

Thrace Plastics S.A.

Reuters: THRr.AT, Bloomberg: PLAT GA

Sector: Specialty Chemicals

Ownership Structure:

Halioris Family	64.3%
Institutional Investors	7.0%
Free Float	28.7%

Stock Data

Price (21/05/2008)	€ 1.19
Mkt Cap (in mn)	€ 54.68
Shares (in mn)	49.95

Stock Ratios

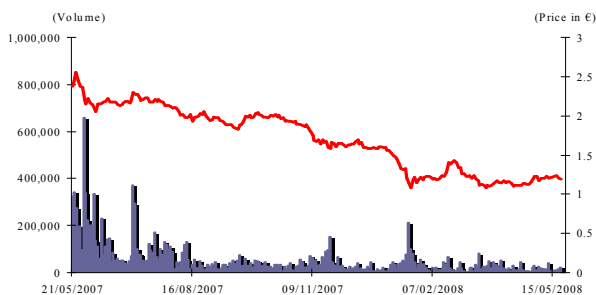
	2006	2007	2008 E	2009 E
P / E	6.32	6.81	9.21	8.53
P / BV	0.61	0.51	0.49	0.47
EV / EBITDA	4.68	5.04	5.13	4.77
D / Y	1.85%	1.85%	2.17%	2.34%
ROE	10.39%	8.18%	5.44%	5.62%
ROIC	5.33%	4.14%	3.14%	3.31%
Net debt / Equity	0.69	0.74	0.67	0.63

Summary Financials

P&L (in mil. €)	2006	2007	2008 E	2009 E
Turnover	208.16	238.81	259.51	277.85
Gross Profit	47.57	48.64	52.94	57.05
OPEX	26.73	29.35	31.47	33.41
EBITDA	24.85	26.64	25.17	26.84
Financial Results	-1.59	-3.67	-4.28	-4.23
Depreciation	11.58	11.70	12.36	13.42
EBT	11.68	11.27	8.52	9.20
EAT & Minorities	8.65	8.03	5.94	6.41

Source: Company Data & VRS Projections

Stock Graph (52 weeks)
Min: € 1.08, Max: € 2.55



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KEY INVESTMENT POINTS

- Thrace Plastics Group is a **global player** in the areas of technical fabrics (woven and non-woven plastics), consumer & industrial packaging. It is a high quality Company, competitive in most product categories, differentiated in several segments and among the leaders in the broader Balkan region.
- The Group implements a **strong investment plan targeting higher capacity levels and utilization rates** in order to meet the growing international demand for its products. The excess capacity will be utilized in current markets, in US through the new subsidiaries Lumite and Thrace Linq and in new markets of the geosynthetics sector in the Golf region, Mexico & Latin America and New Zealand.
- The Group's long-term strategy assumes production capacity increases through investments in new machinery, and at the same time higher capacity utilization rates, targeting stonger sales to international markets. **For the period that we examine, 2007-2012, we anticipate Group turnover CAGR of 8.28%**. The Group is expected to operate on 74-80% capacity with future growth depending on new geographical areas, the promotion of value added products that will also improve operating margins and the expansion of its customer base.
- By applying our forecasts over the coming 5-years in the DCF model, we derive a **fair price of Thrace Plastics stock at € 1.90** implying an outperform rating. Our time horizon for this rating is approximately 12 months.

Relative performance against General Index (52 weeks)
Stock Return: -50.0% - General Index Return: -15.4%

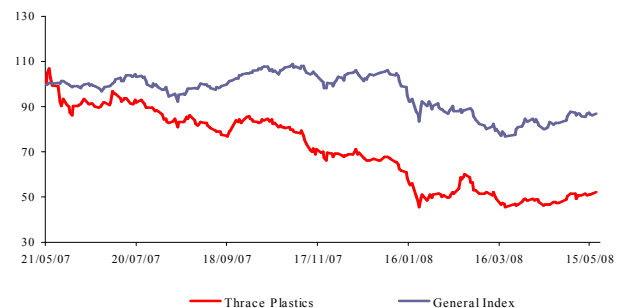


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INVESTMENT CASE

Thrace Plastics Group is active in technical fabrics (woven and non-woven plastics) and packaging (industrial and consumer) having succeeded in becoming an important player in the products it sells internationally. Currently, 75% of Group's sales are generated abroad. The Group has production facilities in Greece, Bulgaria, Romania, Turkey, Scotland and recently in the US, and distribution centers or sales networks in many other countries all over the world.

The capacity utilization of Group's production facilities exceeded 82% during the fiscal 2007 with demand remaining strong during the year. The Group implements a strong investment plan (favored by tax incentive laws and investment subsidies) by the parent company and four subsidiaries. Investments target higher capacity levels in order to meet the growing international demand for the Group's products, and the production of high profit margin products.

Despite this high demand, raw material prices remain a key issue in determining future profitability. About 65% of cost of sales account for polypropylene, which is a plastic resin (an oil by-product). Any polypropylene price increase squeezes operating margins since it does not transfer immediately to the final selling price.

The Group's market positioning and expansion strategy may be illustrated as follows:

- Long-term relationships with suppliers and customers,
- High technology-based production, where significant barriers of entry exist,
- Emphasis on innovative and value added products,
- Flexible sales mix towards higher margin products
- Targeting of niche markets,
- Strengthening international presence,
- Improving efficiency. Intra-group restructuring for maximization of synergies and cost savings (via mergers within the group, transfer of production activities, etc.).
- Cost containment
- More effective management of exchange rates

☞ **Technical Fabrics**

Currently the largest revenue contributor on Group level, this product category includes woven (geotextiles, agro textiles, carpet backing, etc.) and non-woven products (roof membranes, passenger care products, filters etc.). Thrace Plastics Group operates production facilities in Greece (under the parent company Thrace Plastics S.A.), Scotland (under the subsidiary Don & Low LTD) and the USA (under the subsidiary Thrace Linq), with an annual production capacity of approximately 79,000 tons and utilization rate currently at 80%.

The products of this category have applications in construction, agro-horticulture, carpet industry, hygiene & medical and other sectors. The growth however will mostly derive from the broader construction sector and agro & horticulture.

The Group targets the sales mix that will realize the higher operating margin. It has recently completed an investment program in Xanthi (non woven geotextiles production line) and aims to improve efficiency by widening the range of certified products and thus broadening the customer base, seeking opportunities all over the world. For the next 3-years, additional growth will be delivered from the Middle East, where demand appears strong with large infrastructure projects consuming vast quantities of geotextiles.

During the fiscal 2007, the Group entered more dynamically the U.S. market, by acquiring the fixed assets of agro and geo divisions of Linq Industrial Fabrics Inc in South Carolina – U.S.A. and the 50% equity of the Lumite (active in the trading of technical fabrics for agro and horticultural uses). The Group is mainly targeting the market of residential and commercial buildings in the country. The most important competitor in the U.S. technical fabrics market is Propex, which is currently in bankruptcy proceedings. The management of Thrace Plastics foresees an opportunity for the Group's product categories. The Group has started an investment for the expansion of the production capacity by 3,600 tons (total capex € 5.7 mil.) that will complete in early 2009 and will be fully utilized in about 3 years after the completion. The Group however will continue making investments to further increase the capacity of the subsidiary (total projected capacity will exceed 15,000 tons by the end of the fiscal 2012). The long-term objective through these establishments is to seek its expansion in Mexico and Latin America.

The Group's total investments in technical fabrics will increase the production capacity by 10,000 tons during the fiscal 2008 and 5,370 during the fiscal 2009. The additional capacity will be fully utilized during the fiscal 2012.

When projecting the Group sales for technical fabrics for the next 5-year period we applied two important assumptions:

1. According to our forecasting model, the **volume sold** will increase by 2,500 tons during the fiscal 2008 attributed to the higher utilization of the new plant in Xanthi. By the end of the fiscal 2012, we expect sales volume to reach the level of 75,200 tons, attributed to the completion of the new investments in US and other subsidiaries and the sustainable high level of utilization rate (close to an average of 80% by the end of the fiscal 2012).
2. Sales value will also be affected by the increase of **raw materials** (mostly the polypropylene – *our assumptions for the future trend are presented separately at the financial analysis section*) that has an effect on the final selling price. We have reduced the **average mark up** on cost of sales per ton for the fiscal 2008 by 1% since the raw material increase does not influence directly the selling prices (we have assumed that about 80% passes to the final price). For the next 4 years we have been gradually increasing this level to finally add about 2% (from fiscal 2007 levels) up to the fiscal 2012.

According to the above assumptions, sales of technical fabrics will reach €147 million for the fiscal 2008 (or 56.7% of total Group turnover). For the period 2007-2012 sales will increase by 9.5% on average annually reaching €213 million by the end of the fiscal 2012.

☛ Consumer Packaging

Consumer packaging division includes plastic packaging products for food industry and chemicals, bottles, bags in box, buckets, etc. The Group operates 6 production facilities in 4 countries, Greece (3 units), Bulgaria, Romania and Turkey. Total annual production capacity currently stands at 16,000 tons and operates on 94% utilization rate. Thrace Plastics Group has penetrated the markets of Greece and the Balkans and has recently entered the Turkish market, where it constantly expands its distribution network.

The products of the Group supply the food and chemicals industry, realizing revenues in Greece (including Cyprus about 60% of total) and the Balkans (including Turkey about 40% of the total). The future growth for this division will derive:

- From the expansion of its main customers in the food and paint sector mostly in the Balkans, with the company utilizing its production facilities in Romania, Bulgaria and Turkey.
- The introduction of new customers and the expansion of current relationships in the food (mostly dairy and ice-cream products) and paint sectors.
- The GDP growth in the countries where the Group is present.

The Group is planning to increase the production capacity in current facilities investing about €4 million during each of the fiscals 2008 & 2009. The Company plans to reach a production capacity of 36,600 tons by the end of the fiscal 2011 (utilization rate will range close to 60% with full utilization reached by the fiscal 2015). With regard to selling prices, we have assumed a CAGR of 2.28% during the period 2007-2012, affected by the increase of raw material cost and inflation rates.

According to the above assumptions, sales of consumer packaging will reach €51.27 million for the fiscal 2008 (or 19.76% of total Group turnover). For the period 2007-2012 sales will increase by 7.85% on average annually reaching €68.9 million by the end of the fiscal 2012.

Industrial Packaging

This division includes products such as heavy-duty bags, container liners, 1 loop FIBC, etc. The Group operates production facilities in Greece and Bulgaria (where part of its production has been transferred to). Total annual production capacity currently stands at 15,000 tons per year and operates on 88% utilization rate. The products of the Group are mainly used to package fertilizers, chemicals, feed for fish and animals, and aggregates. The growth in these sectors is solid retaining a strong demand for the Company's products.

The Group is planning to invest about 3 million in order to increase its production capacity in industrial PE (polyethylene) bags and films for pallet packaging, where demand appear stronger, while these products are of higher value added for the Group. The full utilization of the new capacity will add to total turnover about €8-10 million. Thrace Plastics targets the markets of Ireland, UK, Scandinavia, as well as Greece. With regard to selling prices, we have assumed a CAGR of 2.65% during the period 2007-2012, affected by increase of raw material cost, inflation rates and higher priced products (value added products).

According to the above assumptions, sales of industrial packaging will reach €61.1 million for the fiscal 2008 (or 23.5% of total Group turnover). For the period 2007-2012 sales will increase by 5.45% on average annually reaching €73.3 million by the end of the fiscal 2012.

Distribution Strategy

The Group is under investments to increase its production capacity. The excess capacity will be utilized in current markets, in US through the new subsidiaries

Lumite and in new markets of the geosynthetics sector in the Golf area, Mexico & Latin America, Russia and New Zealand. The Group will sell its products directly to end users or through potential acquisitions and shareholding in local producers and distributors.

Thrace Plastics management wishes to control the distribution and sales of its products seeking at the same time new uses of its products in every sector of the economy all over the world. In addition, the management aims to improve efficiency in production, sales and distribution, targeting better operating margins.

☞ Global Position

Thrace Plastics Group is a global player in the 3 major business activities it engages in. The Company is competitive in most product categories, one of the few worldwide specialists in other product categories and among the leaders in the broader Balkan region surrounding the Greek market.

Woven Products: In geotextiles and agrotexiles, Thrace Plastics is currently among the 3 largest European companies in terms of sales, while it holds a significant market share in the US market. In carpet backing, the Group is also among the 3 largest European companies in terms of sales. International companies with activities similar to the ones of Thrace Plastics Group in this market are Tencate (listed on the Euronext), Low & Bonars (listed on the LSE), Dupont (listed on the NYSE) and BBA Fiberwabe.

Non-Woven Products: In the area of technical spundbond, Thrace Plastics is one of the few European players exclusively specialized in technical fabrics, while in the area of laminated products, the Group is considered to be among the biggest suppliers in the European market. International companies with activities similar to the ones of Thrace Plastics Group in this sector are Dupont (listed on NYSE), Fiberwabe Freudenberg, PGI Nonwovens, Texnovo and Pegas.

Consumer Packaging: The Company holds a dominant position in the broader Balkan region where it targets greater penetration in the following years. International companies with activities similar to the ones of Thrace Plastics Group in this market are the Greek companies Mornos and Superfos, as well as the RPC Group (listed on the LSE).

Industrial Packaging (Big Bags & FIBCs): The Company holds a dominant position in Greece, Ireland and Scandinavia, where it targets greater penetration in the following years. In this business activity, the Storsack Group is one of Thrace Plastics Group's competitors internationally.

CORPORATE PROFILE

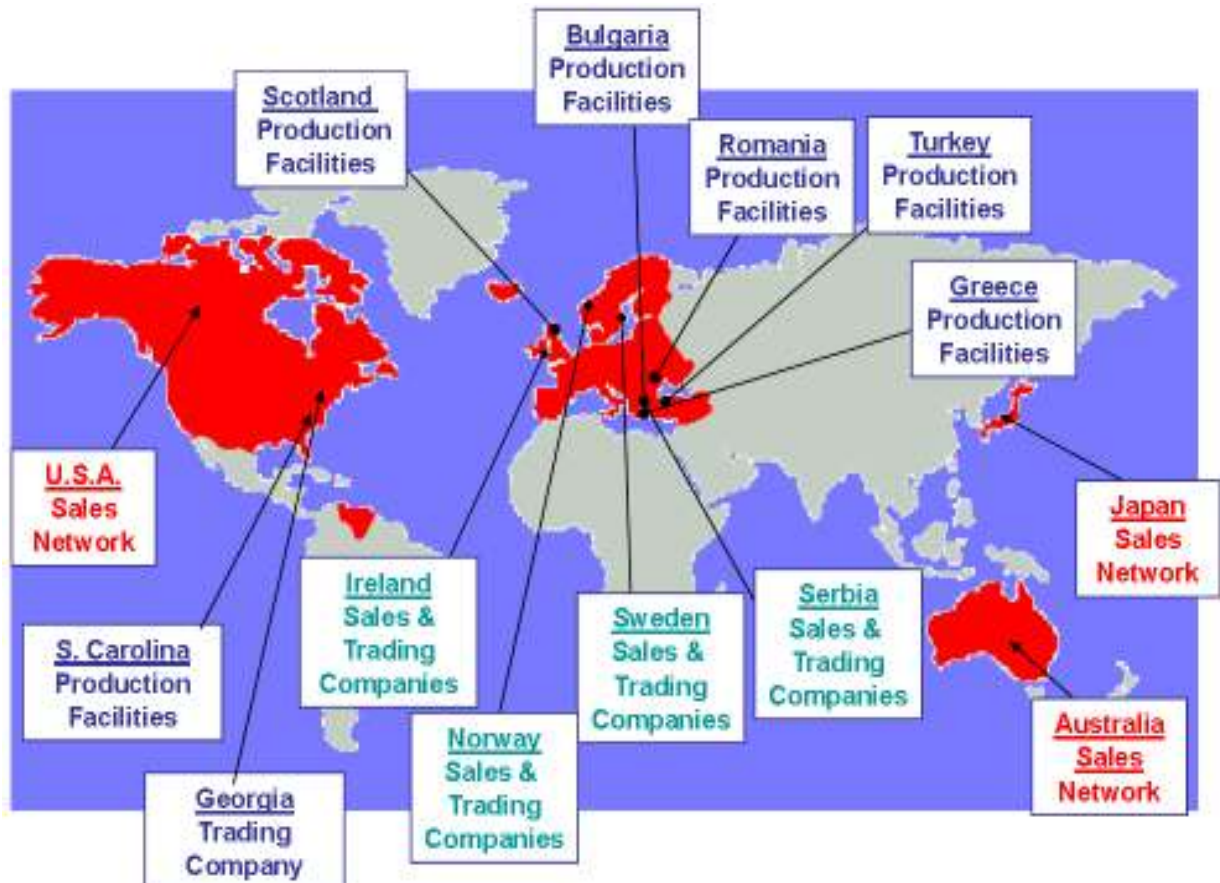
Established in 1978 in Xanthi, Northeastern Greece, Thrace Plastics Group is nowadays among the largest producers in technical fabric in Europe, operating production facilities in 6 countries (Greece, Scotland, Bulgaria, Romania, Turkey and the USA), with subsidiaries in 4 more countries (trading companies in Ireland, Norway, Sweden and Serbia) and sales channeled into more than 50 countries. The Group employs 1,870 persons, whereas there are 24 companies within the Group, with their activities mainly concentrated on the production and trade of PP & PE products.

The Group's activities are reported as follows:

- Technical Fabrics with production facilities in Greece, Scotland and the USA,
- Plastic Packaging Products for the Food Industry and Chemicals (production facilities in Greece, Bulgaria, Romania and Turkey),
- Big Bags & FIBCs (production facilities in Greece and Bulgaria).

The Group's supplier portfolio is geographically diversified, offering access to the most suitable raw materials at competitive market prices. Main suppliers are Basel (Italy, France, UK), Hellenic Petroleum (Greece), Ineos (Belgium, France, UK) and Lukoil (Bulgaria).

Thrace Plastics Group - Global Presence



Source: The Company.

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Volatility in raw material prices (mainly of polypropylene) affects gross profit margin. PP prices move in line with oil prices in most but not all periods of time according to historical data.	Investments in high-end technology and higher capacity utilization rate improve cost structure thus alleviating part of this effect.
2	Foreign exchange risk due to existing activities in numerous countries may become an issue of concern. Major currencies are euro, US dollar and sterling.	The Group engages in hedging activities in order to minimize any such effects.
3	The Group's competitiveness is negatively affected when market conditions favor a combination of strong euro and high oil prices.	The Group's healthy financial performance reflects the Management's ability to handle unfavorable market conditions.
4	Management's guidance on earnings may be volatile depending on market conditions.	Downward revisions in earnings mostly appear in periods of rising material prices. The management always warns for any profit changes.
5	Cyclical demand might affect revenues from time to time.	The large spectrum of products offers the ability to choose the appropriate product mix in economically weak periods.

Source: Company Data, Research Department.

VALUATION

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 € 1.90 for the stock (total value of € 87.10 million) which implies an outperform rating. The fair price assumes a P/E ratio of 14.67x for the fiscal 2008 and 13.59x for the fiscal 2009.

	2008 E	2009 E	2010 E	2011 E	2012 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	8.7%	7.1%	10.2%	10.7%	4.9%	2.0%
EBIT Margin	4.9%	4.8%	5.0%	5.5%	5.9%	6.0%
Tax Rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Working Capital (% of sales)	0.8%	2.6%	3.2%	3.1%	1.3%	1.0%
Capex (% of sales)	3.8%	3.8%	2.8%	2.1%	2.0%	2.0%
Cost of Capital	8.1%	8.2%	8.4%	8.5%	9.0%	8.8%
Depreciation (% of sales)	4.8%	4.8%	4.9%	4.8%	5.0%	2.0%
CASH FLOW STATEMENT						
Turnover	259,512	277,848	306,172	338,788	355,401	362,509
EBIT	12,802	13,423	15,309	18,747	20,928	21,751
Less: Adjusted Tax	3,457	3,624	4,134	5,062	5,650	5,873
Adjusted Operating Profit	9,346	9,799	11,176	13,686	15,277	15,878
Plus: Depreciation	12,364	13,420	14,931	16,386	17,828	7,250
Operating Cash Flow	21,710	23,219	26,107	30,072	33,105	23,128
Less: Change in Working Capital	2,141	7,131	9,779	10,652	4,750	3,625
Less: Capex	9,902	10,445	8,455	6,965	6,965	7,250
Cash Flow to the Firm (FCFF)	9,667	5,643	7,873	12,455	21,390	12,253
Discount Factor	0.92	0.85	0.79	0.72	0.65	0.66
Present Value of Cash Flows	8,940	4,819	6,189	8,973	13,930	
Accumulated Present Value	8,940	13,759	19,948	28,920	42,851	
Residual Value						180,893
Present Value of Residual Value						118,797

VALUATION

Enterprise Value	161,648
% Residual Value of Total	73.5%
Less: Net Debt	74,548
Less: Minorities	3,226

Value of firm (€ ,000)	87,100
Outstanding # of shares (000)	45,950
Value of share (€)	1.90

WACC CALCULATION

Risk Free Rate	4.5%
Beta Factor	1.2
Market risk Premium	5.0%
Cost of Equity	10.5%
Debt / Debt + Equity	30.0%
Cost of Debt	6.5%
Tax Rate	27.0%

Weighted Average Cost of Capital	8.8%
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Source: VRS Estimates.

We have applied the following major assumptions in our model:

- Average cost of capital at 8.8% for the infinite period.
- Sustained growth in all activities during the examined period and infinity sales growth of 2.0%.
- Infinite EBIT margin of 6%.

The realization of the aforementioned growth and valuation scenarios requires:

- Average production sold to reach 112,000 tons (84.7% utilization rate);
- Mark up to remain close to our projected levels with average selling prices increasing on an annual average rate of 2%;
- Raw material prices and mostly the polypropylene price to follow a trend close to our projections.

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

		WACC				
		6.8%	7.8%	8.8%	9.8%	10.8%
GROWTH	0.50%	2.06	1.79	1.40	1.09	0.84
	1.50%	2.94	2.22	1.71	1.32	1.03
	2.00%	3.34	2.49	1.90	1.46	1.13
	2.50%	3.83	2.80	2.12	1.62	1.25
	3.00%	4.45	3.19	2.37	1.80	1.39

Source: VRS Estimates.

PEER GROUP VALUATION

We compare Thrace Plastics (consolidated accounts) with a peer group of international specialty chemical producers. The analysis demonstrates that its earnings multiple trades lower compared to its peers (based on historical 2007 P/E, P/BV and P/Sales multiples and projected fiscal 2008 P/E multiples). However, the Group can be only partially compared to its peers, as there are considerable differences in size and scope.

Company	Country	Sector	P/Sales '07	P/E '07	P/E '08 E	P/BV '07
Low & Bonar	U.K.	Woven	0.59	14.16	14.08	1.43
Rpc Group	U.K.	Consumer Pack.	0.29	29.90	10.08	1.18
TenCate	NL	Woven	0.58	11.01	n/a	1.65
Dupont	US	Non-Woven	1.41	13.94	13.93	3.71
Thrace Plastics	GR	-	0.23x	6.81x	9.21x	0.51x

Source: Reuters. Share prices as of May 21 2008.

Stock Data & Valuation Ratios (historic & projected figures)

	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Price (in €, as of 21/05/2008)	1.19					
Shares Outstanding	45,950					
Market Capitalization (in € ,000)	54,680					
EPS (in €)	0.17	0.13	0.14	0.17	0.23	0.28
Book Value / Share (x)	2.32	2.43	2.54	2.67	2.83	3.02
EV (in € mn)	134,174	129,228	128,075	125,240	118,809	103,475
P/E (a.t. & m.i.)	6.81x	9.21x	8.53x	6.94x	5.20x	4.33x
P/BV	0.51x	0.49x	0.47x	0.45x	0.42x	0.39x
EV/EBITDA	5.04x	5.13x	4.77x	4.14x	3.38x	2.67x
EV/Sales	0.56x	0.50x	0.46x	0.41x	0.35x	0.29x
Dividend / Share (in €)	0.02	0.03	0.03	0.04	0.07	0.08
Dividend Yield	1.85%	2.17%	2.34%	3.60%	5.76%	6.93%

Source: Company Data & VRS Projections.

FINANCIAL ANALYSIS

• Revenue Growth Assumptions

The Group's long term strategy assumes production capacity increases through investments in new machinery (technical fabrics & consumer packaging) and at the same time high utilization rates, targeting sales to international markets. For the period that we examine, 2007-2012, we expect Group turnover CAGR of 8.28%, making the following key assumptions:

- We have assumed selling price/tonne increases in all product categories with average annual growth in the range of:
 1. 1.8% for technical fabrics,
 2. 2.3% for consumer packaging,
 3. 2.6% for industrial packaging.
- We have further assumed that the completion of investments will increase total capacity to 150,000 tons from 111,500 today.
- We have estimated an average capacity utilization rate in all divisions of 74-80% for the period 2008-2012.
- We have estimated sustained demand in all product categories.

Activity Turnover Breakdown (historic & projected figures)

In € '000	2006	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Technical Fabrics	121,483	135,383	147,164	160,651	181,010	203,905	213,205
% of Total	58.36%	56.69%	56.71%	57.82%	59.12%	60.19%	59.99%
y-o-y Change. %		11.44%	8.70%	9.16%	12.67%	12.65%	4.56%
Consumer Packaging	37,201	47,218	51,270	54,235	58,015	62,717	68,906
% of Total	17.87%	19.77%	19.76%	19.52%	18.95%	18.51%	19.39%
y-o-y Change. %		26.93%	8.58%	5.78%	6.97%	8.10%	9.87%
Industrial Packaging	49,480	56,211	61,078	62,962	67,146	72,166	73,290
% of Total	23.77%	23.54%	23.54%	22.66%	21.93%	21.30%	20.62%
y-o-y Change. %		13.60%	8.66%	3.08%	6.65%	7.48%	1.56%
Total Turnover	208,164	238,812	259,512	277,848	306,172	338,788	355,401
y-o-y Change. %		14.72%	8.67%	7.07%	10.19%	10.65%	4.90%

Source: Group Financials & VRS Projections.

• Revenue Growth Potential

The Group is expected to operate on full capacity with future growth depending on further capacity increases through investments in current facilities or possible acquisitions of units abroad. Our forecasting model does not assume any

acquisition or investment that has not been announced yet. Thrace Plastics Group however has the financial strength (strong cash flows and low bank debt / equity ratio) to make investments and increase its financial results beyond our forecasts.

Cost of Sales Breakdown (historic & projected figures)

<i>In € '000</i>	2006	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Total Volume Sold (in 000s)	73,500	82,200	85,200	90,014	98,949	109,124	112,081
y-o-y Change. %		11.8%	3.6%	5.7%	9.9%	10.3%	2.7%
% capacity utilisation	90.7%	90.3%	82.7%	78.7%	76.4%	74.2%	74.8%
Raw materials - Polypropylene	89,269	110,000	125,281	135,709	152,212	170,659	178,505
% of Total	58.63%	62.26%	64.02%	64.75%	65.87%	66.88%	67.01%
y-o-y Change. %		23.22%	13.89%	8.32%	12.16%	12.12%	4.60%
Raw materials - Other	15,753	16,000	17,828	19,130	21,357	23,950	25,054
% of Total	10.35%	9.06%	9.11%	9.13%	9.24%	9.39%	9.40%
y-o-y Change. %		1.57%	11.43%	7.30%	11.64%	12.14%	4.61%
Energy	8,152	9,376	10,046	10,936	12,386	14,091	14,956
% of Total	5.35%	5.31%	5.13%	5.22%	5.36%	5.52%	5.61%
y-o-y Change. %		15.01%	7.15%	8.85%	13.26%	13.77%	6.14%
Labour Cost	39,081	41,302	42,541	43,817	45,132	46,486	47,880
% of Total	25.67%	23.38%	21.74%	20.91%	19.53%	18.22%	17.97%
y-o-y Change. %		5.68%	3.00%	3.00%	3.00%	3.00%	3.00%
Other costs	8,343	10,560	10,877	11,203	11,539	11,885	12,242
% of Total	5.48%	5.98%	5.56%	5.35%	4.99%	4.66%	4.60%
y-o-y Change. %		26.57%	3.00%	3.00%	3.00%	3.00%	3.00%
Total Cost of Sales	152,255	176,678	195,697	209,591	231,086	255,186	266,395
y-o-y Change. %		16.04%	10.76%	7.10%	10.26%	10.43%	4.39%

Source: Group Financials & VRS Projections.

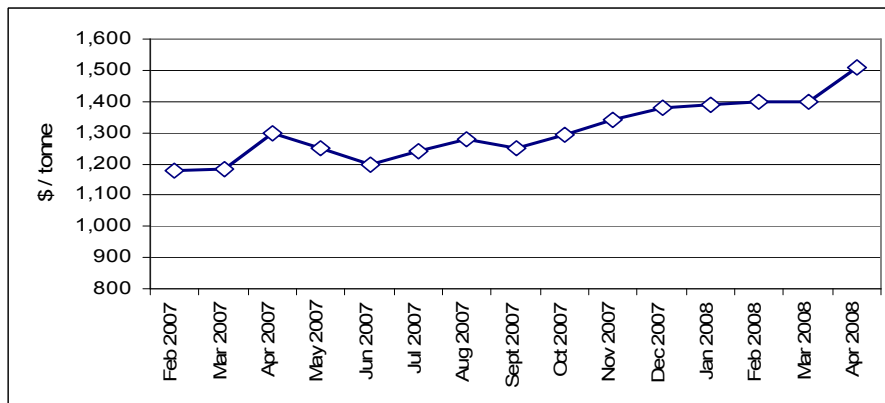
- Assumptions regarding Polypropylene Prices and Oil Prices**

Over the past several years there has been a systematic correlation in the price movements of both oil and polypropylene as the latter has been and still is an oil-derived product. In our opinion this strong relationship might not be the case in the future as a series of developments in the polypropylene industry imply a less dependent course for PP prices.

Below we illustrate that PP prices are expected to follow a moderate upward course in the following two years with their price movements being less dependent on the oil market. At the same period, oil prices would be expected to range between \$ 80 and \$ 140 per barrel with any volatility increase pointing to an even higher top of this range.

The Polypropylene Market: The polypropylene industry is a quite old one despite the fact that only recently there has been an official trading market for PP contracts. The initial growth of polypropylene market was due to substitution of classic non-polymeric materials due to PP's inherent properties and low cost structure. Over the years and up to now, polypropylene became a more competitive material, cost wise, as producers have been steadily upgrading their manufacturing process, improving at the same time the performance of the final product.

Chart 1: Polypropylene Prices in the Spot Market, Feb. 2007 – April 2008

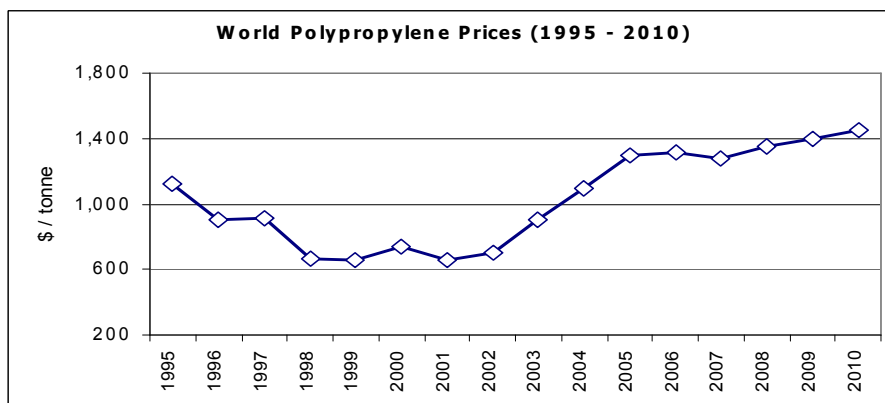


Source: London Metal Exchange.

Polypropylene is currently traded at the London Metal Exchange both in the spot market and as a future contract. As the market currently lacks the necessary trading depth, prices quoted for future contracts are not quite indicative of participants' expectations in the polypropylene industry.

Our view for the polypropylene market indicates moderately rising PP prices in the following two years due to:

- Higher supply following capacity additions across the globe;
- Lower spread between European and Asian prices as international competition will be forcing European manufacturers to align their pricing policy with the one adopted by more competitive markets.



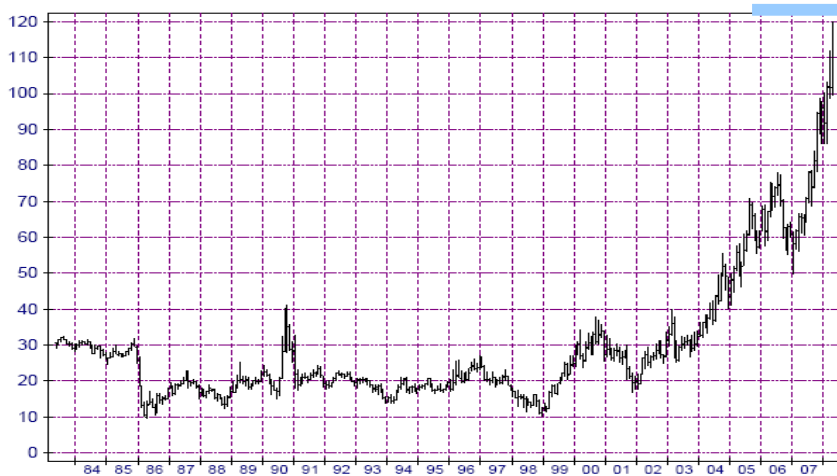
Source: CMA, Valuation & Research Specialists (VRS)

The Oil Market: Following a strong rally in 2007 and so far in 2008, oil prices are expected to range between \$ 100 and \$ 140 per barrel in the coming quarters given mixed signals in the global economy and the geopolitical front. Possible factors for some ease in oil prices' recent aggressiveness could be the following:

- The fact that winter is over could have a seasonal effect on lowering oil prices;
- The credit crisis in the US;
- The fact that 2003 - 2007 higher prices have already resulted in demand reductions and supply increases;
- The possible end of dollar weakness;
- The end of Chinese preparations for the 2008 Olympics;
- Any reduced geopolitical tensions, especially regarding Iran.

Any future movement of oil prices below \$ 100 per barrel would strengthen the likelihood that polypropylene prices follow a less dependent-on-oil course.

Chart 3: Oil Prices during the Period 1999 – 2008 (\$/barrel)



H = \$ 140
Targeted
Range
L = \$ 100

Source: Moore Research Center Inc.

- **Profit Margin Improvement**

According to our forecasts, net EBITDA margin will slightly improve during the fiscal 2008 compared to fiscal 2007 levels. In net EBITDA calculations, we are excluding income from the sale of fixed assets that realized during the past (€ 3.2 mn in fiscal 2006 and € 4.27 mn in fiscal 2007) or any similar future income. For the period 2008-2012 gross margin will remain close to 2007 levels. We have assumed that the polypropylene prices will increase for the fiscal 2008, and will then stabilize. The increase of raw material prices will be partially offset by efficiency improvements and the promotion of value added products.

The gross margin improvement will affect **net EBITDA margin** which, from fiscal 2009 and on, will improve and gradually return to higher -from the fiscal 2006- levels (net EBITDA margin will settle at to 9.7% at the end of fiscal 2008 from 9.4% in fiscal 2007 and will reach 10.9% in fiscal 2012 from 10.4% in fiscal 2006). Our forecasts have also included the following assumptions:

1. The Group has recently completed acquisitions and needs time to reorganize operations and make investments in order to maximize performance.
2. The majority of investments will be completed by the end of the fiscal 2009 and we expect increasing utilization of investments in the coming years.
3. The Group will introduce value added products that will aid the gross margin improvement in the future.
4. Administrative expenses will increase on average annual rate of 7.52% during the period 2007-2012.
5. Distribution expenses will represent about 7.5% of total Group turnover.
6. Other results include our calculations for:
 - a. Investment grants. The Group receives about 30-40% grant for its investments in Greece. The amount of State grants is deducted from the value of the assets. The revenue is recognized as reduced depreciation over the useful life of assets. Tangible assets are stated at cost, net of any subsidies received;
 - b. Exchange rate differences;
 - c. The management of the Group wishes to sell fixed assets of € 4.2 million during the next 2 years, but we have not included these potential transactions in our projections model.

- **Bank Debt / Equity Improvement**

Total bank debt is expected to decline from € 78 million projected for fiscal 2008 to €51 million at the end of fiscal 2012. The ratio 'bank debt / equity' is expected to remain below 1x (0.37x at end 2012 from 0.82x at end 2007).

Historic & Projected Financial Ratios

	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E	2012 E
Profit Margin								
Gross Margin	26.35%	22.85%	20.37%	20.40%	20.53%	20.76%	21.17%	21.60%
Net EBITDA Margin	12.84%	10.39%	9.37%	9.63%	9.66%	9.88%	10.37%	10.90%
EBIT Margin	8.53%	6.37%	6.26%	4.93%	4.83%	5.00%	5.53%	5.89%
Pre-tax profit margin	7.61%	5.61%	4.72%	3.28%	3.31%	3.69%	4.45%	5.10%
Net Profit margin	5.38%	4.15%	3.36%	2.29%	2.31%	2.57%	3.10%	3.56%
Activity								
Stock Days	85	88	94	95	95	95	95	95
Debtors Days	82	76	77	80	80	80	80	80
Creditors Days	53	54	58	60	60	60	60	60
Operating Cycle	167	164	171	175	175	175	175	175
Cash Cycle	114	110	113	115	115	115	115	115
Capital Structure								
Total Debt/ Total Equity	1.66	1.53	1.29	1.17	1.12	1.06	0.98	0.81
Bank Loans/ Total Equity (D/E ratio)	0.84	0.81	0.82	0.70	0.66	0.59	0.51	0.37

Source: Group Financials & VRS Projections.

Historic & Projected Profit & Loss Account

	2005	2006	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Turnover	186,253	208,164	238,812	259,512	277,848	306,172	338,788	355,401
y-o-y Change. %		11.76%	14.72%	8.67%	7.07%	10.19%	10.65%	4.90%
Cost of Sales	137,175	160,598	190,170	206,574	220,794	242,625	267,071	278,637
% of Turnover	73.65%	77.15%	79.63%	79.60%	79.47%	79.24%	78.83%	78.40%
y-o-y Change. %		17.08%	18.41%	8.63%	6.88%	9.89%	10.08%	4.33%
Other operating income / expense	3,546	4,008	7,344	3,700	3,200	2,700	2,200	2,200
Operating Expenses	25,159	26,729	29,346	31,472	33,410	36,006	38,783	40,208
% of Turnover	13.51%	12.84%	12.29%	12.13%	12.02%	11.76%	11.45%	11.31%
y-o-y Change. %		6.24%	9.79%	7.24%	6.16%	7.77%	7.71%	3.68%
EBITDA	27,465	24,845	26,640	25,167	26,843	30,240	35,134	38,755
EBITDA Margin	14.75%	11.94%	11.16%	9.70%	9.66%	9.88%	10.37%	10.90%
y-o-y Change. %		-9.54%	7.22%	-5.53%	6.66%	12.66%	16.18%	10.31%
Depreciation	11,580	11,575	11,699	12,364	13,420	14,931	16,386	17,828
% of Turnover	6.22%	5.56%	4.90%	4.76%	4.83%	4.88%	4.84%	5.02%
EBIT	15,885	13,270	14,941	12,802	13,423	15,309	18,747	20,928
% of Turnover	8.53%	6.37%	6.26%	4.93%	4.83%	5.00%	5.53%	5.89%
y-o-y Change. %		-16.46%	12.59%	-14.31%	4.85%	14.05%	22.46%	11.63%
Net Financial Results	-1,707	-1,593	-3,674	-4,283	-4,228	-4,008	-3,678	-2,798
Net Results Before Taxes	14,178	11,677	11,267	8,519	9,195	11,302	15,070	18,130
EBT Margin	7.61%	5.61%	4.72%	3.28%	3.31%	3.69%	4.45%	5.10%
y-o-y Change. %		-17.64%	-3.51%	-24.39%	7.93%	22.91%	33.34%	20.31%
Tax income	3,997	3,130	3,072	2,300	2,483	3,051	4,069	4,895
Effective Tax Rate	28.19%	26.80%	27.27%	27.00%	27.00%	27.00%	27.00%	27.00%
Net Results After Taxes	10,181	8,547	8,195	6,219	6,713	8,250	11,001	13,235
EAT Margin	5.47%	4.11%	3.43%	2.40%	2.42%	2.69%	3.25%	3.72%
y-o-y Change. %		-16.0%	-4.1%	-24.1%	7.93%	22.91%	33.34%	20.31%
Proportion of Minority rights	156	-102	167	280	302	371	495	596
Net Results (a.t.&m.i.)	10,025	8,649	8,028	5,939	6,410	7,879	10,506	12,639
Net Margin	5.38%	4.15%	3.36%	2.29%	2.31%	2.57%	3.10%	3.56%
y-o-y Change. %		-13.7%	-7.2%	-26.0%	7.93%	22.91%	33.34%	20.31%

Source: Group Financials & VRS Projections.

Historic & Projected Balance Sheet

	2005	2006	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Assets								
Net Intangible Assets	9,897	11,197	11,295	10,443	9,582	8,692	7,777	6,856
Net Tangible Assets	88,839	100,686	101,323	99,713	97,599	92,012	83,507	73,565
Investments in Associates	1,158	319	355	362	369	377	384	392
Other L-term assets	6,622	6,297	613	1,000	1,000	1,000	1,000	1,000
Total Non-Current Assets	106,516	118,499	113,586	111,518	108,550	102,082	92,668	81,813
% Total Assets	50.19%	50.70%	45.19%	44.72%	42.59%	39.30%	34.98%	31.53%
Inventories	36,271	41,579	56,125	53,766	57,467	63,149	69,512	72,522
Trade Receivables	41,689	43,232	50,483	56,879	60,898	67,106	74,255	77,896
Other Receivables	15,644	19,379	23,306	23,889	24,486	25,098	25,725	25,211
Cash in bank and at hand	12,104	11,056	7,831	3,322	3,475	2,309	2,741	2,075
Total Current Assets	105,708	115,247	137,745	137,856	146,326	157,663	172,233	177,704
% Total Assets	49.81%	49.30%	54.81%	55.28%	57.41%	60.70%	65.02%	68.47%
TOTAL ASSETS	212,224	233,746	251,331	249,374	254,876	259,744	264,901	259,517
Equity & Liabilities								
Shareholder's Equity	76,934	89,529	106,721	111,472	116,601	122,510	129,864	138,711
Minority Rights	2,936	2,790	3,058	3,226	3,407	3,630	3,927	4,285
Total Equity	79,870	92,319	109,779	114,698	120,008	126,140	133,791	142,996
% Total Equity & Liabilities	37.63%	39.50%	43.68%	45.99%	47.08%	48.56%	50.51%	55.10%
L-Term Bank Loans	18,827	15,913	25,870	24,870	23,870	22,870	21,870	20,870
Provisions for Staff Retirement	27,240	26,119	5,619	5,900	6,018	6,138	6,261	6,386
Deferred Tax Liabilities	4,930	4,116	4,083	3,961	3,842	3,726	3,615	3,506
Other long term debts	182	356	357	364	371	379	386	394
Total L-Term Liabilities	51,179	46,504	35,929	35,095	34,101	33,114	32,132	31,157
Suppliers	19,954	23,870	30,029	33,957	36,295	39,884	43,902	45,803
Banks	45,841	56,851	61,455	53,000	53,000	50,000	45,000	30,000
Taxes-duties	1,436	1,273	1,197	1,035	1,043	1,221	1,628	1,958
Other Payables	13,944	12,929	12,942	11,588	10,430	9,387	8,448	7,603
Total Current Liabilities	81,175	94,923	105,623	99,581	100,767	100,491	98,978	85,364
Total Liabilities	132,354	141,427	141,552	134,675	134,868	133,604	131,110	116,521
% Total Equity & Liabilities	62.37%	60.50%	56.32%	54.01%	52.92%	51.44%	49.49%	44.90%
Total Equity & Liabilities	212,224	233,746	251,331	249,374	254,876	259,744	264,901	259,517

Source: Group Financials & VRS Projections.

Historic & Projected Cash Flow

	2006	2007	2008 E	2009 E	2010 E	2011 E	2012 E
Profit After Tax	8,547	8,195	6,219	6,713	8,250	11,001	13,235
Plus: Change of Depreciation	8,563	4,166	12,364	13,420	14,931	16,386	17,828
Gross Cash Flow	17,110	12,361	18,584	20,132	23,181	27,387	31,063
Change in:							
(-) Trade Debtors	1,543	7,251	6,396	4,019	6,208	7,149	3,641
(-) Inventory	5,308	14,546	-2,359	3,701	5,682	6,363	3,010
(-) Other Receivables	3,735	3,927	583	597	612	627	-515
(+) Trade Creditors	3,916	6,159	3,928	2,338	3,589	4,019	1,901
(+) Liabilities for taxes	-163	-76	-162	8	178	407	331
(+) Other Short - term liabilities	-1,022	38	-1,288	-1,159	-1,043	-939	-845
Change in Working Capital	-7,855	-19,603	-2,141	-7,131	-9,779	-10,652	-4,750
Operating Cash Flow	9,255	-7,242	16,443	13,002	13,402	16,735	26,313
Change in:							
(-) Intangible Assets	1,338	122	110	110	90	70	70
(-) Tangible Assets	20,372	4,779	9,792	10,335	8,365	6,895	6,895
(-) Other long - term receivables	-1,164	-5,648	394	7	7	8	8
(+) Other Long - term liabilities	-1,761	-20,532	166	6	13	19	25
(+) Cons. diff./ Minority Interests	-146	268	168	181	223	297	358
Cash Flow from Investment	-22,453	-19,517	-9,963	-10,264	-8,227	-6,657	-6,591
Net C. F. Before Fin. Activities	-13,198	-26,759	6,480	2,737	5,175	10,078	19,722
Increase in Share Capital	0	225	0	0	0	0	0
Increase in Share Premium Account	3	0	0	0	0	0	0
Net Change in Reserves	4,955	9,951	0	0	0	0	0
Change in Long - Term Debt	-2,914	9,957	-1,000	-1,000	-1,000	-1,000	-1,000
Change in Short - Term Debt	11,010	4,604	-8,455	0	-3,000	-5,000	-15,000
Dividends	1,005	1,037	1,254	1,282	1,970	3,152	3,792
Minority Interests on Profit	-102	167	280	302	371	495	596
Net Cash Flow from Financing	12,151	23,533	-10,989	-2,584	-6,341	-9,647	-20,388
Cash at Beginning	12,104	11,056	7,831	3,322	3,475	2,309	2,741
Change in Cash	-1,047	-3,225	-4,509	153	-1,166	431	-666
Cash at End	11,056	7,831	3,322	3,475	2,309	2,741	2,075

Source: Group Financials & VRS Projections.

NOTES

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Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	69.2%	Expected to Outperform the Index by more than 10%
Neutral	30.8%	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
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	04/01/2008	Outperform	€ 2.04
ALUMIL	09/01/2008	Outperform	€ 7.06
THRACE PLASTICS	21/05/2008	Outperform	€ 1.90

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