

# ELECTRONIKI ATHINON S.A. [ ELCr.AT ]

Strong retail network and selective expansion abroad drive growth

---



**Valuation & Research Specialists (VRS)**

Value Invest - [www.valueinvest.gr](http://www.valueinvest.gr)

Investment Research & Analysis Journal - [www.iraj.gr](http://www.iraj.gr)

## INITIAL STATEMENT

by VALUATION & RESEARCH SPECIALISTS (VRS)

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

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

# VALUATION & RESEARCH SPECIALISTS

Value Invest - [www.valueinvest.gr](http://www.valueinvest.gr)

Investment Research & Analysis Journal – [www.iraj.gr](http://www.iraj.gr)

Contact: [info@valueinvest.gr](mailto:info@valueinvest.gr)

Greek Equities – February 27<sup>th</sup>, 2007

## ELECTRONIKI ATHINON SA

Nicholas I. Georgiadis  
Christophoros J. Makrias  
CA, HCMC

### Company Description:

Electroniki Athinon is a retailer of electric, electronic and audio - video appliances, telecommunication (fixed & mobile) devices, other products & services, offering at the same time after sales services. The Group operates 48 stores in Greece and 2 in Cyprus, on a total selling area of about 31,500 m<sup>2</sup>. The Group's stores have one of the broadest ranges of electrical goods and home audio products including almost all top brand names like Philips, Sony, Bosch and Miele.

	2005/06	2006/07 E	2007/08 F
(in mil. €)			
Turnover	145.54	170.73	199.73
EBITDA	11.16	13.04	14.39
Margin %	7.67%	7.64%	7.21%
Net Income	6.11	6.89	7.59
Margin %	4.20%	4.04%	3.80%

Price (27/02/2007)	€ 5.54
Shares (outstanding in million)	17.25
MktCap (in million €)	95.565

Hist. Beta	0.80
Div. 05/06 (in €)	0.20

	2005/06	2006/07 E	2007/08 F
P/E	15.65x	13.87x	12.58x
P/BV	4.13x	3.62x	3.16x
Debt / Eq.	0.03	0.04	0.03
ROE (avg)	23.56%	27.79%	26.81%

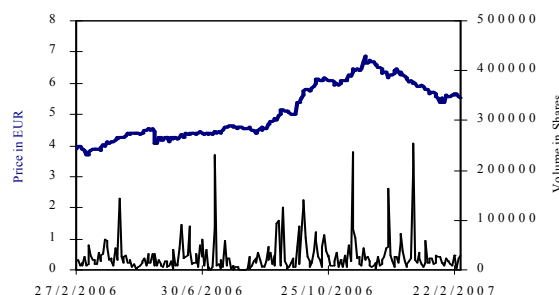
Source: Company Data & VRS Projections

### Key Investment Points

- ⊙ Electroniki Athinon (EA) is one of the most recognized brand names in the Greek electric & electronic retail appliances market, holding about 12% share and **targeting at least 16% in the next 3-years.**
- ⊙ The operation of new stores generates the domestic growth. Until the end of fiscal 2006-2007, the Group is planning to **add 3 new stores in Greece reaching a total of 51.** The future expansion of the EA retail network will target the total geographical coverage of Greece, with stores having an average surface selling area of 1,500 – 2,000 m<sup>2</sup>.
- ⊙ One of the most significant drivers for future growth is the **international expansion** in markets where EA can identify profitable opportunities. The Group is about to launch a 2,500 m<sup>2</sup> Megastore in Serbia, targeting about €7 million during the first year of operations.
- ⊙ At the end of fiscal 2005-2006, total revenue for the Group settled at approximately € 5,390 / m<sup>2</sup>. According to our estimates this return will settle at € 5,200 / m<sup>2</sup> by the end of fiscal 2010/11 due to store expansion.
- ⊙ Our valuation model derives a fair price of € 7.14 per share for EA based on the DCF method and comparative earnings multiples.

### Share Price Graph (52 weeks)

Min.: € 3.70 - Max.: € 6.86



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

VALUATION & RESEARCH SPECIALISTS : 104 Eolou Str., 105 64, Athens, Greece

Tel : +30 210 32 19 557 FAX: +30 210 33 16 358 E-mail: [info@valueinvest.gr](mailto:info@valueinvest.gr) – [info@iraj.gr](mailto:info@iraj.gr)

<b>TABLE of CONTENTS</b>	<b>Page</b>
<b>Investment Case &amp; Growth Drivers</b>	<b>5</b>
Investment Summary	5
Expansion of Store Network and Selling Area	5
Stronger Efficiency and Greater Customer Attraction	6
Benefits from the Withdraw of Major Competitors	7
International Expansion	8
<b>Sector's Outlook Financial Analysis</b>	<b>9</b>
Historic & Projected Market Statistics & Company's Revenues	9
Turnover Forecasts	10
Gross Profit Margin Evolution	11
Historic & Projected Turnover Breakdown (Consolidated)	13
Capital Expenditures	14
Balance Sheet Analysis	14
Quarterly Results	16
Management's Guidance and VRS View	17
<b>Valuation</b>	<b>18</b>
DCF Methodology	18
Sensitivity Analysis	19
Peer Group Valuation	20
Combined Valuation	20
<b>Share Price Performance vs. General Index</b>	<b>21</b>
<b>Valuation Ratios</b>	<b>21</b>
<b>Shareholders' Structure</b>	<b>21</b>
<b>Company Profile</b>	<b>22</b>
<b>Investment Risks / Mitigating Factors</b>	<b>23</b>
<b>Retail Electronic Appliances Market in Greece</b>	<b>24</b>
<b>Group Historic &amp; Projected Profit &amp; Loss Account</b>	<b>25</b>
<b>Group Historic &amp; Projected Balance Sheet</b>	<b>26</b>
<b>Group Historic &amp; Projected Cash flows</b>	<b>27</b>
<b>Notes</b>	<b>28</b>
<b>Disclosure Statement</b>	<b>30</b>

---

## Investment Case & Growth Drivers

---

### Investment Summary

---

Electroniki Athinon (EA) is one of the most recognized brand names in the Greek electric & electronic retail appliances market, holding about 12% market share. The Group is the largest under Greek ownership retail chain of electronics and electrical household appliances in the country. Its enviable reputation has been established since its foundation in 1989, and it is built upon the well-founded principles of respecting its customers and offering value for money. The Group has an experienced management team, which knows the retail market very well and performs its expansion strategy focusing on cost containment.

The Group targets to increase its domestic market share to at least 16% in the next 3-years, and expand operations internationally utilizing the know-how of its experienced management. EA will also benefit from the modest however steady growth of the domestic electric and electronic household market, which is estimated at € 1.3-1.4 million. Domestic annual growth is estimated at 1.5%-2% in volume and slightly higher, at 2.5%, in value for the next 5-year period.

**At the end of fiscal 2005-2006, total revenue for the Group settled at approximately € 5,390 / m<sup>2</sup>.** According to our estimates this return will settle at € 5,200 / m<sup>2</sup> by the end of fiscal 2010/11 due to store expansion. The Group's strategy applies for domestic expansion, measured approach to international expansion, which is seen as significant engine in future growth, focus on capital management, margin "protection" and greater cost efficiency.

### Expansion of Store Network and Selling Area

---

As of June 30, 2006 (the closing date of the last available fiscal year results), Electroniki Athinon operated about 27,000 m<sup>2</sup> through a network of 46 stores in Greece and 2 in Cyprus. **Opening new stores generates the domestic growth.** During the fiscal year 2006/07, the Group is planning to increase its network by 3 new stores in Greece (2 in Athens and 1 in Thessalonica) and 1 in Serbia raising its total selling area by 10,500 m<sup>2</sup>. The expansion of Group's network will continue in fiscal 2007/08 with the launching of at least 4 new stores and the potential opening of 2 more stores in Cyprus (as soon as current stores turn positive). All new stores will satisfy the condition of an average 1,500 - 1,700 m<sup>2</sup> selling area. In addition, the Group examines the potential of increasing the selling

area in selected older stores.

In terms of geographic expansion, the future development of EA retail network will target the **total geographical coverage of Greece, with stores having an average surface** selling area of 1,700 m<sup>2</sup>. The megastore format has the potential to generate a much higher profit per m<sup>2</sup> as it appears to attract more customers by displaying a broader range of products. The large store size creates savings in fixed store costs including rent, labor, service, and overhead.

Electroniki Athinon is also examining the benefits from potential acquisition of smaller domestic players in order to expand its geographical presence into areas of low penetration. This is only a potential growth driver for EA and is not included in our valuation model.

### Stronger Efficiency and Greater Customer Attraction

The Group is seeking to **increase the return / m<sup>2</sup> per year** for the well-established stores (for the whole network, **return / m<sup>2</sup>** demonstrates a different pattern as illustrated in our model due to expansion of total stores), applying the concept of aggressive marketing, efficient product mix & merchandising and high quality service through well-organized operations.

- **Implementation of strong & aggressive marketing.** The Group is spending about **3.5%-4.0%** of total turnover for its marketing campaign that is mostly expressed with advertisements in all form of media (leaflets in newspapers, TV spots, radio spots, ads in magazines) and other promotion techniques like stock days and special offers.
- **Constant improvement of operations and services.** Electroniki Athinon aims at constant improvement of operations and services to customers, unfolding its strategy on two key areas:
  1. **Efficient Logistics Centre.** EA operates a modern 16,000 m<sup>2</sup> central warehouse closely monitoring the inventory flow and the ordering of stock. Thus, the Group realizes fast delivery of goods retaining the minimum possible stock, achieving at the same time cost efficiencies.
  2. **Personnel Training.** EA has a well-trained staff that is committed to quality service. At the same time, the Group is seeking ways to improve the staff's performance and provide innovative retail operations, through frequent training sessions.
- **Alternative product sales.** The Group's top product sales category is household appliances with the "Electroniki Athinon" name being among the

first in customer's mind. The Group's stores have one of the broadest ranges of electrical goods and home audio products including the majority of top brand names like Philips, Sony, Bosch and Miele.

The Group has low presence in the PC market due to management's latest decision to expand only modestly in this area, since competition is high, margins are low and there is requirement for extra staff training. However, this is about to change beginning from this year, as Electroniki places now greater emphasis on information technology and digital products.

Furthermore, **the management sees strong growth potential on telecommunication market**, examining new trends in order to identify opportunities. Sales are generated from telecom devices and equipment as well as services regarding the connection with mobile and Internet operators. The Group is seeking to become distributor of the majority of operators, satisfying the needs of a broader customer group. In addition, interesting opportunities appear in the new technology products, such as digital products, gadgets and games.

### **Benefits from the Withdraw of Major Competitors**

The bankrupt and gradual withdraw of the second largest retail chain 'Radio Korasidis' and 'Elephant' from the market during fiscal 2005 gave EA the potential to capture a large part of their market share and become the second player in the domestic market place. Total turnover of Radio Korasidis Group at the end of fiscal 2004 accounted for € 229 million, implying about 17%-18% market share. Furthermore, a market share of 4% was recently "disposed" into the domestic market when other smaller players terminated their retail operations.

However, the entrance of large international players in the Greek market –Fnac and Media Markt have almost one year of operations– increases competition in the Greek market. **Overall, the competitive advantage of EA is long experience and knowledge of the Greek market and flexibility to implement alternative strategies in order to benefit or avoid losses from market changes.**

---

## International Expansion

---

**International expansion is one of the most significant engines in Group's future growth.** At this time however, its strategy calls for a measured expansion of international operations, focusing on markets where EA can identify profitable opportunities due to low competition, low penetration of new technology products and favorable consumer spending trends.

The Group recently established a 2,500 m<sup>2</sup> Megastore in Serbia. Total sales for the first year of operations are estimated to reach about € 7 million with the breakeven level standing at € 10 million.

The Group will proceed with the operation of a second store in the country, targeting for synergies since total breakeven with 2 stores is estimated at € 15 million.

The successful course of the Serbia investment will signal whether further expansion in other South European countries is appropriate. Such markets are Bulgaria, Albania and FYROM standing first in the list among other foreign markets.

We believe that the above development will not realize before fiscal year 2008. The management will first monitor the progress of Serbia and based on the potential success of the first Megastore, it will then take the risk to invest on a more aggressive pattern. According to our projections, total international revenues will account for 11% of total consolidated turnover at the end of fiscal 2010/11.

## Sector's Outlook & Financial Analysis

Electroniki Athinon targets the Greek electric and electronic appliances market, which is estimated at over € 1.3 billion. The patterns observed in the historic development of this market imply one-digit growth potential, which according to our estimates can materialize at around 2.5% on average for the next 5-year period. We expect a relatively stable demand, which, if inflation is included, may lead to a market size of € 1.5 billion approximately by the end of 2011. Based on store expansion, Electroniki Athinon may see its market share advancing from 11%-12% currently, to approximately 18.00% at the end of the next 5-year period.

Following a retreat in 2006/07 due to store expansion, revenue per square meter is expected to steadily advance in the 5-year period due to aggressive advertising campaign and a more efficient work force that will be created after the Company's strategic decision to run in-house advanced training programs.

### Historic & Projected Market Statistics & Company's Revenues

	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>Greek Market Size (EUR thous.)</b>	<b>1,300,000</b>	<b>1,332,500</b>	<b>1,365,813</b>	<b>1,399,958</b>	<b>1,434,957</b>	<b>1,470,831</b>
y-o-y Change %	4.0%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Market Share</b>	<b>10.77%</b>	<b>12.10%</b>	<b>13.32%</b>	<b>14.67%</b>	<b>16.22%</b>	<b>17.95%</b>
<b>Number of Stores</b>	<b>46</b>	<b>52</b>	<b>56</b>	<b>60</b>	<b>64</b>	<b>68</b>
y-o-y Change %	4.5%	13.0%	7.7%	7.1%	6.7%	6.3%
<b>Revenue per Store (EUR thous.)</b>	<b>3,164</b>	<b>3,283</b>	<b>3,567</b>	<b>3,835</b>	<b>4,215</b>	<b>4,620</b>
<b>Total Square Meters (in thous.)</b>	<b>27</b>	<b>37</b>	<b>43</b>	<b>49</b>	<b>55</b>	<b>61</b>
y-o-y Change %	12.5%	37.8%	16.1%	13.9%	12.2%	10.9%
<b>Revenue per Square Meter (EUR)</b>	<b>5,390</b>	<b>4,589</b>	<b>4,623</b>	<b>4,676</b>	<b>4,887</b>	<b>5,134</b>

Source: Company accounts, VRS.

---

## Turnover Forecasts

---

White appliances, vision & sound, and micro appliances are the major drivers behind the Group's revenue expansion and earnings growth in the following 5-year period. Over the course of this period, we also expect a significant contribution to come from related services, international revenues and air-conditioning. It is noted that our model includes Cyprus in the domestic revenues and not in the international activities.

As far as white and micro appliances are concerned, we forecast revenue growth of around 15% annually, anticipating Electroniki to take advantage of its lifetime specialization and strong brand recognition in these areas. Vision & sound is a more promising market in terms of future revenue growth, however with stronger competition. Therefore, we apply a relatively lower growth rate, of 12% annually, in our model, making the assumption that despite competition, Electroniki will continue generating strong revenues from vision & sound due to its large product spectrum and attractive offering terms to consumers. Revenues from vision & sound may accelerate in the event of faster materialization of Electroniki's investment plan. By the end of 2011, we anticipate revenues from appliances and vision & sound to exceed 75% of total consolidated turnover.

Our model applies moderate growth rates in telecommunications related products and personal computers, areas where the Management has decided not to focus its growth strategy, without however excluding them from its "Megastore" expansion concept. Air-conditioning revenues are expected to grow on a double-digit rate, since it is an area where Electroniki intensifies its efforts to gain market share. International activities are related to the successful launch of the Serbian Megastore, which we assume that will lead to the opening of new stores abroad, bringing international revenues (excluding Cyprus) to 11% of total by 2011. In this projection, we also take into account the management's conservative approach, implying that Electroniki proceeds only cautiously and step-by-step with its international expansion plan.

Finally, related services is an area where Electroniki is building a competitive advantage against competition, offering after sales and other related services (transportation, security, etc.) that grow in line with the revenues generated from its major business categories. In-house training of the Company's workforce is also serving this mission, leading to an overall strong double-digit growth rate, of

25%-30%, in our model.

### Greek Electric & Electronic Appliances Market

	Market Size (€ million)	Growth Potential
White Appliances	470 - 510	= / + '
Vision & Sound	600 - 640	++ '
Air-Conditioning	80 - 90	= '
Home PCs	150	+ '
<b>Total</b>	<b>1,300 – 1,390</b>	<b>+ '</b>

Source: Company's Presentation & VRS estimates.

### Gross Profit Margin Evolution

Overall, in view of strong competition – mainly expressed as offers at discount for certain and not all products - domestically, and expansion internationally, we anticipate a deterioration in the gross profit margin of the Group over the following 5-year period. Individual factors that will affect either positively or negatively the Group's gross profit margin, are presented below:

- Store network expansion should strengthen Electroniki's purchasing power in the domestic market.
- Renovation of stores and more efficient merchandising may affect positively the Group's gross profit margin.
- Charging services implies the realization of revenues with higher and more stable profit margins.
- Network expansion should make strong advertising expenditures as requirement in the following years. The Management estimates advertising expenses at 3.5% of total revenues per annum in the following years.

Among the Group's revenue streams, we highlight the related services, white appliances, vision & sound, as well as air-conditioning as the ones with the highest gross profit margins on consolidated basis.

**Profit Margin Evolution (Consolidated)**

	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>Gross Margin</b>	25.31%	25.44%	25.11%	24.80%	24.10%	23.58%
<b>EBITDA Margin</b>	7.67%	7.64%	7.21%	7.00%	6.90%	7.03%
<b>EBIT Margin</b>	6.26%	6.30%	5.83%	5.65%	5.59%	5.77%
<b>Pre-tax profit margin</b>	5.21%	5.68%	5.36%	5.28%	5.33%	5.59%
<b>Net Profit margin</b>	4.20%	4.04%	3.80%	3.96%	4.00%	4.20%

Source: Company accounts, VRS.

Operating expenses are projected to grow on double-digit -though decelerating- rates, and represent a lower overall charge of total consolidated revenues in the 5-year period. The following factors may justify the above development:

- Store network's efficiency gains due to better merchandising and well-trained personnel.
- Stabilization of distribution costs as percentage of total turnover due to tighter monitoring of the Group's logistics capacity.

The Group is almost debt-free and operates on a healthy working capital cycle, implying lower financing needs in the following years. Finally, we have assumed effective tax rates of 29% for the first two years and 25% of the remaining three of our explicit 5-year forecasting period in line with the management's guidance.

On bottom line, earnings after taxes and minorities are projected to evolve on a compounded average growth rate (CAGR) of 16.6% between 2005/06 and 2010/11, in line with a 16.7% rate in the case of the Group's total turnover.

### Historic & Projected Turnover Breakdown (Consolidated)

(in € ,000)	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>White Appliances</b>	<b>52,118</b>	<b>61,760</b>	<b>71,024</b>	<b>81,677</b>	<b>93,929</b>	<b>108,018</b>
y-o-y Change %	35.0%	18.50%	15.00%	15.00%	15.00%	15.00%
% of Total	35.8%	36.2%	35.6%	35.5%	34.8%	34.4%
<b>Micro Appliances</b>	<b>13,400</b>	<b>15,275</b>	<b>17,567</b>	<b>20,202</b>	<b>23,434</b>	<b>27,184</b>
y-o-y Change %	30.4%	14.00%	15.00%	15.00%	16.00%	16.00%
% of Total	9.2%	8.9%	8.8%	8.8%	8.7%	8.7%
<b>Vision &amp; Sound</b>	<b>55,595</b>	<b>65,047</b>	<b>72,852</b>	<b>81,594</b>	<b>91,386</b>	<b>102,352</b>
y-o-y Change %	20.7%	17.00%	12.00%	12.00%	12.00%	12.00%
% of Total	38.2%	38.1%	36.5%	35.5%	33.9%	32.6%
<b>Mobile Handsets</b>	<b>1,787</b>	<b>1,832</b>	<b>1,878</b>	<b>1,925</b>	<b>1,973</b>	<b>2,022</b>
y-o-y Change %	-6.4%	2.50%	2.50%	2.50%	2.50%	2.50%
% of Total	1.2%	1.1%	0.9%	0.8%	0.7%	0.6%
<b>Telephone - Fax Machines</b>	<b>924</b>	<b>942</b>	<b>961</b>	<b>980</b>	<b>1,000</b>	<b>1,020</b>
y-o-y Change %	-7.7%	2.00%	2.00%	2.00%	2.00%	2.00%
% of Total	0.6%	0.6%	0.5%	0.4%	0.4%	0.3%
<b>Air-Conditioning</b>	<b>7,539</b>	<b>8,293</b>	<b>9,372</b>	<b>10,590</b>	<b>12,178</b>	<b>14,005</b>
y-o-y Change %	37.6%	10.00%	13.00%	13.00%	15.00%	15.00%
% of Total	5.2%	4.9%	4.7%	4.6%	4.5%	4.5%
<b>Personal Computers</b>	<b>10,494</b>	<b>9,969</b>	<b>10,069</b>	<b>10,271</b>	<b>10,579</b>	<b>10,896</b>
y-o-y Change %	-11.9%	-5.00%	1.00%	2.00%	3.00%	3.00%
% of Total	7.2%	5.8%	5.0%	4.5%	3.9%	3.5%
<b>Other Appliances</b>	<b>2</b>	<b>7</b>	<b>20</b>	<b>59</b>	<b>178</b>	<b>535</b>
y-o-y Change %	-84.2%	200.00%	200.00%	200.00%	200.00%	200.00%
% of Total	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>Related Services</b>	<b>3,683</b>	<b>4,604</b>	<b>5,985</b>	<b>7,780</b>	<b>10,114</b>	<b>13,148</b>
y-o-y Change %	28.2%	25.00%	30.00%	30.00%	30.00%	30.00%
% of Total	2.5%	2.7%	3.0%	3.4%	3.7%	4.2%
<b>International Activities</b>	<b>0</b>	<b>3,000</b>	<b>10,000</b>	<b>15,000</b>	<b>25,000</b>	<b>35,000</b>
y-o-y Change %			233.3%	50.0%	66.7%	40.0%
% of Total	0.0%	1.8%	5.0%	6.5%	9.3%	11.1%
<b>TOTAL TURNOVER</b>	<b>145,542</b>	<b>170,729</b>	<b>199,727</b>	<b>230,078</b>	<b>269,771</b>	<b>314,180</b>
y-o-y Change %	23.18%	17.31%	16.98%	15.20%	17.25%	16.46%

Note 1: 2005/06 is according to the revised IFRS accounts. Note 2: International revenues do not include Cyprus.  
Source: Company accounts, Valuation & Research Specialists (VRS).

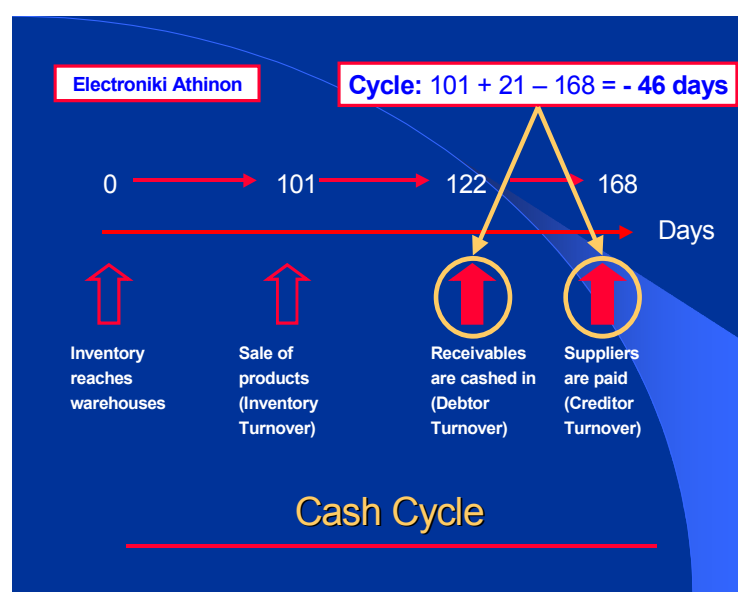
## Capital Expenditures

The Group has planned significant capital expenditures for the next 5-year period, in view of its strategic goal to bring the total network of stores to 68 in the financial year 2010/11 from 46 in 2005/06. The financing scheme of this plan is mainly based on the Company's strong operating cash flows, which are projected to settle at over € 10 million on average in the next 5-year period.

## Balance Sheet Analysis

Electroniki Athinon has an exceptional capital structure highlighted by zero bank debt, favorable working capital cycle and healthy current ratio. We anticipate that own capital due to strong cash flows, and competitive suppliers agreements due to high purchasing power will finance future asset growth, both the current and the non-current items. Currently, the Company's cash cycle is negative (counted in days), which is impressive when compared to similar retailers in the Greek market. Methods of customers' payment to the Company consist of cash, credit card (EA receives cash minus bank's commission) and bank loan, ensuring a rich cash position. In this context, Electroniki Athinon proceeded with a cash return to shareholders in first half 2006 (€ 0.50 per share following a decrease in the Company's capital reserves).

**Cash Cycle in Financial Year 2005/06** (according to IFRS accounts of 30 June '06)



Source: Company accounts, VRS.

On the fixed asset side, the Company's real estate assets are valued at a discount compared to current market standards, which leaves Electroniki with another alternative financial mechanism, when it comes to value or cash enhancement. No assumption related to the above has been made in our model.

In December 2006, the Annual Shareholders' Meeting approved the issuance of a convertible bond amounting up to € 20 million, which is to be utilized for the Group's investment plan. As the Management has not yet disclosed any intention to use this alternative financing scheme in the near future, we have not incorporated any relevant assumption in our model.

### Key Elements of Balance Sheet (Consolidated)

	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>Stock Days</b>	100.8	105.0	105.0	104.0	101.0	98.0
<b>Debtors Days</b>	20.7	23.0	24.0	22.0	21.0	21.0
<b>Creditors Days</b>	167.5	160.0	155.0	145.0	135.0	125.0
<b>Total Liab. / Total Equity</b>	2.42	2.36	2.33	2.15	1.99	1.78
<b>Bank Loans / Total Equity</b>	0.03	0.04	0.03	0.03	0.02	0.02
<b>Net fixed Assets / Total Assets</b>	26.22%	24.87%	24.69%	24.65%	23.46%	21.94%
<b>Interest Coverage</b>	-4.68	-6.52	-7.20	-8.05	-9.54	-11.32

Source: Company accounts, VRS.

### Quarterly Results (July - December 2006)

Electroniki Athinon published annual financial statements under IFRS for the first time in 2005/06 (covering the period 1 July 2005 until 30 June 2006). Electroniki Athinon Group's financial results for the first half (period July – December 2006) of the new financial year are presented below :

<i>(in € ,000s)</i>	<b>IFRS Accounts</b> 1/7-31/12/2006	<b>Change</b> (%)	<b>IFRS Accounts</b> 1/7-31/12/2005
Turnover	94,576	19.06%	79,434
Gross Profit	24,094	23.55%	19,501
Operating Expenses	16,625	18.55%	14,024
Financial Expenses	1,814	58.87%	1,142
EBT	6,085	26.34%	4,816
EAT	3,875	11.73%	3,468
Fixed Assets	17,348	8.47%	15,994
Inventory	32,691	8.92%	30,014
Receivables	13,736	66.52%	8,249
Cash	34,981	107.55%	16,855
Total Assets	109,112	37.93%	79,108
Equity	23,589	1.85%	23,159
Total Liabilities	85,523	52.86%	55,949

*Source: Revised Financial Statements under IFRS.*

It is noted that consolidated accounts derive from the parent company “Electroniki Athinon” and the fully owned (100%) subsidiaries “Electroniki Athinon Cyprus Ltd” (Cyprus) and “Megastores Electronica Doo” (Serbia) based on the full consolidation method.

## Management's Guidance and VRS View

	Management's Guidance	VRS View
1	Electroniki targets 16% share of the Greek market by 2008, following network expansion and aggressive advertising strategy.	In our view, Electroniki is in position to take advantage of the experienced management team with deep market knowledge and good track record, capturing a larger market share. However, this should take longer due to strong market fragmentation and competition on the one hand, as well as the expectation that the sector will continue growing as a whole.
2	The Management anticipates double-digit growth in white appliances, micro appliances and vision & sound.	Electroniki is focusing on these areas to boost growth. The Company is known as specialist in white appliances, whereas vision & sound post favorable growth trends. Therefore, we expect Electroniki to realize double-digit growth in these business segments.
3	The Management anticipates profit contraction in the future in view of strong competition.	We adopt the same view in our model, given the Greek market's dynamics with the entrance of foreign retailers, which apply an aggressive pricing policy. It is important to note that competition is mainly in the form of different offering terms to consumers.
4	Net profit growth is targeted at 10%-15% annually in the following years.	We believe the Company's overall strategy – both commercial and financial – allows for compounded annual growth in the upper neighborhood of this range or even higher.

Source: Valuation & Research Specialists (VRS)

## Valuation

### DCF Methodology

The fair value for Electroniki Athinon settles at EUR 122.75 million or € 7.12 per share, based on our DCF model. The following important assumptions have been made in the model:

- Cost of capital at 8.2%,
- Infinity Sales Growth of 1.0%,
- Infinity EBIT Margin of 6%.

	2006/07	2007/08	2008/09	2009/10	2010/11	L-Term Assumptions
<b>ASSUMPTIONS</b>						
Growth Rate (Sales)	17.3%	17.0%	15.2%	17.3%	16.5%	1.0%
EBIT Margin	6.3%	5.8%	5.6%	5.6%	5.8%	6.0%
Tax Rate	29.0%	29.0%	25.0%	25.0%	25.0%	25.0%
Working Capital (% of sales)	1.9%	0.5%	0.7%	0.7%	1.2%	1.5%
Capex (% of sales)	4.4%	2.8%	2.5%	2.0%	1.8%	1.0%
Cost of Capital	8.3%	8.3%	8.4%	8.4%	8.4%	8.4%
Depreciation (% of sales)	1.4%	1.3%	1.4%	1.3%	1.3%	1.0%
<b>CASH FLOW STATEMENT</b>						
<b>Turnover</b>	<b>170.7</b>	<b>199.7</b>	<b>230.1</b>	<b>269.8</b>	<b>314.2</b>	<b>317.3</b>
EBIT	10.8	11.7	13.0	15.1	18.1	19.0
Less: Adjusted Tax	3.1	3.4	3.2	3.8	4.5	4.8
<b>Adjusted Operating Profit</b>	<b>7.6</b>	<b>8.3</b>	<b>9.7</b>	<b>11.3</b>	<b>13.6</b>	<b>14.3</b>
Plus: Depreciation	2.3	2.7	3.1	3.5	3.9	3.2
<b>Operating Cash Flow</b>	<b>9.9</b>	<b>11.0</b>	<b>12.9</b>	<b>14.8</b>	<b>17.5</b>	<b>17.5</b>
Less: Change in Working Capital	3.2	1.0	1.6	1.8	3.7	4.8
Less: Capex	7.5	5.5	5.7	5.5	5.5	3.2
<b>Cash Flow to the Firm (FCFF)</b>	<b>-0.8</b>	<b>4.5</b>	<b>5.5</b>	<b>7.5</b>	<b>8.3</b>	<b>9.5</b>
Discount Factor	0.92	0.85	0.79	0.72	0.67	0.67
Present Value of Cash Flows	-0.70	3.82	4.32	5.42	5.57	
Accumulated Present Value	-0.70	3.12	7.44	12.86	18.43	
Residual Value						131.4
<b>Present Value of Residual Value</b>						<b>88.0</b>

<b>VALUATION</b>	
Enterprise Value	106.41
% Residual Value of Total	82.7%
Less: Net Debt	-16.34

<b>Value of firm</b>	<b>122.75</b>
<b>Outstanding # of shares (000)</b>	<b>17,250</b>
<b>Value of share</b>	<b>7.12</b>

<b>WACC CALCULATION</b>	
Risk Free Rate	4.5%
Beta Factor	0.8
Market risk Premium	5.0%
<b>Cost of Equity</b>	<b>8.5%</b>
Debt / Debt + Equity	5.0%
Cost of Debt	4.5%
Tax Rate	25.0%
<b>Weighted Average Cost of Capital</b>	<b>8.2%</b>

Source: Company Accounts and VRS Estimates

The model's assumptions relate to the following conditions:

- EA completes store network expansion as planned.
- EA gains market share due to network expansion, market concentration and rising demand.
- Group's profitability remains solid in the following 5 years.
- EA applies an efficient financial policy in terms of investments and working capital cycle.

### Sensitivity Analysis

The table below presents the sensitivity analysis on the DCF model showing the valuation of the Company based on different growth rates and different values for weighted average cost of capital (WACC).

		WACC (Implicit Period)				
		6.20%	7.20%	8.20%	9.20%	10.20%
GROWTH (Implicit Period)	0.50%	8.47	7.50	6.76	6.24	5.81
	0.75%	8.78	7.73	6.93	6.38	5.92
	1.00%	9.12	7.97	7.12	6.52	6.03
	1.25%	9.50	8.21	7.31	6.67	6.15
	1.50%	9.92	8.53	7.52	6.84	6.28

Source: Company Accounts and VRS Estimates

## Peer Group Valuation

The peer group comparison unveils a two-side coin in Electroniki Athinon's valuation as compared to 5 major retail players in the US and UK. In terms of price / earnings ratio there is a significant upside for the Greek stock, whereas when it comes to P/BV ratio, the valuation outlook is the opposite.

Company	Country	Market Cap EUR mn	P/E '07 (times)	P/BV '07 (times)
Dixons Group	UK	3,159	14.29	2.35
Best Buy	US	22,602	16.95	3.64
Circuit City Inc	US	3,397	28.72	1.61
Kingfisher	UK	5,921	22.22	1.34
Kesa Electr.	UK	1,787	16.15	5.66
<b>Electroniki</b>	<b>Greece</b>	<b>96</b>	<b>13.87</b>	<b>3.62</b>
Total Market Cap		36,962		

Source: Bloomberg, Reuters and VRS estimates.

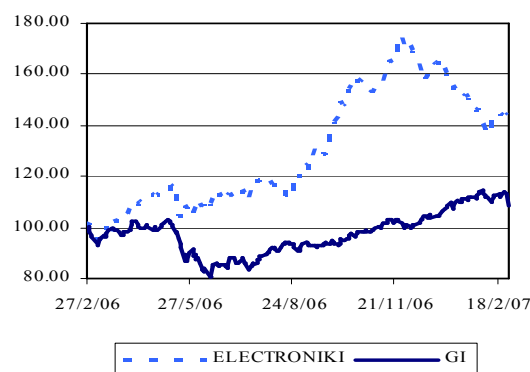
## Combined Valuation

The combined valuation, based on the P/E and P/BV multiples, as well as on the DCF methodology, derives an implied target price of € 7.13 per share.

	P/E (times)	P/BV (times)	DCF (times)
Peer Group Avg	19.67	2.92	
Market Cap Weighted Average	18.60	3.07	
Implied Target Price (Weighted) (in €)	7.43	4.71	7.12
Weights	45.00%	5.00%	50.00%
<b>Implied Target Price (in €)</b>		<b>7.14</b>	
Current Share Price (in €)		5.54	
Upside Potential		28.83%	

Source: Valuation & Research Specialists (VRS).

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



## Valuation Ratios

	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
Price (in €)	<b>€ 5.54</b>					
Shares Outstanding	<b>17,250,000</b>					
Market Capitalization (in €)	<b>95,565</b>					
EPS (in €)	0.35	0.40	0.44	0.53	0.63	0.76
Book Value / Share (x)	1.3	1.5	1.8	2.1	2.4	3.0
EV (in € mn)	78	79	79	78	75	72
P/E (a.t.& m.i.)	15.65x	13.87x	12.58x	10.49x	8.86x	7.25x
P/BV	4.13x	3.62x	3.16x	2.70x	2.27x	1.88x
EV/EBITDA	6.99x	6.08x	5.50x	4.86x	4.05x	3.24x
EV/Sales	0.54x	0.46x	0.40x	0.34x	0.28x	0.23x
Dividend / Share (in €)	0.20	0.21	0.22	0.23	0.24	0.25
Dividend Yield	3.6%	3.8%	4.0%	4.2%	4.3%	4.5%

Source: Company Accounts and VRS Estimates

## Shareholders' Structure

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

Shareholder	Participation Stake (As of Feb. 2007)
Stroutsis Ioannis	57.04%
Limberopoulou-Stroutsi Paraskevi	17.18%
Free Float	25.78%
<b>Total</b>	<b>100.00%</b>

Source: Athens Exchange.

---

## **Company Profile**

---

Electroniki Athinon SA was founded on 25 July 1989. The Group specializes in the sale of high technology consumer electronics, household electric appliances, personal computers, photographic equipment, communication products and related services, and after sales services. The following products and product categories are sold through the outlets of the Company:

1. White appliances (refrigerators, deep freezers, electric stoves, washing machines etc).
2. Built-in appliances (refrigerators, electric stoves, cooker hoods etc), which demonstrate rising trend in the Greek market.
3. Small electric appliances (mixers, microwave ovens, electric irons, coffee machines etc).
4. Video products (TVs, video recorders, video cameras, DVDs, home cinemas etc).
5. Audio products (compact stereo systems, amplifiers, CD players, mini discs, car audio systems, loudspeakers etc).
6. Air conditioners of several kinds.
7. Personal computers and peripherals (notebooks, printers, scanners, screens etc).
8. Mobile phones, and related products and services.

In August 2000, Electroniki Athinon completed a 16,000 m<sup>2</sup> warehouse. In 2002, the Company entered the Cypriot market by establishing the 100% subsidiary Electroniki Athinon (Cyprus) Ltd. The Company operates two stores, holding about 6% share of the Cyprian retail electric and electronic appliances market.

### Investment Risks / Mitigating Factors

Investment Risks / Concerns	Mitigating Factors / Important Notes
<p>1 Competition in the retail electric and electronic market in Greece remains strong. International players and hypermarkets have already entered into the market place. Any significant pressures on prices might seriously affect the Company's profit margins.</p>	<p>EA has a long experience and deep knowledge of the Greek market possessing flexibility to implement alternative strategies in order to benefit or avoid losses from market changes.</p>
<p>2 Changes in technology and consumer behavior tendencies might affect inventories and consequently cash position of the Group.</p>	<p>The Group has historically strong financial position and healthy balance sheet, even in periods of adverse market conditions. In addition, it has a well-organized warehouse and strong logistics capacity.</p>
<p>3 Negative conditions in the macroeconomic environment (interest rates, demand, and disposable income) may affect consumers' purchasing power and consequently Group's earnings.</p>	<p>The Group is diversifying its risk by expanding into the Balkans and the broader area of South East Europe - on a slow pace though - seeking opportunities from rising consumer spending.</p>
<p>4 Lack of considerable knowledge of international markets may jeopardize Group's geographic expansion plans.</p>	<p>The Group expands in the Balkans making small steps, avoiding strong investment expenditures and cautiously evaluating the potential for further development in those markets.</p>

Source: Valuation & Research Specialists (VRS)

## Retail Electronic Appliances Market in Greece

For the fiscal year 2005, the domestic electric and electronic household market was estimated at € 1.30-1.35 million. The following players are active in the Greek market:

1. Internationally recognized players like Dixons (through its participation in 'Kotsovolos' chain), Fnac and Media Markt that hold about 30% of the market.
2. Large and medium domestic chains like Electroniki Athinon and Sarafidis holding about 15%-16% market share.
3. Partnerships or joint ventures like Expert and Electronet holding about 24% market share.
4. International hypermarkets like Carrefour and Praktiker holding about 14% market share.
5. Independent stores.

It is evident the Greek market is significantly concentrated around the major players characterized of international or domestic origination. According to market surveys, large retail chains currently control about 50% of the total market, whereas this share may advance to 60% in the following 2 years.

Since 1997, the annual growth of the market was estimated at 5.1% in value, while for fiscal 2005 the annual growth reached about 2.9%. In our model, domestic annual growth is estimated at 1.5%-2% in volume and slightly higher, at 2.5%, in value for the next 5-year period.

We believe that in the following years, the strong competition among the leaders of the market will put pressures on operating margins and force smaller players to leave the market through acquisitions or withdraws. The above development is expected to "shrink" the sector and "allow" 5-6 large chains to dominate the market. Electroniki Athinon has the financial strategy and experience to remain a major domestic player and enhance its market position capturing at least 20% market share in the longer run.

## Group Historic & Projected Profit & Loss Account

€ million	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>Turnover</b>	<b>145.54</b>	<b>170.73</b>	<b>199.73</b>	<b>230.08</b>	<b>269.77</b>	<b>314.18</b>
y-o-y Change. %	23.18%	17.31%	16.98%	15.20%	17.25%	16.46%
<b>Cost of Sales</b>	<b>108.70</b>	<b>127.30</b>	<b>149.58</b>	<b>173.02</b>	<b>204.77</b>	<b>240.10</b>
% of Turnover	74.69%	74.56%	74.89%	75.20%	75.90%	76.42%
y-o-y Change. %	23.87%	17.11%	17.51%	15.67%	18.35%	17.26%
<b>Other operating income / expense</b>	<b>0.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Operating Expenses</b>	<b>25.85</b>	<b>30.39</b>	<b>35.75</b>	<b>40.95</b>	<b>46.40</b>	<b>52.00</b>
% of Turnover	17.76%	17.80%	17.90%	17.80%	17.20%	16.55%
y-o-y Change. %	17.15%	17.54%	17.64%	14.55%	13.30%	12.06%
<b>EBITDA</b>	<b>11.16</b>	<b>13.04</b>	<b>14.39</b>	<b>16.10</b>	<b>18.60</b>	<b>22.08</b>
EBITDA Margin	7.67%	7.64%	7.21%	7.00%	6.90%	7.03%
y-o-y Change. %	34.00%	16.86%	10.37%	11.88%	15.56%	18.70%
<b>Depreciation</b>	<b>2.05</b>	<b>2.28</b>	<b>2.74</b>	<b>3.10</b>	<b>3.53</b>	<b>3.95</b>
% of Turnover	1.41%	1.34%	1.37%	1.35%	1.31%	1.26%
<b>EBIT</b>	<b>9.11</b>	<b>10.76</b>	<b>11.65</b>	<b>13.00</b>	<b>15.08</b>	<b>18.14</b>
% of Turnover	6.26%	6.30%	5.83%	5.65%	5.59%	5.77%
y-o-y Change. %	89.26%	18.09%	8.32%	11.54%	16.00%	20.29%
<b>Net Financial Results</b>	<b>-1.52</b>	<b>-1.05</b>	<b>-0.96</b>	<b>-0.85</b>	<b>-0.69</b>	<b>-0.56</b>
<b>Net Results Before Taxes</b>	<b>7.59</b>	<b>9.71</b>	<b>10.70</b>	<b>12.15</b>	<b>14.39</b>	<b>17.57</b>
EBT Margin	5.21%	5.68%	5.36%	5.28%	5.33%	5.59%
y-o-y Change. %	92.37%	27.89%	10.20%	13.55%	18.48%	22.14%
<b>Income Tax &amp; Deferred Taxes</b>	<b>1.48</b>	<b>2.81</b>	<b>3.10</b>	<b>3.04</b>	<b>3.60</b>	<b>4.39</b>
Effective Tax Rate	19.55%	29.00%	29.00%	25.00%	25.00%	25.00%
<b>Net Results After Taxes</b>	<b>6.11</b>	<b>6.89</b>	<b>7.59</b>	<b>9.11</b>	<b>10.79</b>	<b>13.18</b>
EAT Margin	4.20%	4.04%	3.80%	3.96%	4.00%	4.20%
y-o-y Change. %	152.70%	12.86%	10.20%	19.95%	18.48%	22.14%
<b>Proportion of Minority rights</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Results (a.t.&amp;m.i.)</b>	<b>6.11</b>	<b>6.89</b>	<b>7.59</b>	<b>9.11</b>	<b>10.79</b>	<b>13.18</b>
<b>Net Margin</b>	<b>4.20%</b>	<b>4.04%</b>	<b>3.80%</b>	<b>3.96%</b>	<b>4.00%</b>	<b>4.20%</b>
y-o-y Change. %	152.70%	12.86%	10.20%	19.95%	18.48%	22.14%

Note: 2005/06 is according to the revised IFRS accounts. Source: Company Accounts and VRS Estimates

## Group Historic & Projected Balance Sheet

€ million	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
<b>Assets</b>						
Net Intangible Assets	0.08	0.07	0.06	0.04	0.03	0.02
Net Tangible Assets	15.99	21.24	24.02	26.65	28.64	30.22
Deferred Taxation	1.28	0.50	0.50	0.50	0.50	0.50
Other L-term assets	3.39	0.30	0.30	0.30	0.30	0.30
<b>Total Non-Current Assets</b>	<b>20.74</b>	<b>22.11</b>	<b>24.88</b>	<b>27.49</b>	<b>29.47</b>	<b>31.04</b>
% Total Assets	26.22%	24.87%	24.69%	24.65%	23.46%	21.94%
Inventories	30.01	36.62	43.03	49.30	56.66	64.47
Trade Receivables	8.25	10.76	13.13	13.87	15.52	18.08
Other Receivables	1.85	2.07	2.31	2.50	2.70	2.94
Cash in bank and at hand	18.26	17.34	17.41	18.36	21.26	24.94
<b>Total Current Assets</b>	<b>58.36</b>	<b>66.79</b>	<b>75.89</b>	<b>84.03</b>	<b>96.14</b>	<b>110.42</b>
% Total Assets	73.78%	75.13%	75.31%	75.35%	76.54%	78.06%
<b>TOTAL ASSETS</b>	<b>79.11</b>	<b>88.89</b>	<b>100.77</b>	<b>111.52</b>	<b>125.61</b>	<b>141.46</b>
<b>Equity &amp; Liabilities</b>						
Shareholder's Equity	23.16	26.43	30.23	35.37	42.02	50.89
Minority Rights	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>23.16</b>	<b>26.43</b>	<b>30.23</b>	<b>35.37</b>	<b>42.02</b>	<b>50.89</b>
% Total Equity & Liabilities	29.28%	29.73%	30.00%	31.71%	33.45%	35.97%
L-Term Bank Loans	0.00	0.00	0.00	0.00	0.00	0.00
Provisions for Staff Retirement	0.55	0.60	0.66	0.73	0.80	0.88
Deferred Tax Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Other long term debts	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total L-Term Liabilities</b>	<b>549</b>	<b>604</b>	<b>664</b>	<b>730</b>	<b>803</b>	<b>884</b>
Suppliers	49.89	55.80	63.52	68.74	75.74	82.23
Banks	0.71	1.00	1.00	1.00	1.00	1.00
Taxes-duties	3.01	3.31	3.64	4.00	4.40	4.84
Other Payables	1.79	1.75	1.72	1.68	1.65	1.62
<b>Total Current Liabilities</b>	<b>55.40</b>	<b>61.86</b>	<b>69.88</b>	<b>75.42</b>	<b>82.79</b>	<b>89.69</b>
<b>Total Liabilities</b>	<b>55.95</b>	<b>62.47</b>	<b>70.54</b>	<b>76.15</b>	<b>83.59</b>	<b>90.57</b>
% Total Equity & Liabilities	70.72%	70.27%	70.00%	68.29%	66.55%	64.03%
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>79.11</b>	<b>88.89</b>	<b>100.77</b>	<b>111.52</b>	<b>125.61</b>	<b>141.46</b>

Note: 2005/06 is according to the revised IFRS accounts. Source: Company Accounts and VRS Estimates

## Group Historic & Projected Cash Flows

(in € ,000 )	2005 / 06	2006 / 07 E	2007 / 08 E	2008 / 09 E	2009 / 10 E	2010 / 11 E
Profit after tax	6,106	6,891	7,594	9,109	10,792	13,181
Plus: Change of Depreciation	2,025	2,281	2,737	3,102	3,526	3,945
<b>Gross Cash Flow</b>	<b>8,130</b>	<b>9,172</b>	<b>10,331</b>	<b>12,210</b>	<b>14,318</b>	<b>17,126</b>
<i>Change in:</i>						
(-) Trade Debtors	-2,759	2,509	2,374	735	1,653	2,555
(-) Inventory	4,538	6,607	6,411	6,269	7,361	7,804
(-) Other Receivables	-172	221	248	185	200	243
(+) Trade Creditors	19,177	5,910	7,719	5,213	7,000	6,491
(+) Liabilities for taxes	610	301	331	364	400	440
(+) Other Short - term liabilities	789	-36	-35	-34	-34	-33
Change in Working Capital	18,970	-3,163	-1,018	-1,646	-1,848	-3,704
<b>Operating Cash Flow</b>	<b>27,100</b>	<b>6,008</b>	<b>9,313</b>	<b>10,564</b>	<b>12,470</b>	<b>13,422</b>
<i>Change in:</i>						
(-) Intangible Assets	64	50	50	50	50	50
(-) Tangible Assets	3,952	7,460	5,460	5,660	5,460	5,460
(-) Other long - term receivables	2,951	-3,866	0	0	0	0
(+) Other Long - term liabilities	-267	55	60	66	73	80
(+) Cons. diff./ Minority Interests	0	0	0	0	0	0
<b>Cash Flow from Investment</b>	<b>-7,234</b>	<b>-3,589</b>	<b>-5,450</b>	<b>-5,644</b>	<b>-5,437</b>	<b>-5,430</b>
<b>Net Cash Flow Before Financing Activities</b>	<b>19,866</b>	<b>2,420</b>	<b>3,864</b>	<b>4,921</b>	<b>7,033</b>	<b>7,993</b>
Increase in Share Capital	690	0	0	0	0	0
Increase in Share Premium Account	-8,821	0	0	0	0	0
Net Change in Reserves	-33	0	0	0	0	0
Change in Long - Term Debt	0	0	0	0	0	0
Change in Short - Term Debt	-102	288	0	0	0	0
Dividends	3,450	3,623	3,795	3,968	4,140	4,313
Minority Interests on Profit	0	0	0	0	0	0
<b>Net Cash Flow from Financing</b>	<b>-11,716</b>	<b>-3,334</b>	<b>-3,795</b>	<b>-3,968</b>	<b>-4,140</b>	<b>-4,313</b>
Cash at Beginning	10,105	18,256	17,341	17,410	18,363	21,256
<b>Change in Cash and Marketable Securities</b>	<b>8,151</b>	<b>-914</b>	<b>69</b>	<b>953</b>	<b>2,893</b>	<b>3,680</b>
Cash at End	18,256	17,341	17,410	18,363	21,256	24,937

Note: 2005/06 is according to the revised IFRS accounts. Source: Company Accounts and VRS Estimates.

**Notes**

---

**Notes**

---

---

# VALUATION & RESEARCH SPECIALISTS

Value Invest - [www.valueinvest.gr](http://www.valueinvest.gr) Investment Research & Analysis Journal - [www.iraj.gr](http://www.iraj.gr)

---

## DISCLOSURE STATEMENT

**VALUATION & RESEARCH SPECIALISTS (VRS)** is an independent firm providing advanced equity research, quality valuations and value-related advisory services to local and international business entities and / or communities. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

**VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.**

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies."

VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

Furthermore, VRS, its officers, and directors cannot trade in shares, warrants, convertible securities or options of any of the "covered companies." VRS accepts payment for research only in cash and will not accept payment in shares, warrants, convertible securities or options of "covered companies" by no means.

To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

## DISCLOSURE CHECKLIST

Covered Company	Reuters	Price	Price Close Date	Disclosure
Electroniki Athinon	ELCr.AT	€ 5.54	27 February 2007	2,3,6

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: guidance on financial performance and market trends.
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.

## COMPLIANCE WITH EU DIRECTIVES and GREEK LAWS

VRS prepares its equity research reports in a best effort to comply with the provisions of the EU Directive 2003/6/EK of the European Commission (L 339/73/24.12.2003, L 096/16/2003), the Guidelines 2003/125/EK and the Decision 4/347/12.7.2005 of the Hellenic Capital Markets Committee, as well as with the provisions of article 14, Greek Law 3340/2005, and the relevant clarifications with regard to the legal obligations of equity analysts.

VRS analysts are certified by the Hellenic Capital Markets Committee. The latter may request from VRS analysts to justify their views and conclusions with regard to this research report.

## ANALYST CERTIFICATION

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this research report.

---

Please contact "VALUATION & RESEARCH SPECIALISTS" for further information on Equity Research Related Fees.