

May 26, 2006

Target Price : € 2.20

Recommendation : **BUY**

## F.H.L. KIRIAKIDIS GROUP

*Initial Coverage*

Sector: Building Materials (Marble & granite)

### Key Investment Points

- F.H.L. Kiriakidis Group is one of the leaders in the Greek marble & granite market with a strong presence in North and Central Greece.
- The Group owns marble quarries in Thassos, Granitis, Volakas, Nevrokopi and Prilep (FYROM) with proven reserves of 5.27mn m<sup>3</sup>, and has invested on technical equipment that support the process of special dimension final products that satisfy the range of diversified demands of its customers all over the world.
- The majority of Group's turnover, derives from international operations. F.H.L. targets the global stone market where opportunities appear stronger.
- F.H.L. Kiriakidis Group is investing approximately € 5.5 mn for the development of modern facilities for the expansion of its production capacity on high value added prefabricated mortars and other similar building materials. The Group is utilizing the powder produced from the process of marbles, from its own quarries, that is used for raw materials for the final products. The Group is seeking to capture about 7.5% share from the estimated € 4 mn Greek plaster market.
- Following the acquisition of FYROM's Mermeren Kombinat in 2000, F.H.L. has become the global leader in the manufacture of premium quality snow-white marble. This marble type accounts for a strong competitive advantage in the global market. In addition, the Group invested in highly specialized technological equipment in order to have the capacity and know-how to take over large and complicated projects that demand detailed processing.
- We expect Group turnover CAGR<sub>2005-2010</sub> of 6.08% despite the completion in fiscal 2007 of the mosque in Abu Dhabi (the group will receive about € 15 mn per year for its participation). We have assumed that the Group will retain strong sales by utilizing the premium quality snow-white marble of the quarry in Prilep and by expanding activities in the production of prefabricated mortars and other similar building materials. We also expect EBITDA CAGR<sub>2005-2010</sub> of 1.5% and Net Income CAGR<sub>2005-2010</sub> of 9.8%.
- Our DCF valuation model indicates a fair value of € 2.20 for Kiriakidis stock implying that it is currently trading on a 35.19% discount.

Share Price (26/05/06) € 1.63

Share Number (,000) 24,772.0

Capitalization (€ mn.) 40.39

Av. Daily Volume 75.400

Free Float 29.38%

Beta 1.2

Dividend '05 0.05 €

Div. Ret. '05 3.07%

#### Stock Statistics

Max 52 weeks €2.10

Min 52 weeks €1.29

Max P/E '05 16.15x

Min P/E '05 9.92x

#### Stock Return (%)

1 Month -4.68%

6 Months 7.95%

52 weeks -12.83%

Source: EUROXX Securities

Share Price  
(3 years)



### KEY FINANCIAL FIGURES & RATIOS

(in mn €)	Sales	EBITDA	EAT	EPS	P/E (x)	P/BV (x)	EV / EBITDA	ROE %
<b>2005 A</b>	43.19	12.46	6.07	0.13	12.48	0.82	8.46	7.00
<b>2006 E</b>	47.04	13.15	6.30	0.15	11.09	0.78	8.27	7.22
<b>2007 F</b>	44.49	11.46	6.30	0.15	10.91	0.75	9.00	7.00
<b>2008 F</b>	49.31	11.30	7.27	0.18	9.30	0.71	9.14	7.82

Source: EUROXX Securities

## INVESTMENT CASE

### One of the Market Leaders in Greek Marble Production & Sales

F.H.L. Kiriakidis Group is one of the leaders in the Greek marble & granite market with a strong presence in North and Central Greece. The Group has an annual marble production capacity of 47,000 m<sup>3</sup>. F.H.L. owns marble quarries in Thassos, Granitis, Volakas, Nevrokopi and Prilep (FYROM) with proven reserves of 5.27mn m<sup>3</sup> which guarantee production of premium marble for more than 70 years. The Group's product sales include large blocks as well slabs, platforms, tiles and special dimension processed products. The competitive advantages of the Group are:

1. Its broad product portfolio with many different kinds of marble, granite and other stones
2. the extraction of high quality marbles and granites
3. the technical equipment that support the process of special dimension final products that satisfy the range of diversified demands of its customers all over the world

### Stable Growth of the Raw and Processed Marble and Other Stone Sales

The division of raw and processed marble and other stone sales, account for approximately 40% of total Group turnover. Future growth for this product category will mostly derive from:

1. **Continue improvement of the quality** of the processed final products that meet customer needs. The Group is investing on staff training and technical equipment in order to be able to deal with market demands.
2. **The expansion of its sales network internationally.** The majority of Group's turnover however, derives from international operations (exports represented about **33%** of sales). F.H.L. targets the global stone market where opportunities appear stronger. The Group is continuously seeking to expand agreements with representatives in several countries targeting those with high marble or other stone consumption. The priorities of the Group include countries in Eastern Europe and Middle East.
3. The further **enrichment of its product portfolio** with new kinds of marble, granites and other stones. The Group also imports and trades some specialized stones.
4. **The sustainability of selling prices close to competition.** F.H.L. targets the global stone market, facing competition from production countries such as China, India, Turkey and Brazil. The global stone market is oriented towards privileged relationships with quality productions at competitive prices.

**In the next 5-year period, sales of raw and processed marble and granite products is expected to rise at a CAGR<sub>2005-2010</sub> of 11,4% (6,5% in quantities), representing at end-2010 55% of total Group turnover.**

### Opportunities from the Vertical Diversification of Operations

Through its subsidiary company F.H.L. Marbles Structural Materials (established in 2001) the **Group exploits opportunities arising from the further process of the powder produced during the marble extraction and process in Group's quarries.** The aim of the Group is to produce glues, dry mortars, plasters and other similar building materials. Those products are of high added value since the Group acquires the raw materials from its own quarries and produces

high quality prefabricated mortars and other similar building materials. The Group is seeking to capture about 7.5% share from the estimated € 4 mn Greek plaster market.

F.H.L. has already started investments for the establishment of a production plant in Kilkis - total Capex is estimated at € 3.5 mn, and will be 50% financed from grants - and the expansion and modernization (improve quality of final products) of the production plant in Drama - total Capex is estimated at € 2 mn. Both investments will be completed during 1Q 2007.

The Group is currently producing approximately 100,000 tones of final products and expects to increase to 300,000 tones on full capacity after the completion of the investments. **In the next 5-year period, sales of prefabricated mortars and other building materials is expected to rise at a CAGR<sub>2005-2010</sub> of 15,06%, representing at end-2010 30% of total Group turnover, from approximately 18% at the end of 2005.**

### **Strong Track Record in Large & Complicated Marble Projects**

Following the acquisition of FYROM's Mermeren Kombinat in 2000, F.H.L. has become **the global leader in the manufacture of premium quality snow-white marble**. This marble type accounts for a strong competitive advantage in the global market. In addition, the Group invested in highly specialized technological equipment in order to have the capacity and know-how to take over large and complicated projects that demand detailed processing. Under this potential the Group signed in 2004 an agreement for the supply with white marble, SIVEC type that is used at third-in-rank-worldwide mosque in Abu Dhabi, in UAE. The total budget amounts to € 30-32 mn and will be concluded during fiscal 2006. Apart from the positive impact on the turnover & profitability of the company, especially in 2005-6, the company enters the club of the international producers and project constructors, taking into account that selection of the company was conducted by the international house HILL International. This order-export takes place in a period when the exporting activity of the sector is in decline and the company considers that this will assist the recovery of the exports of the sector.

**In the next 5-year period, we have assumed that revenues from large scale projects will account for 16% of total Group turnover, from approximately 36% at the end of 2005.**

### **Risks**

- Strong competition from both domestic and international rivals creating pricing pressure
- The strong currency (euro) reduces competitiveness of group's prices compared to rivals from China, India and other emerging markets
- Dependence on global economic trends as marble products are considered luxury items
- Dependence on large scale projects that include high percentage of uncertainty
- Regulatory problems regarding marble quarrying in Greece
- Highly leveraged

## Historic & Projected Sales & Cost Breakdown

### Sales Breakdown

(in mn. €)	2005	2006	2007	2008	2009	2010 CAGR 05-10	
<b>Kiriakidis ABEE</b>							
Marble tiles	10.30	10.45	16.31	16.88	17.41	17.85	11.6%
% change		1%	56%	4%	3%	2%	
% of total sales	30%	28%	46%	42%	40%	38%	
Blocks	4.83	4.85	5.64	6.59	7.27	8.08	10.9%
% change		0%	16%	17%	10%	11%	
% of total sales	14%	13%	16%	17%	17%	17%	
Projects	12.36	14.46	3.07	4.41	5.75	7.46	-9.6%
% change		17%	-79%	44%	31%	30%	
% of total sales	36%	38%	9%	11%	13%	16%	
Plasters	7.00	8.16	10.40	12.00	13.20	14.12	15.1%
% change		17%	27%	15%	10%	7%	
% of total sales	20%	22%	29%	30%	30%	30%	
<b>Company Sales</b>	<b>34.50</b>	<b>37.92</b>	<b>35.42</b>	<b>39.88</b>	<b>43.64</b>	<b>47.51</b>	<b>6.6%</b>
% change		10%	-7%	13%	9%	9%	
<b>Mermeren Kombinant</b>							
<b>Total Sales</b>	<b>13.93</b>	<b>14.02</b>	<b>14.31</b>	<b>15.10</b>	<b>16.20</b>	<b>17.40</b>	<b>4.5%</b>
% change		1%	2%	6%	7%	7%	
<b>Cosmos Building Materials Shangai</b>							
<b>Total Sales</b>	<b>1.06</b>	<b>1.69</b>	<b>2.51</b>	<b>3.41</b>	<b>4.40</b>	<b>5.32</b>	<b>38.1%</b>
% change		60%	48%	36%	29%	21%	
<b>Intra-group Sales</b>							
<b>Mermeren Kominant</b>	<b>6.15</b>	<b>6.17</b>	<b>6.44</b>	<b>7.07</b>	<b>7.70</b>	<b>8.51</b>	<b>6.7%</b>
<b>Cosmos</b>	<b>0.15</b>	<b>0.42</b>	<b>1.30</b>	<b>2.01</b>	<b>2.86</b>	<b>3.46</b>	<b>87.4%</b>
<b>Group Sales</b>	<b>43.19</b>	<b>47.04</b>	<b>44.49</b>	<b>49.31</b>	<b>53.68</b>	<b>58.27</b>	<b>6.2%</b>
% change		9%	-5%	11%	9%	9%	

### Cost of Goods Sold Breakdown

Kiriakidis ABEE	2005	2006	2007	2008	2009	2010 CAGR 05-10	
<b>COGS</b>	<b>21.10</b>	<b>22.85</b>	<b>20.87</b>	<b>23.22</b>	<b>25.04</b>	<b>26.82</b>	<b>4.92%</b>
% change	39%	40%	41%	42%	43%	44%	
<b>Mermeren Kombinant</b>							
<b>COGS</b>	<b>8.64</b>	<b>8.83</b>	<b>9.10</b>	<b>9.71</b>	<b>10.53</b>	<b>11.36</b>	<b>5.63%</b>
% change	38%	37%	36%	36%	35%	35%	
<b>Cosmos Building Materials Shangai</b>							
<b>COGS</b>	<b>0.92</b>	<b>1.30</b>	<b>1.60</b>	<b>1.98</b>	<b>2.42</b>	<b>2.93</b>	<b>25.97%</b>
% change	13%	23%	36%	42%	45%	45%	
<b>Intra-group Cost</b>							
<b>Mermeren Kominant</b>	<b>6.30</b>	<b>6.69</b>	<b>7.06</b>	<b>7.71</b>	<b>8.55</b>	<b>9.43</b>	<b>8.40%</b>
<b>Group COGS</b>	<b>24.36</b>	<b>26.30</b>	<b>24.51</b>	<b>27.19</b>	<b>29.45</b>	<b>31.68</b>	<b>5.40%</b>
% change	44%	44%	45%	45%	45%	46%	

## COMPANY PROFILE

Kiriakidis Marbles & Granites Group was found on 03/12/1991 as a mining, exploitation, placing and trading company of marbles, granites and various stones. Today, as a result of a process of buy-outs and new investments, it achieved to participate and control ten companies that mine, produce and market marble in Greece and abroad. Its product portfolio includes a wide range of high quality marbles (Thassos white, Sivec white, Prinos semi white etc.) by-products that use marble as a raw material (processed plates, floor tiles etc) and prefabricated mortars. Through its acquisitions, the Group managed to maximize its independence on raw materials covering customers' needs in quality and color. FHL owns excavation sites (marble quarries) in Thassos, Granitis, Volakas, Nevrokopi and Prilep (FYROM) with proven reserves of 5.27mn m3 which guarantee production of premium marble for more than 70 years (at current rates).

Place	m <sup>2</sup>	License End	Stock	Annual Production	min Life
Thassos	36,335	2014	415,000	7,000	52
Thassos	34,140	2023	292,000	7,000	42
Drosero Rema	96,144	2021	204,000	4,000	51
Volakas	65,172	2014	109,000	3,000	36
Volakas	40,681	2010	355,000	12,000	30
Volakas	24,610	2013	125,000	7,000	18
Volakas	24,067	2021	90,000	1,000	88
Volakas	54,400	2010	290,000	4,000	72
Thassos	42,869	2014	350,000	4,000	85
Thassos	39,397	2023	215,000	5,000	43
Nevrokopi	100,000	2016	590,000	3,000	>100
Prilep	2,000,000	2003	2,238,327	30,000	75
Volakas	40,681	2010	355,000	12,000	30
Volakas	24,610	2013	125,000	7,000	18
Volakas	24,067	2021	90,000	1,000	88
Volakas	54,400	2010	290,000	4,000	72
Nevrokopi	100,000	2016	590,000	3,000	>100

In addition, the Group owns 4 plants for the process and shape of marble or other stone final products. The Group owns high specialized and latest technology equipment becoming efficient to undertake large and complicated projects like the construction of the marble parts of the temple in Dubai.

The majority of Group's turnover accounts for exports through a broad sales network that comprises of subsidiary companies as well as representatives in several countries. In addition, the Group has its own highly specialized sales force.

### The Subsidiaries of the Group (as of 31/12/2006)

Company	Participation %
Mermeren Kombinat	88.4%
Latomiki Noukaris	97.0%
FHL White Marble Commercial S.A.	99.0%
Cosmomarmara S.A.	99.0%
Kiriakidis Bros Marbles - Construction Material	51.0%
F.H.L. Spain	75.0%
Cosmos Building Materials Shanghai Co. Ltd.	92.8%
Beijing FHL Construction	100%
FHL Do Brasil Marmores Ltda.	99.0%
Marmi Bianchi Srl.	100%

## SECTOR REVIEW

According to the Athens Chamber of Commerce & Industry, the marble industry is regarded as an important sector of the Greek economy, with potential for further growth. Marble constitutes an important rock of the mineral wealth of Greece not only due to its inexhaustible supply, but also thanks to the unique quality and variety of colors, which identify it. Greece is an important producer, occupying a good position in the global primary production of rock. The total mine production has risen sharply; coming up from 141,000 tones in 1996 to about 1.5 mn tones today. Exporting activity has also been heavy with total unprocessed marble exported exceeding 80,000 tones.

### **Marble Production Geographic Breakdown**

	Country	Tonnes (in mn)	Market Share
1	China	17.50	23.20%
2	India	8.50	11.30%
3	Italy	7.85	11.00%
4	Spain	5.75	7.70%
5	Iran	4.85	6.50%
6	Brazil	3.20	4.30%
7	Portugal	2.25	3.00%
8	U.S.A.	2.25	3.00%
<b>9</b>	<b>Greece</b>	<b>1.45</b>	<b>1.90%</b>
10	France	1.25	1.70%
11	South Africa	1.15	1.50%
12	North Korea	0.75	1.00%

Source: Stone 2004, Pepertorio Economico Mondiale

A large number of enterprises are active in the Greek marble sector, which are involved with the quarrying, processing and trading of marble products. Quite a few of the large sized units have vertically integrated activities or belong to groups with other companies in the same field. Companies involved with granite are fewer in number, while in their majority they are also active in the marble sector at the same time. Most of the Greek companies have exporting activities that contribute decisively to broadening the recognition of Greek marble.

Although Greek marbles have conquered many markets world wide, they meet intense competition on the one hand from countries such as China, Italy, Spain, Portugal etc., and on the other hand from substitute products, and primarily from ceramic tiles, due to the easier handling of those materials and the lower costs involved. The result of all this is the drop in market share for the primary use of marble (flooring) and its use mainly in special constructions (stairs)

The development of the world stone sector has basically been constant over the past 15-years. During the period 2001-2004, global stone expansion had been particularly rapid, mainly regarding trade which rose from 356 mn m<sup>2</sup> in fiscal 2001 to 490 mn m<sup>2</sup> in fiscal 2004. This trend is expected to sustain in the next 5-year period. The destinations of manufactured stone pieces involve building works, representing about 75% of total, including interior architecture such as kitchen surfaces and bathroom vanity units. However, alternative consumptions are growing on a higher pace, including funerary art and street furniture.

## Valuation based on DCF Method

- This valuation is supported by a discounted cash flow method, with a terminal value growth rate of 2.5% and WACC of 6.99%. We have assumed a conservative long term growth scenario given the low price elasticity of the products the group sale (premium quality marble & granite).
- The Group is currently adjusting its loans improving the terms of the previous loans with respect to interest and duration. As a result the average cost of debt is expected to reduce or remain stable despite interest rate increases (mostly in the first 3-year period). We approach this valuation estimating a constant expansion of each division's revenues. Evaluating our projections on the DCF valuation method, we end up on a fair value of € 54.6 mil. or € 2.20 per share.

ASSUMPTIONS	2005	2006 E	2007 P	2008 P	2009 P	2010 P	L-T Assum.
Growth Rate (Sales)	9.48%	8.92%	-5.41%	10.82%	8.87%	8.54%	2.50%
EBIT Margin	20.20%	20.04%	19.04%	19.11%	19.69%	19.91%	19.00%
Tax Rate	33.75%	30.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Working Capital (% of sales)	134.84%	134.75%	141.20%	133.16%	124.31%	117.70%	117.00%
Capex (% of sales)	10.86%	9.60%	6.84%	4.26%	4.03%	3.82%	3.50%
Cost of Capital	6.34%	6.35%	6.59%	6.70%	6.87%	6.99%	7.03%
Depreciation (% of sales)	8.65%	7.91%	6.71%	3.80%	3.43%	3.15%	3.05%
<b>CASH FLOW STATEMENT</b>							
Sales (Turnover)	43.2	47.0	44.5	49.3	53.7	58.3	59.7
EBIT	8.7	9.4	8.5	9.4	10.6	11.6	11.3
Less: Adjusted Tax	2.5	2.7	2.6	2.9	2.7	3.3	3.3
Adjusted Operating Profit (NOPLAT)	6.2	6.7	5.8	6.5	7.9	8.3	8.1
Plus: Depreciation	3.7	3.7	3.0	1.9	1.8	1.8	1.8
<b>Operating Cash Flow</b>	10.0	10.5	8.8	8.4	9.8	10.1	9.9
Less: Working Capital Changes	7.4	5.2	-0.6	2.8	1.1	1.8	1.3
Less: Capex	4.7	4.5	3.0	2.1	2.2	2.2	2.1
<b>Free Cash Flow</b>	-2.1	0.8	6.3	3.5	6.5	6.1	6.5
Discount Factor		0.94	0.88	0.82	0.77	0.71	0.71
Present Value of Cash Flows		0.7	5.6	2.8	5.0	4.3	
Accumulated Present Value		0.7	6.3	9.2	14.2	18.5	
Residual Value							145.0
Present Value of Residual Value							103.4
<b>Value of Firm</b>	<b>122</b>						
% Residual Value of Total	84.8%						
<b>VALUATION</b>							
Present Value of Future Cash Flows	18.5						24,772
Present Value of Residual Value	103.4						<b>2.20</b>
<b>Value of firm</b>	<b>121.9</b>						1.63
Less: Net Debt	70.2						<b>35.19%</b>
Plus: Participations	2.9						
<b>Value of firm</b>	<b>54.6</b>						
<b>WACC CALCULATION</b>							
<b>Cost of Capital (WACC)</b>		6.34%	6.35%	6.59%	6.70%	6.87%	6.99%
Risk Free Rate		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta Factor		1.20	1.20	1.20	1.20	1.20	1.20
Market risk Premium		5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
Debt / Debt+Equity		58.0%	58.2%	55.0%	53.6%	51.3%	49.7%
Cost of Debt		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tax Rate		30.00%	29.00%	29.00%	29.00%	29.00%	29.00%

Source: EUROXX Securities Estimates

## Financial Analysis - Projections

For the next 5-year period, turnover CAGR is expected to exceed 6.6% reaching € 58.3 mn.. The loss of revenues due to the completion in fiscal 2007 of the mosque in Abu Dhabi (the group will receive about € 15 mn per year for its participation) will be replaced from

1. the undisrupted utilization of the premium quality snow-white marble from the quarry in Prileb FYROM. This marble type has strong demand all over the world.
2. the expansion of Group's activities in the production of the value added prefabricated mortars and other similar building materials utilizing the powder produced in its quarries

Profit & Loss (in € m)	2005A	2006E	2007P	2008P	2009P	2010P	CAGR 05-10
Sales	43.19	47.04	44.49	49.31	53.68	58.27	6.17%
Other income	1.09	1.01	0.99	0.99	1.12	1.20	1.97%
<b>Total Income</b>	<b>44.28</b>	<b>48.05</b>	<b>45.48</b>	<b>50.30</b>	<b>54.80</b>	<b>59.47</b>	<b>6.08%</b>
(Cost of sales)	24.36	26.30	24.51	27.19	29.45	31.68	5.40%
<b>Gross Profit</b>	<b>19.92</b>	<b>21.75</b>	<b>20.97</b>	<b>23.11</b>	<b>25.36</b>	<b>27.79</b>	<b>6.89%</b>
<i>Gross margin</i>	46.12%	46.24%	47.14%	46.86%	47.23%	47.69%	
(Administrative expenses)	4.38	5.04	5.49	5.88	6.29	6.73	9.0%
(Distribution expenses)	6.03	6.54	6.21	6.96	7.58	8.49	7.1%
(Research & Development)	0.78	0.75	0.80	0.85	0.91	0.96	4.1%
<b>EBITDA</b>	<b>12.46</b>	<b>13.15</b>	<b>11.46</b>	<b>11.30</b>	<b>12.41</b>	<b>13.44</b>	<b>1.5%</b>
<i>EBITDA margin</i>	28.86%	27.95%	25.75%	22.91%	23.12%	23.06%	
(Depreciation)	3.74	3.72	2.99	1.87	1.84	1.84	-13.3%
<b>Operating Profit</b>	<b>8.73</b>	<b>9.43</b>	<b>8.47</b>	<b>9.42</b>	<b>10.57</b>	<b>11.60</b>	<b>5.9%</b>
<i>Operating margin</i>							
Participation Income	0.02	0.02	0.02	0.02	0.02	0.02	-1.5%
Grants		0.00	0.61	0.92	0.37	0.25	
Net financials	3.04	3.15	2.80	3.09	3.33	3.67	3.8%
<b>Earnings Before Tax</b>	<b>5.70</b>	<b>6.30</b>	<b>6.30</b>	<b>7.27</b>	<b>7.63</b>	<b>8.21</b>	<b>7.5%</b>
<i>EBT margin</i>	13.21%	13.38%	14.17%	14.75%	14.22%	14.08%	
(Tax)	2.05	1.89	1.83	2.11	2.21	2.38	3.0%
<b>Earnings After Tax</b>	<b>3.66</b>	<b>4.41</b>	<b>4.48</b>	<b>5.16</b>	<b>5.42</b>	<b>5.83</b>	<b>9.8%</b>
(Minorities)	0.78	0.77	0.78	0.82	0.90	0.94	3.7%
<b>Attributable Net Profit</b>	<b>2.87</b>	<b>3.64</b>	<b>3.70</b>	<b>4.34</b>	<b>4.52</b>	<b>4.88</b>	<b>11.2%</b>
<i>Net Profit margin</i>	6.65%	7.74%	8.32%	8.81%	8.42%	8.38%	

Source: EUROXX Securities Estimates

Group Balance Sheet (Eur mn)	2005A	2006E	2007P	2008P	2009P	2010P
Intangible assets. net	13.83	13.95	14.27	14.56	14.95	15.33
Tangible assets. net	44.44	45.12	44.86	44.79	44.72	44.73
Biological Assets	0.00	0.00	0.00	0.00	0.00	0.00
Participations	2.90	2.90	2.90	2.90	2.90	2.90
Other non current assets	2.15	2.40	2.31	2.37	2.31	2.39
Inventory	28.87	32.34	32.66	34.95	36.13	37.36
Receivables	47.99	51.61	48.10	50.47	51.75	54.32
Cash & cash equivalents	2.28	2.92	2.79	2.41	2.35	3.05
<b>Total assets</b>	<b>142.46</b>	<b>151.23</b>	<b>147.88</b>	<b>152.45</b>	<b>155.10</b>	<b>160.08</b>
Equity	46.25	48.39	50.62	53.33	56.12	59.17
Minorities	2.97	3.20	3.43	3.68	3.95	4.23
Provisions	0.21	0.22	0.23	0.24	0.26	0.27
Grants	0.00	0.00	2.75	2.20	1.76	1.41
Deffered Tax. Liabilities	4.42	4.77	4.44	4.80	5.18	5.59
Long term bank debt	47.57	59.58	56.22	51.58	48.54	47.17
Other long term liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Payables	20.75	22.92	20.36	22.42	24.48	26.73
Short term bank debt	20.28	12.15	9.81	14.20	14.82	15.51
<b>Total liabilities &amp; equity</b>	<b>142.46</b>	<b>151.23</b>	<b>147.88</b>	<b>152.45</b>	<b>155.10</b>	<b>160.08</b>

Cash Flow Statement (in € m)	2005A	2006E	2007P	2008P	2009P	2010P
<b>CF from operating activities</b>						
Profit after tax	4.02	4.41	4.48	5.16	5.42	5.83
(+) Depreciation of assets	3.04	3.72	2.99	1.87	1.84	1.84
(+) Provisions	0.05	0.01	0.01	0.01	0.01	0.01
(incr)Decr in debtors	10.44	3.95	-3.28	2.18	1.28	2.36
(incr)Decr in inventory	1.76	3.46	0.32	2.29	1.19	1.23
(incr) Decr in other receivables	-1.40	-0.08	-0.31	0.24	-0.07	0.30
incr(Decr) in creditors	2.65	1.23	-2.70	0.97	0.59	0.90
incr(Decr) in other liabilities	2.06	1.27	2.57	0.86	1.36	1.36
<b>Total CF from operating act.</b>	<b>1.01</b>	<b>3.30</b>	<b>10.62</b>	<b>4.17</b>	<b>6.82</b>	<b>6.05</b>
<b>CF from investing activities</b>						
Capital expenditure	4.65	4.52	3.05	2.10	2.16	2.23
(incr)Decr in financials	-0.81	0.00	0.00	0.00	0.00	0.00
Minorities	0.23	0.23	0.23	0.25	0.27	0.28
<b>Total CF from investing act.</b>	<b>-3.61</b>	<b>-4.29</b>	<b>-2.81</b>	<b>-1.86</b>	<b>-1.89</b>	<b>-1.95</b>
<b>CF from financing activities</b>						
Change in share capital	0.00	0.00	0.00	0.00	0.00	0.00
Net change in reserves	1.74	0.00	0.00	0.00	0.00	0.00
Change in short-term debt	2.87	-8.14	-2.33	4.38	0.62	0.69
Change in long-term debt	-0.83	12.01	-3.35	-4.64	-3.04	-1.36
Non operating cash flows	0.78	0.77	0.78	0.82	0.90	0.94
Dividends	-0.28	1.47	1.48	1.60	1.68	1.79
<b>Total CF from financing act.</b>	<b>3.27</b>	<b>1.63</b>	<b>-7.94</b>	<b>-2.69</b>	<b>-4.99</b>	<b>-3.41</b>
<b>Change in liquid assets</b>	<b>0.67</b>	<b>0.64</b>	<b>-0.13</b>	<b>-0.38</b>	<b>-0.06</b>	<b>0.70</b>

Source: EUROXX Securities Estimates

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**NOTES**

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## DISCLOSURE STATEMENT

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## RATING METHODOLOGY

*You should carefully read the definitions of all rating used in this research report. In addition you should carefully read entire our latest report for each of the subject companies to obtain a clear view of the analyst's opinions and not infer its contents from the ratings alone. All ratings are given on a 12-month basis, and refer to our last detailed research report for each company.*

*Buy: The stock is expected to generate a total return of over 15% during the next 12-month period*

*Accumulate: The stock is expected to generate a total return of 5% to 15% during the next 12-month period*

*Hold: The stock is expected to generate a total return of 0% to 5% during the next 12-month period*

*Reduce: The stock is expected to generate a total return of 0% to -15% during the next 12-month period*

*Sell: The stock is expected to generate a total return below - 15% during the next 12-month period*