

DRUCKFARBEN HELLAS S.A.

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VALUATION & RESEARCH SPECIALISTS

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Greek Equities - June 28th, 2006

DRUCKFARBEN HELLAS S.A.

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Company Description:

Druckfarben Group is principally engaged in the provision of inks and other related products. Its activities include the production and trade of inks and paints for the construction industry, the trade of paper and printing machines and accessories, as well as the representation of foreign companies that are involved with the aforementioned products.

(in EUR million)	2005	2006	2007
Turnover	59,768	67,915	76,189
EBIT	5,513	6,208	7,549
EBT	4,208	4,628	5,969
Net Profit	2,936	3,286	4,298

Share Price (in EUR)	28/6/06	2.69
Shares Outstanding (million)		15.49
Mark. Cap. (in EUR mn)		41.67

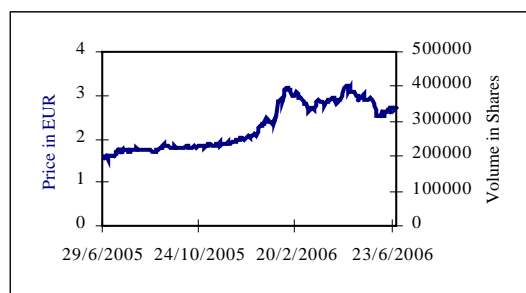
	2005	2006	2007
P/E	14.19	12.68	9.70
P/BV	1.94	1.74	1.54
ROE	13.70%	13.75%	15.84%
Bank Debt/Equity	1.35	1.32	1.16

Source: Company Data & VRS Projections

Key Investment Points

- ⊙ **Druckfarben Hellas is a leading producer and distributor of ink products in Greece** seeking to expand its successful business model in the Balkans. The strength of the Group is its high quality products and the flexibility to support sales with services.
- ⊙ **Druckfarben is the exclusive distributor of the multinational Huber Gruppe's offset ink products in the Balkans since 1999.** The Group has built a relationship of trust with the Huber Group, aiming to further utilize this relationship, setting up the fundamentals for stronger expansion of their collaboration in the Balkans and Western Europe.
- ⊙ **In 1999, Druckfarben diversified its activities entering in the production and trade of architectural paint.** The Group aims to increase its market share in the Greek market and gradually expand operations in the Balkans.
- ⊙ We anticipate Group turnover CAGR₂₀₀₅₋₂₀₁₀ of 11.7%. Our projections imply gross profit margin gradual increase over the next 5-year period, leading to EBITDA CAGR₂₀₀₅₋₂₀₁₀ of 15.02% and Net Income CAGR₂₀₀₅₋₂₀₁₀ of 21.53%.

Share Price Graph (last 250 trading sessions)
Max.: €3.24 - Min.: €1.53



Please see important disclosure and disclaimer statements at the end of this report

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<u>TABLE of CONTENTS</u>	<u>Page</u>
Growth Drivers	4
Growth from the Ink Business	4
Opportunities in the Architectural Paint Sector	7
Druckfarben's Production Facilities	9
Druckfarben Group Historic & Projected Turnover Breakdown	10-11
Financial Analysis	12
Profit & Loss Analysis	12
Key Elements of Balance Sheet	13
Group Historic & Projected Profit & Loss Account	15
Group Historic & Projected Balance Sheet	16
Company Overview	17
Group Structure	17
Business Segments	18
Facilities	19
Quality Assurance	19
Investment Expenditures (CAPEX)	20
Investment Risks / Concerns	20
Share Price Performance vs. General Index	21
Shareholders' Structure	21
Valuation Methodology based on DCF	22
Notes	24
Disclosure Statement	26

Growth Drivers

The Druckfarben Group has succeeded in becoming the largest producer and distributor of ink for flexible packaging and graphic arts and the 4th producer of architectural paint in Greece. The Group has expanded operations, exploring opportunities from the broader market of ink and paint in the Balkans.

Druckfarben is utilizing a successful business model that has led to solid growth since its establishment. In this investment case, we will describe the main growth drivers that will secure to a large extent the sustainability of this growth, presenting at the end of this analysis, the negative factors that could affect the Group's operations.

Growth from the Ink Business

Druckfarben specializes in the production of liquid (flexible packaging) and black offset ink (used in newspapers). In addition, it distributes offset inks of MHM and other graphic art materials and equipment of internationally recognized firms, such as Michael Huber Group. The Group is operating in the €95 million Balkan ink market of which €54-55 million account for the Greek market.

Sustain domestic market share

Ink for flexible packaging

Druckfarben is the leader in the Greek market holding about 57% share. The domestic flexible packaging ink market is estimated at 5,500 tons (or €24 million). Druckfarben ensures high quality products, providing tailor made solutions that meet the specifications mutually agreed with customers. European Union authorities have also set certain prerequisites of the ink used in the food packaging sector.

The sector is expected to grow by approximately 3% annually in the next 5-year period, mostly due to the estimated increase in consumption that will consequently enhance the use of flexible packaging. The Group's target is to:

1. Gradually increase its domestic market share by providing and developing:
 - High quality products that meet the specifications set by both European Union rules and customer needs,
 - Technical support on printing applications,
 - Update and follow up of the constant changes in the EU regulations,
 - R&D expertise that leads to higher added value products,
 - Emphasis on environmentally friendly products.
2. Alter current product mix to higher margin products.

Ink for graphic arts (Offset ink)

Druckfarben is also the leader in the Greek offset ink and graphic art market with a 49% share. The domestic offset ink market is estimated at 5,740 tons (offset inks and printing auxiliaries' market accounts for €30 million). The Group produces black web offset ink for newspapers and distributes Michael Huber Group's offset (sheet-fed & web) inks and auxiliary products for the graphic arts.

The sector is at its mature stage, advancing by 3%-4% per annum, and growth potential is only expected from printed advertising material and newspaper supplements. However, Druckfarben appears capable of gaining larger market shares over the next 5-year period, due to its strong position in all key business segments. Group faces competition mainly from imports of European based international companies.

The Group is seeking to gradually increase its market share by utilizing its competitive advantages, as compared to its peers, through:

1. The optimal utilization of the ink,
2. Provision of technical support in the printing processes,
3. Delivery of products, which are "tailor-made" to satisfy customer needs, and
4. Delivering the complete range of products for printer needs (one stop shop).

In the next 5-year period, revenues from domestic offset ink distribution are expected to rise at a CAGR₂₀₀₅₋₂₀₁₀ of 8.68%, representing by end-2010 21.13% of total Group turnover, from approximately 24.2% at the end of 2005.

Expand operations in the Balkans and other international markets

The Company is seeking to capture opportunities from the expected growth in the Balkan market, currently valued at €16 million for flexible packaging inks and €25 million for graphic arts ink. The sector growth is expected to derive from:

1. Increasing ink consumption that currently accounts for
 - Approximately 80 gr. flexible packaging ink compared to 500 gr. ink per capita in Greece
 - Approximately 100 gr. offset ink compared to 520 gr. ink per capita in Greece
2. Increasing per capita consumption in the Balkans that will boost both packaging material demand (mostly in the food and other related sectors) and advertising material demand, which consequently increase the demand for ink. The Company will also render the technical support for both the flexible and graphic ink markets,

3. Stronger need for quality improvements and higher number of printing applications (newspapers, magazines, books, posters etc.).

The Group has entered in the Rumanian (2003), Bulgarian (2004) and Serbian (2005) markets, holding about 70% share in the first and 60% share in the second market (regarding black offset ink). Druckfarben is in position to double its production capacity in both the flexible packaging sector and the offset black ink market with minor additional investments.

The Group's strategy is to increase its market share and benefit from the potential growth of the Balkan market and from the expanding operations of the existing customers in the Balkans (both Greek and local customers). Druckfarben's competitive advantage consists of the following:

1. High quality products
2. Flexibility to produce tailor made solutions to customers
3. Before and after sales services regarding printing processes and ink applications.

Druckfarben is also seeking opportunities in other international markets with regard to ink for flexible packaging. The Group has currently started co-operation with a local company in Egypt, for the distribution of ink in the country. Druckfarben has also started exporting products to Turkey this year, and considers expanding activities in other countries as well. These export activities are at an initiation stage and we do not make any revenue projections yet.

Utilize relation with Michael Huber Group

Druckfarben is the exclusive distributor of the Huber Gruppe products in the Balkans and Cyprus since fiscal 1999. The collaboration has also expanded in the technical sector, combining research and developing efforts and action plans. The German multinational Group was established in 1765 and currently ranks 4th in the global ink market.

Druckfarben has built a relationship of trust with the Huber Gruppe, and is currently in process of expanding its co-operation. The Greek Group has already started to supply water based ink for flexible packaging sector for Huber in Germany (2003) and Italy (2006), and is expected to expand to other European based MHM subsidiaries.

Opportunities in the Architectural Paint Sector

Druckfarben entered the production of architectural paints in 1999 via the acquisition of 51% of International Ilios Cotachem and 93% of Polymet. Today, the Group operates one semi-automated plant, which is running at full capacity. The Group is

planning to invest on a new automated production plants in Greece and Romania, in order to achieve higher market share in the broader Balkans with a more efficient cost structure.

Enhance domestic market share

The Group currently holds about 7% of the Greek market, which is estimated to be 160,000 tons (worth approximately €280 million), while the brand Kraft ranks currently 4th. In nominal terms, the sector is expected to grow by more than 4.0%-4.5% annually in the next 5-year period. The Group is seeking to increase its market share through:

1. Utilization of innovative marketing techniques.
2. Stronger support of its selling points, increasing at the same time their quality and number, currently accounting for 2,500 points nationwide.
3. Launching new specialised paints and techniques that have come to the knowledge of the Company due to its participation in Nova Paint Club.
4. Stronger expansion of the 2 paint membership clubs, which consist of professional and paint shop owners,
5. Promotion of “Kraft” brand in all Balkan markets, attaining synergies and benefits from having pan Balkan brand.

In the next 5-year period, domestic activities regarding architectural paint are expected to rise at a CAGR₂₀₀₅₋₂₀₁₀ of 8.63%, representing at end-2010 29.8 % of total Group turnover, from approximately 32.87% at the end of 2005.

Exploit opportunities in the Balkans

The Group is also expanding operations in the Balkans, where opportunities appear especially attractive due to:

1. Strong construction activity,
2. Low consumption of architectural paint, estimated at approximately 2-3 kilos/capita in the Balkans, compared to 12 kilos/capita in Greece and 17 kilos/capita in Western Europe.

Druckfarben currently holds about 0.7% market share in the Balkans (mostly from its activities in Rumania) a market that is estimated at 250,000 tons (worth approximately €300 million). The Group is seeking to increase its market share by expanding operations in Romania and Serbia and enter Bulgaria (during fiscal 2007, when the production plant in Rumania commences operations). In all countries, the Group will gradually set a broad selling network and increase marketing spending.

Druckfarben's Production Facilities



Druckfarben Group Historic & Projected Turnover Breakdown (1)

	2005	2006	2007	2008	2009	2010
GREECE						
Offset & flexography inks	25,661.56	28,522.74	31,158.28	33,484.29	36,299.32	38,721.17
<i>Annual growth rate</i>	9.23%	11.15%	9.24%	7.47%	8.41%	6.67%
own production	11,761.14	13,565.76	14,596.30	15,571.27	16,624.24	17,645.23
<i>Annual growth rate</i>	9.88%	15.34%	7.60%	6.68%	6.76%	6.14%
<i>own production - offset inks</i>	588.06	632.75	700.65	757.81	832.35	891.62
<i>own production - flexography inks</i>	11,173.09	12,933.01	13,895.65	14,813.46	15,791.89	16,753.61
distribution (offset inks)	13,900.42	14,956.97	16,561.98	17,913.02	19,675.08	21,075.94
<i>Annual growth rate</i>	8.68%	7.60%	10.73%	8.16%	9.84%	7.12%
Paints & enamel paints	19,650.85	21,219.35	23,016.84	25,783.53	27,753.39	29,729.43
<i>Annual growth rate</i>	8.25%	7.98%	8.47%	12.02%	7.64%	7.12%
own production	17,315.42	18,697.52	20,281.39	22,719.26	24,455.02	26,196.21
<i>Annual growth rate</i>	10.22%	7.98%	8.47%	12.02%	7.64%	7.12%
distribution	2,335.42	2,521.83	2,735.46	3,064.27	3,298.38	3,533.22
<i>Annual growth rate</i>	-4.39%	7.98%	8.47%	12.02%	7.64%	7.12%
GREECE - Total Revenues	45,312.40	49,742.09	54,175.13	59,267.82	64,052.71	68,450.61
<i>Annual growth rate</i>	8.80%	9.78%	8.91%	9.40%	8.07%	6.87%
INTERNATIONAL MARKETS						
Cyprus	228.63	262.92	289.22	312.35	334.22	357.61
<i>Annual growth rate</i>		15.00%	10.00%	8.00%	7.00%	7.00%
Romania	7,714.36	9,642.96	12,053.70	14,464.43	16,634.10	19,129.21
<i>Annual growth rate</i>	35.98%	25.00%	25.00%	20.00%	15.00%	15.00%
Bulgaria	2,458.46	2,950.15	3,540.19	4,425.23	5,531.54	6,914.42
<i>Annual growth rate</i>	36.16%	20.00%	20.00%	25.00%	25.00%	25.00%
Serbia	784.98	1,883.95	2,354.94	2,825.92	3,391.11	4,069.33
<i>Annual growth rate</i>	65.05%	140.00%	25.00%	20.00%	20.00%	20.00%
Other (*)	3,269.25	3,432.71	3,775.98	4,153.58	4,568.93	5,025.83
<i>Annual growth rate</i>	-4.32%	5.00%	10.00%	10.00%	10.00%	10.00%
INTERNATIONAL MARKETS - Total Revenues	14,455.68	18,172.69	22,014.01	26,181.52	30,459.90	35,496.41
<i>Annual growth rate</i>	27.12%	25.71%	21.14%	18.93%	16.34%	16.53%
GRAND TOTAL REVENUES	59,768.09	67,914.78	76,189.14	85,449.34	94,512.61	103,947.02
<i>Annual growth rate</i>	12.73%	13.63%	12.18%	12.15%	10.61%	9.98%

(*) Includes Germany, Italy, Turkey, Egypt and other countries.

Source: Company Accounts and VRS Estimates

Druckfarben Group Historic & Projected Turnover Breakdown (2)

	2005	2006	2007	2008	2009	2010
Consolidated Turnover per Business Activity						
Inks for Graphic Arts	19,307.53	21,053.58	22,856.74	24,780.31	26,463.53	28,065.69
<i>Share of total</i>	32.30%	31.00%	30.00%	29.00%	28.00%	27.00%
Inks for Flexible Packaging	19,162.32	22,072.30	24,761.47	27,771.04	31,189.16	34,302.52
<i>Share of total</i>	32.06%	32.50%	32.50%	32.50%	33.00%	33.00%
Paints	21,298.24	24,788.90	28,570.93	32,898.00	36,859.92	41,578.81
<i>Share of total</i>	35.63%	36.50%	37.50%	38.50%	39.00%	40.00%
GRAND TOTAL REVENUES	59,768.09	67,914.78	76,189.14	85,449.34	94,512.61	103,947.02
Own Products versus Distribution Agreements Turnover						
Own Products	36,425.91	41,428.02	46,475.37	52,124.10	57,652.69	63,407.68
<i>Share of total</i>	60.95%	61.00%	61.00%	61.00%	61.00%	61.00%
Distribution Agreements	23,342.18	26,486.76	29,713.76	33,325.24	36,859.92	40,539.34
<i>Share of total</i>	39.05%	39.00%	39.00%	39.00%	39.00%	39.00%
GRAND TOTAL REVENUES	59,768.09	67,914.78	76,189.14	85,449.34	94,512.61	103,947.02

Source: Company Accounts and VRS Estimates

Financial Analysis

Profit & Loss Analysis

The Company's strategy is to produce and sell products, which have higher added value and enhance the value chain. It aims for stronger expansion in the international markets, where growth opportunities exist. Along with its investment plan of EUR 15 million for the period 2006 – 2010, which will increase capacity and enhance cost structure, especially in the paint business, Druckfarben is in position to enjoy turnover growth higher than the average rate in the broader sector. Specifically, according to our financial model:

- For the period 2005-2010, we estimate group turnover CAGR of 11.7%, with international revenues representing approximately one third of total group revenues by 2010.

- Gross profit margin should gradually improve - settling at about 32.74% at end 2010 from 30.71% at end 2005) as a result of:

1. Shifting towards higher margin products, especially in the flexography ink business, where Druckfarben already concentrates on semi-final inks, generating stronger margins than traditional products.
2. Materializing capex, which amounts to EUR 15 million for the next 5-year period. The Company's investment plan will lead to higher capacity rates, more efficient utilization of resources, and enhanced cost structure,
3. Expanding internationally, thus attaining a larger share in international revenues, and steady improvement of profit margins, as the Company establishes its market position in several neighboring countries.

- EBITDA margin, which settled at approximately 12.74% at end fiscal year 2005, is expected to settle at 14.75% by 2010, whereas EBITDA CAGR is estimated at 15.02% for the same period. The strong EBITDA increase is attributed to the following factors:

1. The gross margin improvement,
2. The relatively controllable growth in administrative expenses (CAGR2005-2010 of 11.2%),
3. The stabilization of distribution expenses at the range of 15.2%-15.3% of total

Group turnover.

- Our model finally assumes a relatively efficient control of interest expenses, which should not deviate significantly from their historic performance. This is also in line with the Company's bank debt policy, aiming at a debt / turnover ratio lower than 50%.

	2005	2006	2007	2008	2009	2010
Profit Margins						
Gross Margin	30.71%	30.90%	31.54%	32.32%	32.68%	32.74%
EBITDA Margin	12.74%	12.63%	13.47%	14.51%	14.84%	14.75%
EBIT Margin	9.22%	9.14%	9.91%	11.01%	11.48%	11.59%
Pre-tax profit margin	7.04%	6.81%	7.83%	9.19%	9.92%	10.26%
Net Profit margin	4.91%	4.84%	5.64%	6.62%	7.24%	7.49%
Cost Absorption & Sources						
Cost of sales on sales	69.29%	69.10%	68.46%	67.68%	67.32%	67.26%
Administrative cost on sales	3.27%	3.30%	3.30%	3.30%	3.10%	3.20%
Distribution cost on sales	15.19%	15.30%	15.30%	15.20%	15.20%	15.20%

Source: Company Accounts and VRS Estimates

Key Elements of Balance Sheet

Our model incorporates the following considerations:

- Druckfarben Group's capital expenditure plan, necessary to achieve stronger turnover growth and international expansion,
- The financing scheme the Group has drawn in order to materialize its Capex,
- Working capital needs.

Total capital expenditures during the period 2006-2010 are estimated at EUR 15 million, financed 30% by the Greek State (through subsidies), by own capital as well as through bank debt. The Company is restructuring its bank debt during 2006 shifting towards long-term debt via a 5-year bond loan. Therefore, short-term debt over the next years should remain well below historical levels.

The largest part of investments concerns the Group's paint production. Druckfarben plans to build a new factory in Greece for a total cost of EUR 6.5 million, subsidized 35% by the Greek State, and production will commence in 2008. Druckfarben is also planning to build a new plant in Romania for a total cost of EUR 3.5 million, subsidized 900,000 EUR by the Greek State, and with production commencing in 2007. The Group's investment plan will also provide new storage facilities in Aspropyrgos and new machinery equipment.

Druckfarben's strong cash flow alleviates the burden of its extended cash cycle, which is due to longer debtors days. We project relatively stable debtors and creditors days in our model.

	2005	2006	2007	2008	2009	2010
Activity						
Stock Days	92	91	91	90	91	84
Debtors Days	176	176	177	178	180	173
Creditors Days	100	107	115	117	118	115
Operating Cycle	267	267	268	268	271	258
Cash Cycle	168	160	153	151	153	143
Capital Structure						
Total Debt/ Total Equity	2.10	2.12	1.97	1.78	1.55	1.31
Bank Loans/ Total Equity (D/E ratio)	1.36	1.33	1.17	1.00	0.82	0.66

Source: Company Accounts and VRS Estimates.

Group Historic & Projected Profit & Loss Account

(in ,000 €)	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Turnover	59,768	67,915	76,189	85,449	94,513	103,947
y-o-y Change %	12.73%	13.63%	12.18%	12.15%	10.61%	9.98%
(-) Cost of sales	41,411	46,928	52,158	57,833	63,625	69,919
% of Turnover	69.29%	69.10%	68.46%	67.68%	67.32%	67.26%
y-o-y Change %	14.32%	13.32%	11.14%	10.88%	10.02%	9.89%
Gross operating results	18,357	20,987	24,031	27,616	30,887	34,028
Gross Operating Margin	30.71%	30.90%	31.54%	32.32%	32.68%	32.74%
y-o-y Change %	9.31%	14.33%	14.51%	14.92%	11.85%	10.17%
(+) Other operating income	290	220	405	595	430	430
(-) Administrative Expenses	1,953	2,241	2,514	2,820	2,930	3,326
% of Turnover	3.27%	3.30%	3.30%	3.30%	3.10%	3.20%
Distribution Cost	9,079	10,391	11,657	12,988	14,366	15,800
% of Turnover	15.19%	15.30%	15.30%	15.20%	15.20%	15.20%
Total Expenses	11,032	12,632	14,171	15,808	17,296	19,126
% of Turnover	18.46%	18.60%	18.60%	18.50%	18.30%	18.40%
y-o-y Change %	-1.68%	14.51%	12.18%	11.55%	9.41%	10.58%
EBITDA	7,615	8,574	10,265	12,403	14,022	15,332
EBITDA Margin	12.74%	12.63%	13.47%	14.51%	14.84%	14.75%
y-o-y Change %	20.42%	12.59%	19.71%	20.83%	13.05%	9.34%
Depreciation	2,103	2,367	2,716	2,993	3,170	3,287
% of Turnover	3.52%	3.49%	3.56%	3.50%	3.35%	3.16%
EBIT	5,513	6,208	7,549	9,410	10,852	12,044
% of Turnover	9.22%	9.14%	9.91%	11.01%	11.48%	11.59%
y-o-y Change %	23.43%	12.61%	21.61%	24.66%	15.32%	10.99%
Total Financial Results	-1,304	-1,580	-1,580	-1,555	-1,480	-1,380
Net Results Before Taxes	4,208	4,628	5,969	7,855	9,372	10,664
EBT Margin	7.04%	6.81%	7.83%	9.19%	9.92%	10.26%
y-o-y Change %	31.56%	9.96%	28.98%	31.60%	19.31%	13.79%
Income Tax	1,272	1,342	1,671	2,199	2,530	2,879
Net Results After Taxes	2,936	3,286	4,298	5,656	6,841	7,785
EAT Margin	4.91%	4.84%	5.64%	6.62%	7.24%	7.49%
y-o-y Change %	28.01%	11.90%	30.80%	31.60%	20.96%	13.79%
Proportion of Minority rights	0	0	0	0	0	0
Consolidated Net Results (a.t.&m.i.)	2,936	3,286	4,298	5,656	6,841	7,785
Net Margin	4.91%	4.84%	5.64%	6.62%	7.24%	7.49%
y-o-y Change %	28.01%	11.90%	30.80%	31.60%	20.96%	13.79%

Source: Company Accounts and VRS Estimates

Group Historic & Projected Balance Sheet

	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Assets						
Total Intangible Assets	149	749	829	889	919	949
Accumulated depreciation	50	77	124	175	230	286
Total Net Intangible Assets	100	673	705	714	690	663
Total Tangible Assets	29,068	33,468	37,388	40,328	41,798	43,268
Total accumulated depreciation	7,529	9,869	12,538	15,479	18,594	21,825
Total Net Tangible Assets	21,539	23,599	24,850	24,849	23,204	21,443
Total Financial & Other L-T Assets	0	0	0	0	0	0
TOTAL FIXED ASSETS	21,638	24,271	25,555	25,563	23,893	22,106
% Total Assets	32.57%	32.50%	31.71%	29.29%	25.69%	22.57%
Inventories	11,307	12,092	13,915	14,605	17,120	17,744
Debtors	30,207	35,288	38,605	44,738	48,480	54,043
Other Receivables	1,002	1,000	1,000	1,000	1,000	1,000
Securities (net)	204	204	204	204	204	204
Cash in bank and at hand	2,073	1,830	1,322	1,159	2,323	2,867
TOTAL CURRENT ASSETS	44,794	50,415	55,046	61,705	69,127	75,857
% Total Assets	67.43%	67.50%	68.29%	70.71%	74.31%	77.43%
GRAND TOTAL ASSETS	66,432	74,686	80,601	87,268	93,020	97,963
EQUITY & LIABILITIES						
Share capital	5,732	5,732	5,732	5,732	5,732	5,732
Share premium account	3,358	3,358	3,358	3,358	3,358	3,358
Total Reserves	7,779	7,943	8,158	8,441	8,783	9,172
Profit carried forward	4,486	6,786	9,794	13,753	18,542	23,991
Minority rights	0	0	0	0	0	0
TOTAL CAPITAL & RESERVES	21,436	23,900	27,123	31,365	36,496	42,334
% Total Equity & Liabilities	32.27%	32.00%	33.65%	35.94%	39.23%	43.21%
Provisions	0	0	0	0	0	0
L-Term Bank Loans	14,400	29,000	29,000	28,500	27,000	25,000
Provisions for Staff Retirement	299	300	300	300	300	300
Investment Grants	520	500	900	1,750	1,750	0
Other long term debts	0	0	0	0	0	0
Deferred Tax Liabilities	32	0	0	0	0	0
Total L-Term Liabilities	15,251	29,800	30,200	30,550	29,050	25,300
Suppliers	12,191	15,323	17,544	19,533	21,606	24,369
Banks	14,536	2,500	2,500	2,500	2,500	2,500
Taxes-duties	1,049	1,200	1,200	1,200	1,200	1,200
Social charges	341	381	427	479	498	565
Dividends	0	82	107	141	171	195
Other liabilities	1,629	1,500	1,500	1,500	1,500	1,500
Total Current Liabilities	29,745	20,986	23,279	25,354	27,475	30,329
TOTAL LIABILITIES	44,996	50,786	53,479	55,904	56,525	55,629
% Total Equity & Liabilities	67.73%	68.00%	66.35%	64.06%	60.77%	56.79%
TOTAL EQUITY & LIABILITIES	66,432	74,686	80,601	87,268	93,020	97,963

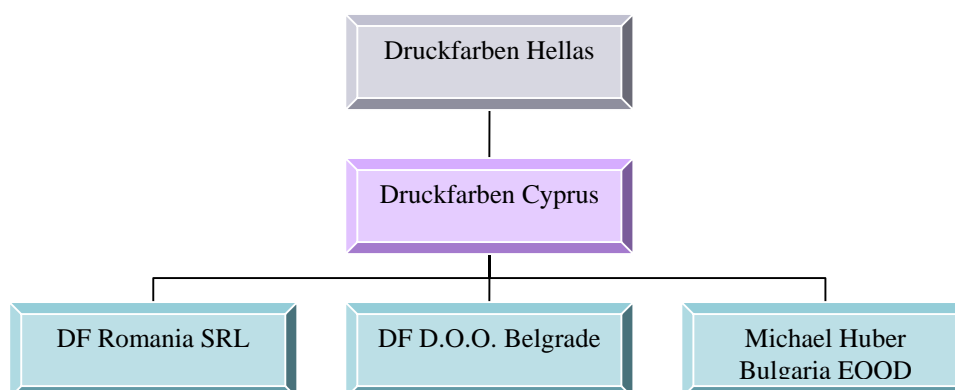
Source: Company Accounts and VRS Estimates

Company Overview

Druckfarben Hellas S.A. was founded in 1970 as a manufacturer of solvent based inks, and today it is Greece's largest ink company. During 1998, Druckfarben's Hellas S.A. was successfully listed on the Athens Stock Exchange. During fiscal 1999, the Company entered the architectural paints market via the acquisition of 51% of the International Ilios Cotachem and 93% of the Polymet S.A. In the same year, the Group agreed for the strategic partnership with Michael Huber München GmbH, one of the leading global ink producers. Druckfarben is actively involved in the Balkans either directly from Greece or through its subsidiaries.

Group Structure

Druckfarben Group includes 4 subsidiaries. Through its holding company DF Cyprus it has three wholly owned subsidiaries in the Balkans, in Romania, Bulgaria and Serbia respectively.



Business Segments

Group activities cover 4 business units that are categorized according to production, and trade:

Production

1/ Flexible Packaging & Black Offset Inks

The Company produces flexography & gravure inks that are used in the flexible packaging field, for example on plastic bags and boxes used in food packaging, gift wrapping paper and cement & animal feed bags. Druckfarben is the leading ink manufacturer for flexible packaging holding about 57% share in the Greek market and 25% share in the other Balkan countries. The Group's customer base includes leading printing companies of packaging materials, in the Balkans. The Group also produces black web offset ink that is used in the newspaper printing.

2/ Architectural Paints

Druckfarben architectural paints division serves all market requirements through a wide range of decorative paints and metal care products, which include latex and acrylic paints, roof coatings, enamels primers etc. It also offers products for both protection and decoration purposes for surfaces such as interior, exterior, wood, metal and many specialized applications. It offers color decoration solutions through its Kraft Mix Tinting System. The Company's main brand Kraft is currently positioned 4th in the Greek Market, holding 7% share and 2,500 points of sale nationwide.

Distribution (Exclusive Representations)

1/ Graphic Art Inks (offset inks) & printing auxiliaries

The Group holds a leading position in the offset ink market (49% share in Greece and 29% share in the other Balkan countries). Druckfarben is the exclusive distributor of the Michael Huber Group, which is one of the leaders in offset ink globally. Offset ink is used in newspapers, magazines, books, posters etc. This product category also includes the trade of chemical detergents solvents (distributor of the brands Ipagsa, Day and Varn), and printing machinery such as presses, oxidizers and drying systems (distributor of the leading manufacturers Goss, Megtec and Oxy-Dry). Group's customer base includes leading publishing and printing companies.

2/ Architectural paint and enamel paints

Druckfarben is the exclusive distributor of the U.S. Pratt & Lambert brand, offering more expensive but specialized and higher quality architectural paints in order to include added value products to its product portfolio. In addition, the Company is the exclusive distributor of Hammerite products, which are specialized paints for the protection and decoration of metal surfaces.

Facilities

The Group has 2 production facilities in Greece and 3 warehouses in Greece, Bulgaria and Romania.

Aspropirgos Attica: The Group owns land of 38,829 m², which includes a production plant, logistics center and the Group's headquarters (area of 12,598 m²). The plant produces different types of liquid and black offset inks as well as architectural paints. The manufacturing production accounts for 3,750 tons/year in liquid ink, 1,500 tons of black offset inks and 9,000 tons/years in architectural paints (all are single shifts). We note that the ink plant is operating at approximately 35-40% capacity.

Halkida: The Group owns land of 27,356 m² that includes a production plant (area of 4,168 m²). The plant produces different types of liquid inks with a manufacturing capacity of 800 tons/year (single shift) in liquid ink.

Thessalonica: The Group owns warehouse facilities and representative office in an area of 2,000 m².

Bucharest, Romania: The Group owns land of 30,000 m² and rents another 1,300 m², which includes warehouse facilities and representative office.

Bulgaria: The Group rents 1,000 m², which includes warehouse facilities and representative office.

Quality Assurance

Druckfarben has been certified with the ISO 9001, TUV Cert, ISO 14001 Environmental Management System and furthermore it is the first Greek Paint Company to be awarded by the EMAS Certification.

Investment Expenditures (CAPEX)

According to the investment program for the period 2006-2010, Druckfarben will invest on a new automated paint production plant in Greece with total capacity of 40 tons / day / shift, and another paint plant in Romania with total capacity of 8 tons / day / shift. The investment in Greece is expected to reach €6.5 million and will launch operations during fiscal 2008. The investment in Romania will reach €3.5 million, will launch operations in early 2007 and will include warehouse facilities and head offices. The Group is also planning to invest approximately €3 million for ink machinery and warehouses in Greece, and another €2 million for maintenance.

Investment Risks / Concerns

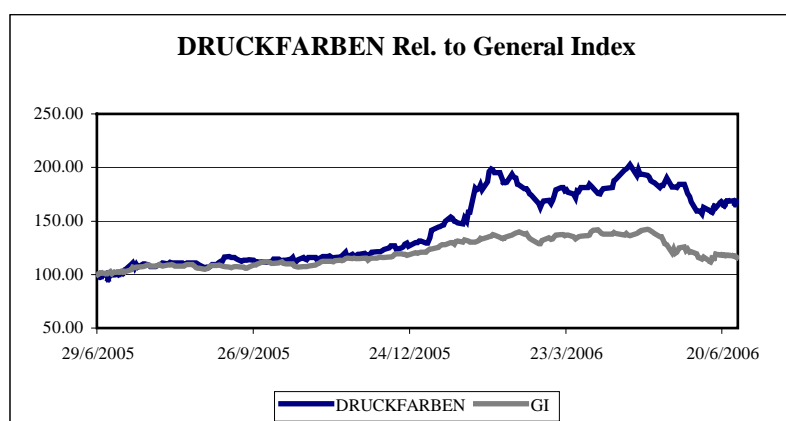
Ink Division

- Unpredictable price fluctuation in raw materials, since prices depend directly on the fluctuation of international oil prices.
- High dependence on the evolution of consumption growth (flexible packaging ink).
- Competition from large multinational companies.

Paint Division

- Strong competition from local players.
- Understanding of consumer marketing and trends.
- Constant need for a well-established selling network with high product availability.
- High dependence on the evolution of construction activity.

Share Price Performance vs. General Index (base=100)



Shareholders' Structure

The shareholders' structure of Druckfarben SA, the parent company listed on the Athens Exchange, is presented below:

	<u>28 / 04 / 2006</u>
G. Karavasilis	63.15%
MHM Holding Gmbh	10.08%
Free Float	26.77%
Total	100%

Valuation Methodology based on DCF

Applying our assumptions into the DCF model, we derive a fair business value of € 56.14 million, implying a price of €3.62 per share.

	2006 E	2007 E	2008 E	2009 E	2010 E	L-T Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	13.63%	12.18%	12.15%	10.61%	9.98%	2.50%
EBIT Margin	9.14%	9.91%	11.01%	11.48%	11.59%	10.00%
Tax Rate	29.00%	28.00%	28.00%	27.00%	27.00%	30.00%
Working Capital (% of sales)	3.93%	3.77%	5.60%	4.41%	3.23%	2.75%
Capex (% of sales)	7.36%	5.25%	3.51%	1.59%	1.44%	3.00%
Cost of Capital	6.42%	6.65%	6.92%	7.27%	7.62%	7.56%
Depreciation (% of sales)	3.49%	3.56%	3.50%	3.35%	3.16%	3.00%
CASH FLOW STATEMENT						
Turnover	67,915	76,189	85,449	94,513	103,947	106,546
EBIT	6,208	7,549	9,410	10,852	12,044	10,655
Less: Adjusted Tax	1,342	1,671	2,199	2,530	2,879	2,624
Adjusted Operating Profit	4,866	5,878	7,211	8,321	9,165	8,031
Plus: Depreciation	2,367	2,716	2,993	3,170	3,287	3,196
Operating Cash Flow	7,232	8,593	10,203	11,491	12,452	11,227
Less: Change in Working Capital	2,669	2,872	4,782	4,166	3,356	2,930
Less: Capex	5,000	4,000	3,000	1,500	1,500	3,196
Cash Flow to the Firm (FCFF)	-436	1,721	2,421	5,825	7,596	5,101
Discount Factor	0.94	0.88	0.82	0.76	0.69	0.695
Present Value of Cash Flows	-410	1,513	1,981	4,399	5,262	
Accumulated Present Value	-410	1,103	3,084	7,483	12,745	
Residual Value						100,779
Present Value of Residual Value						69,997
VALUATION						
Value of Firm	82,743					
% Residual Value of Total	84.60%					
<u>Less: Net Debt</u>	26,863					
<u>Plus: Participations & Securities</u>	262					
Value of firm	56,141					
Outstanding number of shares (000)	15,492					
Current Price	2.69					
Value of share	3.62					
WACC CALCULATION						
Risk Free Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Beta Factor	0.95	0.95	0.95	0.95	0.95	0.95
Market risk Premium	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Cost of Equity	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%
Debt / Debt+Equity	56.86%	53.73%	49.71%	44.70%	39.38%	39.38%
Cost of Debt	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	29.00%	28.00%	28.00%	27.00%	27.00%	30.00%
Weighted Average Cost of Capital	6.42%	6.65%	6.92%	7.27%	7.62%	7.56%

Source: Company Accounts and VRS Estimates

We have chosen, to use the DCF method in order to calculate our fundamental valuation, since it better reflects the intrinsic value of the Group, future net profit growth and more efficient cost control on behalf of the management. The model's assumptions reflect the following:

1. Leading market shares,
2. Improving profit margins
3. Constant expansion of each business sector's revenues,
4. Ongoing profitability on group basis,
5. Successful financing of the Company's long-term investment plan.

Notes

VALUATION & RESEARCH SPECIALISTS

Value Invest - www.valueinvest.gr Investment Research & Analysis Journal - www.iraj.gr

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DISCLOSURE CHECKLIST

Covered Company	Reuters	Price	Price Close	Disclosure
Druckfarben	DRUr.AT	EUR 2.69	28 June 2006	2, 3, 4, 6

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual events and guidance on financial performance.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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