88%	39.85%	48.01%	49.59%	32.68%
Proportion of Minority rights	**-17.0**	**-4.0**	**-4.2**	**2.0**	**4.0**	**6.0**	**8.0**
Net Results (a.t.&m.i.)	**1,003**	**746**	**1,399**	**1,948**	**2,882**	**4,311**	**5,720**
Net Margin	**6.10%**	**3.96%**	**6.99%**	**8.23%**	**10.44%**	**13.55%**	**15.56%**
y-o-y change %		**-25.6%**	**87%**	**39.3%**	**48.0%**	**49.6%**	**32.7%**

Source: Company Financials & VRS Projections

Historic & Projected Balance Sheet

(in € ,000)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Assets							
Net Intangible Assets	285	547	631	665	649	633	617
Net Tangible Assets	36,297	36,506	35,946	36,844	37,030	35,545	33,828
Other L-term assets	690	465	474	484	493	503	513
Total Non-Current Assets	**37,273**	**37,518**	**37,052**	**37,993**	**38,173**	**36,681**	**34,958**
% Total Assets	66.9%	67.4%	64.8%	62.6%	60.9%	57.1%	52.4%
Inventories	8,726	9,472	9,979	11,452	12,623	13,917	15,716
Trade Receivables	5,831	6,459	7,128	7,784	8,695	9,590	10,074
Other Receivables	1,232	533	560	663	773	891	1,030
Cash in bank and at hand	2,633	1,648	2,426	2,826	2,385	3,111	4,898
Total Current Assets	**18,421**	**18,113**	**20,093**	**22,725**	**24,475**	**27,509**	**31,718**
% Total Assets	33.1%	32.6%	35.2%	37.4%	39.1%	42.9%	47.6%
Total Assets	**55,694**	**55,631**	**57,145**	**60,718**	**62,648**	**64,190**	**66,676**
Equity & Liabilities							
Shareholder's Equity	35,670	36,593	37,572	38,936	40,665	42,821	45,681
Minority Rights	127	135	132	133	136	140	146
Total Equity	**35,797**	**36,728**	**37,704**	**39,069**	**40,801**	**42,961**	**45,826**
% Total Equity & Liabilities	64.3%	66.0%	66.0%	64.3%	65.1%	66.9%	68.7%
L-Term Bank Loans	8,338	7,656	7,750	8,500	7,250	6,000	4,750
Provisions for Staff Retirement	104	122	202	282	362	442	522
Leasing	0	0	0	0	0	0	0
Other long term debts	2,482	2,442	2,564	2,692	2,423	2,181	1,963
Deferred Tax Liabilities	1,609	1,459	1,094	1,040	988	938	891
Total L-Term Liabilities	**12,533**	**11,678**	**11,610**	**12,514**	**11,022**	**9,561**	**8,126**
Suppliers	3,880	3,206	3,128	3,700	4,276	4,791	5,501
Banks	2,294	3,171	3,750	4,250	5,250	5,250	5,250
Taxes-duties	499	246	261	390	385	576	764
Other Payables	691	601	691	795	914	1,052	1,209
Total Current Liabilities	**7,364**	**7,225**	**7,831**	**9,135**	**10,825**	**11,669**	**12,724**
Total Liabilities	**19,897**	**18,903**	**19,441**	**21,649**	**21,847**	**21,229**	**20,850**
% Total Equity & Liabilities	35.7%	34.0%	34.0%	35.7%	34.9%	33.1%	31.3%
Total Equity & Liabilities	**55,694**	**55,631**	**57,145**	**60,718**	**62,648**	**64,190**	**66,676**

Source: Company Financials & VRS Projections

Historic & Projected Cash Flow

(in € ,000)	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Profit after tax	742	1,394	1,950	2,886	4,317	5,728
Plus: Change of Depreciation	1,190	1,341	1,568	1,850	2,111	2,343
Gross Cash Flow	**1,932**	**2,735**	**3,518**	**4,736**	**6,429**	**8,071**
Change in:						
(-) Trade Debtors	629	669	656	911	895	484
(-) Inventory	746	507	1,473	1,171	1,294	1,799
(-) Other Receivables	-698	27	103	110	118	139
(+) Trade Creditors	-673	-79	572	576	516	710
(+) Liabilities for taxes	-254	16	129	-5	191	188
(+) Other Short - term liabilities	-90	90	104	119	137	158
Change in Working Capital	-1,693	-1,175	-1,427	-1,502	-1,464	-1,367
Operating Cash Flow	**239**	**1,560**	**2,091**	**3,234**	**4,965**	**6,705**
Change in:						
(-) Intangible Assets	428	250	200	150	150	150
(-) Tangible Assets	1,233	615	2,300	1,870	460	460
(-) Other long - term receivables	-225	9	9	10	10	10
(+) Other Long - term liabilities	-171	-163	153	-241	-212	-185
(+) Cons. diff./ Minority Interests	7	-3	1	3	4	6
Cash Flow from Investment	**-1,600**	**-1,040**	**-2,355**	**-2,268**	**-827**	**-799**
Net C.F. Before Financing Activities	**-1,361**	**520**	**-263**	**966**	**4,137**	**5,905**
Increase in Share Capital	0	0	0	0	0	0
Increase in Share Premium Account	0	0	0	0	0	0
Net Change in Reserves	1,914	0	0	0	0	0
Change in Long - Term Debt	-683	95	750	-1,250	-1,250	-1,250
Change in Short - Term Debt	878	579	500	1,000	0	0
Dividends	1,736	420	584	1,153	2,156	2,860
Minority Interests on Profit	-4	-4	2	4	6	8
Net Cash Flow from Financing	**376**	**258**	**664**	**-1,407**	**-3,412**	**-4,118**
Cash at Beginning	2,633	1,648	2,426	2,826	2,385	3,111
Change in Cash	**-985**	**778**	**400**	**-441**	**726**	**1,787**
Cash at End	**1,648**	**2,426**	**2,826**	**2,385**	**3,111**	**4,898**

Source: Company Data & VRS Projections

NOTES

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	69.23%	Expected to Outperform the Index by more than 10%
Neutral	30.77%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.
2/ Benchmark Index: ASE General Index.
3/ Stock Universe: 40 Companies.
4/ Current Stocks Covered: 13 Companies.

Ratings History

Company	Date	Rating	Target Price
INTRALOT	31/10/2006	Outperform	€ 25.55
THRACE PLASTICS	18/12/2006	Outperform	€ 2.72
OPAP	10/01/2007	Neutral	€ 29.86
F.H.L. KIRIAKIDIS	01/02/2007	Outperform	€ 2.93
KRI KRI	28/03/2007	Outperform	€ 4.47
NIREUS GROUP	18/05/2007	Outperform	€ 5.91
AGRICULTURAL SPIROU	06/06/2007	Outperform	€ 3.64
SPIDER	13/06/2007	Neutral	€ 1.44
ATTICA BANK	27/07/2007	Neutral	€ 4.80
KREKA	25/09/2007	Neutral	€ 2.27
FORTHNET	28/09/2007	Outperform	€ 14.19
PETROPOULOS	26/10/2007	Outperform	€ 8.10
DROMEAS	20/11/2007	Outperform	€ 2.04

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