

# F.G. EUROPE

[ ESKr.AT ]

- Exclusive Distributor of Fujitsu – General Ltd A/C Products in Greece, Italy & South-Eastern Europe
- Exclusive Distributor of Sharp Consumer Electronics Products in Greece



**Valuation & Research Specialists (VRS)**

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**by VALUATION & RESEARCH SPECIALISTS (VRS)**

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Greek Equities - 24<sup>th</sup> November 2005

## F.G. Europe

Sector : Wholesale

Christophoros Makrias  
CA, HCMC

### Company Description:

F.G. Europe is a wholesaler, currently active in the 3 different business segments, of air-conditioners, home electrical appliances and mobile telephony products and services. The Group has established a leading position in the Greek Air-Conditioners sector and is seeking to exploit synergies in Consumer Electronics. Future growth will come mainly from geographical expansion, new products related to electric appliances, and higher market shares.

In mn €	2004 A	2005 E	2006 E
Turnover	208.36	161.75	171.60
EBITDA	8.00	4.84	10.10
Margin %	3.84%	2.99%	5.89%
Net Income	4.44	1.09	4.82
Margin %	2.13%	0.68%	2.81%

Price (24/11/2005)	€2.98
Shares	54,262
Mkt Cap (in mn €)	161,702

Beta (2 years)	0.5		
Dividend '04	0.03		
Div. Yield	1.01%		
P/E	35.53x	144.28x	32.72x
P/BV	2.03x	1.94x	1.86x
Debt/Eq.	15.15x	28.91x	14.12x
ROE	21.60%	5.49%	23.84%

Note: Number of shares without the share buyback.

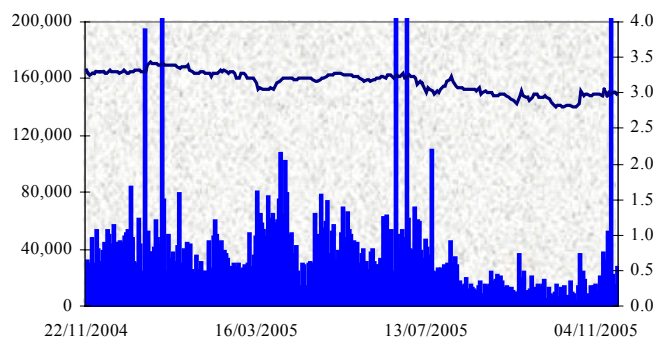
Source: F.G. Europe & VRS Projections

### Key Investment Points

- ⊙ F.G. Europe is the leading wholesaler in the **Greek A/C market**, with a significant presence in Italy and South-Eastern Europe, seeking to expand operations in other European countries.
- ⊙ The two main competitive advantages of the Group are:
  1. The **broad network of customers**, which are large electrical chain stores in Greece and Italy, and
  2. The **exclusive distribution** of the well-known brands Fujitsu (in Greece and Italy), and, after the recent collaboration agreement, Sharp (in Greece).
- ⊙ F.G. Europe is utilizing the strong relationship with Greek distribution channels in order to **promote white appliance products in Greece** under its own brand name "Eskimo."
- ⊙ The Group is under a restructuring of its sales mix, aiming to gradually withdraw from the low margin mobile product sales and focus on the higher margin A/C and consumer electronics products.
- ⊙ We expect turnover CAGR<sub>2004-2009</sub> of -6.28%, while high margin sales will lead to EBITDA CAGR<sub>2004-2009</sub> of 11.27% despite strong competition. Profit after tax is estimated to grow on CAGR<sub>2004-2009</sub> of 11.34%.

Share Price Graph (52 Weeks)

Max: €3.44 - Min: € 2.81



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

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## General Overview

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**F.G. Europe has succeeded in becoming the market leader in the Greek air conditioner (A/C) market and among the top performers in Italy and South-Eastern Europe.** The Group is also a wholesaler in home electrical appliances and mobile telephony products and services. The Group has currently proceeded in two major developments that will affect significantly its future growth.

1. **The collaboration agreement with Sharp**, for the distribution of latter's products (LCD TVs, DVD, Video, Home Cinemas, Audio, Refrigerators and Microwaves) in Greece.
2. **The launch of a 2.6 MW hydro electric plant** (with the prospect of building another plant in the same river in the near future), assuming annual sales of approximately € 0.5 mn and about 80% gross margin.

➤ **Unfavorable financial results - new business strategy**

Fiscal 2004 results appeared weak, as compared to fiscal 2003 (under Greek GAAP), due to weather conditions, weak consumer confidence and strong competition in Greece.

In addition, we expect **further drop in fiscal 2005 results (under IFRS)**, affected mostly by:

- Lower international A/C sales due to weather conditions,
- Negative effect from domestic A/C returns due to the restructuring of the Greek retail market following the close down of one of the leaders, Radio Korasidis electric chain.
- Management's decision to gradually withdraw from the low margin mobile telephony division (operates on approximately 1% gross margin), that is translated in about 27% or € 40 mn drop of mobile telephony revenues this year.
- Increased operating expenses, attributed to the promotion of Sharp products. We should mention that the agreement is effective from July 1<sup>st</sup> 2005, with the Group utilizing full effect in sales from fiscal 2006 onwards.
- High financial expenses due to increased debt and negative exchange rate differences.

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## Future Growth Strategy

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The management of F.G. Europe decided this year to modify Group's future strategy by altering its sales mix seeking higher margin sales focusing on efficiency and sustainable growth. As a general guideline, the management decided to adopt a new strategy for the Group that assumes:

- gradual withdrawal from mobile telephony wholesale business, and
- stronger focus on electric wholesale business (A/C, White appliances), penetrating the market segment of Consumer Electronics.

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### Gradual Withdraw from Mobile Telephony Business

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The Group is a wholesaler of a complete range of mobile telephony products, such as business and private solutions, pre-paid cards, phone sets. The Company is the master dealer of the service provider TIM and the wholesaler of pre-paid cards for all Greek cellular telephony providers, Cosmote, Vodafone, TIM and Q-Telecom.

So far, **mobile telephony represented more than 70% of total turnover** (€ 151 mil. at the end of fiscal 2004), **operating on about 1.1% gross margin**. The management of the Group decided the gradual reduction of mobile telephony revenues (CAGR<sub>2004-2009</sub> of -20.56%), affecting negatively total turnover growth for the next 5-8 years. We believe that at the end of fiscal 2009, revenues from mobile telephony products and services will reach about € 47.8 mil., accounting for 31.7% of total Group turnover.

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### Penetrating the Market Segment of Consumer Electronics

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At the same time, the Group **expands operations in the consumer electronics business**, through the collaboration agreement with Sharp, offsetting to a large extent the effect from mobile telephony revenue reduction. For the fiscal 2006, we expect full effect of the collaboration agreement, with sales of Sharp products (A/C, LCD TVs, DVD, Video, Home Cinemas, Audio, Refrigerators and Microwaves) **reaching at least € 17 mil.** We believe that at the end of fiscal 2009, **total sales of Sharp products in Greece (distributed through F.G. Europe's channels) will account for at least €30 mil.**

In addition, consumer electronics, **operate on significantly higher gross margin (approximately 21%)** as compared to telephony business, improving Group's average gross margin. **By the end of fiscal 2009, we expect Sharp products gross profit to account for about 23% of total Group gross profit.**

### Market Leader in Air-Conditioners in Greece – International Expansion

Air-conditioners represent Group's strong product line, since it is active as a wholesaler of selected world-class brands, such as Fujitsu and Clivet, in Greece and abroad. The Company's focus is to retain its market leadership in Greece and expand abroad in order to play a key role in the European air-conditioner market.

#### ➤ Domestic A/C Market

F.G. Europe has **2 important competitive advantages** with regard to its activities in Greece.

1/ **A broad sales network.** Group's customers are all major retail chains of electrical and household equipment (Kotsovolos, Sykaris, Elektroniki Athinon, Magnet, Electronet, Seios and others). The network comprises of about 1,200 sales points in Greece.

2/ **A broad range of A/C brands,** covering all final customer needs between branded and non-branded products. Among the firms and products represented are Fujitsu, General, the Italian firm Clivet, the Chinese firms Gree and Kelon (their factories are among the largest in China), and air-conditioners by Eskimo, Dynamic and Inclima.

Group's total A/C domestic sales are estimated at about € 26-27 mil.. However, for the fiscal 2005, we expect A/C domestic sales to reach approximately € 22 mil. affected by the bankruptcy of Radio Korasidis electric chain (product returns from the Radio Korasidis chain are estimated at € 4.5 mil.). **For the next 4 years, we expect that A/C domestic sales will remain stable at approximately €27-28 mil., assuming that the sector will grow on a CAGR<sub>2005-2009</sub> of 1%, and that F.G. Europe will retain market leadership in branded A/Cs, holding a stable market share (15.5% in split units, 5% in light commercial systems and 30% in branded split units).**

#### ➤ International A/C Market

The Group has been among the front-runners in Italy and S-E Europe with regard to A/C sales, and is currently expanding activities in Central and Western Europe (Spain, France, Germany, etc). The network comprises of about 250 sales points in Italy, and over 20 selected wholesalers in South East Europe. **For the fiscal 2005, we expect about €20 million sales,** representing approximately 12.4% of the total turnover, and for the period 2005-2009 **we expect that international A/C sales will increase on a CAGR<sub>2005-2009</sub> of approximately 10.9%, to €30.2 mil., at the end of fiscal 2009.** The growth is attributed to:

1. Utilization of the potential for organic growth in S-E Europe.

2. Subsidiaries in Italy and Romania (offering warehouse / logistics facilities, and supporting sales of the parent).
3. Own brand names without territory constrains.
4. Promotion of products carrying world known brand names.

### **Exploit Synergies in the Greek and S-E Europe White Appliance Market**

F.G. Europe is active in the Greek electrical house appliances sector, under its own Eskimo trademark. The Group orders for the production of a full range of electrical household appliances under specific characteristics, and promotes the final products to Greek retailers. The competitive advantage of 'Eskimo' brand name is its 47% brand awareness in Greece. With regard to this business unit, the Group's core strategy is to **establish and strengthen its position in Greece, and gradually expand its activities on markets abroad**. The Company will focus on the promotion of electric appliances with low penetration, such as dishwashers, dryers, and microwave ovens in all the markets it targets.

White appliances currently represent approximately 3.3% of the total turnover, a stake that will be increased to 7.7% in the future. The total white appliance sector is considered to be mature, and to a considerable degree saturated, with an annual turnover of over € 590 mil. (F.G. Europe holds about a 1.15% market share). **We expect a sector growth of 2% annually and F.G. Europe to expand its market share to 1.5%**. In addition, the Group will exploit opportunities in S-E Europe utilizing its existing strong distribution channels of A/Cs, and offering products with leverage on best value for money.

### **Expand in Hydroelectric Energy Production**

During 1Q 2005, the Group completed the development of a 2.6 MW hydroelectric plant that will add to total Group turnover approximately € 0.5 million annually. The Group is currently under the licensing of another similar hydroelectric plant in the same river. The plant is operating on about 80% gross margin.

## GROUP HISTORIC &amp; PROJECTED TURNOVER BREAKDOWN

(in ,000 €)	2004	2005 E	2006 E	2007 E	2008 E	2009 E
<b>A/C Greek Market</b>	<b>13,961</b>	<b>22,000</b>	<b>27,500</b>	<b>27,913</b>	<b>28,052</b>	<b>28,613</b>
y-o-y Change. %		57.59%	25.00%	1.50%	0.50%	2.00%
% of Total	6.7%	13.6%	16.0%	16.3%	17.5%	19.0%
<b>A/C International</b>	<b>36,220</b>	<b>20,000</b>	<b>21,400</b>	<b>24,610</b>	<b>28,302</b>	<b>30,283</b>
y-o-y Change. %		-44.78%	7.00%	15.00%	15.00%	7.00%
% of Total	17.4%	12.4%	12.5%	14.4%	17.7%	20.1%
<b>W/A Eskimo</b>	<b>6,884</b>	<b>7,500</b>	<b>8,500</b>	<b>9,500</b>	<b>10,500</b>	<b>11,550</b>
y-o-y Change. %		8.95%	13.33%	11.76%	10.53%	10.00%
% of Total	3.3%	4.6%	5.0%	5.6%	6.6%	7.7%
<b>W/A Sharp</b>	<b>0</b>	<b>500</b>	<b>6,400</b>	<b>9,000</b>	<b>10,200</b>	<b>11,800</b>
y-o-y Change. %		0.00%	1180%	40.63%	13.33%	15.69%
% of Total	0.0%	0.3%	3.7%	5.3%	6.4%	7.8%
<b>Plasma TV sets</b>	<b>0</b>	<b>50</b>	<b>100</b>	<b>200</b>	<b>300</b>	<b>500</b>
y-o-y Change. %		0.00%	100.00%	100.00%	50.00%	66.67%
% of Total	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
<b>Sharp Products</b>	<b>0</b>	<b>1,000</b>	<b>10,600</b>	<b>16,000</b>	<b>17,000</b>	<b>19,000</b>
y-o-y Change. %		0.00%	960.00%	50.94%	6.25%	11.76%
% of Total	0.0%	0.6%	6.2%	9.4%	10.6%	12.6%
<b>Mobile Telephony</b>	<b>151,293</b>	<b>110,000</b>	<b>96,250</b>	<b>82,775</b>	<b>64,565</b>	<b>47,778</b>
y-o-y Change. %		-27.29%	-12.50%	-14.00%	-22.00%	-26.00%
% of Total	72.6%	68.0%	56.1%	48.4%	40.4%	31.7%
<b>Hydroelectric Plant</b>	<b>0</b>	<b>500</b>	<b>550</b>	<b>580</b>	<b>595</b>	<b>609</b>
y-o-y Change. %			10.00%	8.00%	2.50%	2.50%
% of Total		0.3%	0.3%	0.3%	0.4%	0.4%
<b>Other</b>	<b>0</b>	<b>200</b>	<b>300</b>	<b>375</b>	<b>450</b>	<b>540</b>
y-o-y Change. %			50.00%	25.00%	20.00%	20.00%
% of Total		0.1%	0.2%	0.2%	0.3%	0.4%
<b>TOTAL TURNOVER</b>	<b>208,358</b>	<b>161,750</b>	<b>171,600</b>	<b>170,953</b>	<b>159,963</b>	<b>150,673</b>
y-o-y Change. %		-22.37%	6.09%	-0.38%	-6.43%	-5.81%

Source: Company Data &amp; VRS Projections

## **Investment Risks**

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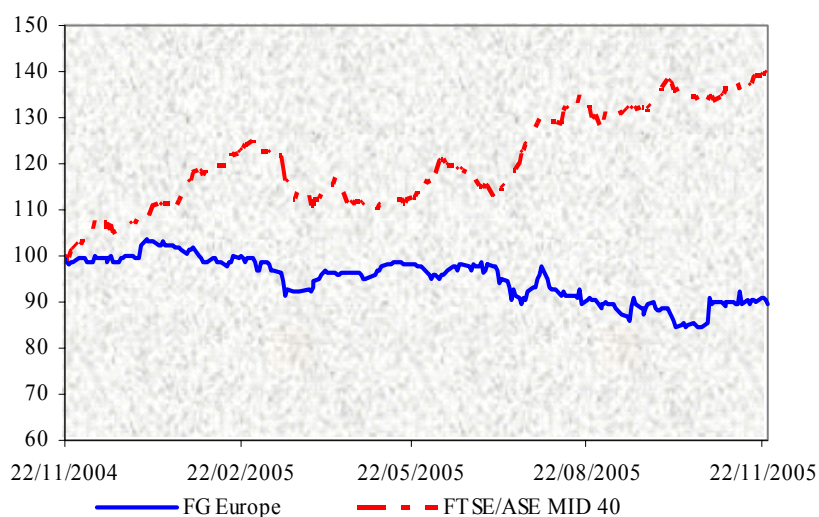
- Competition in the broader wholesale market of electric appliances in the form of a large number of small and medium size commercial companies, most of which are distributors of large multinational groups.
- Seasonal variations and unpredictable weather conditions.
- Changes in technology and environmental requirements (European Union regulations).
- Consumer behavior and tendencies.
- The effect of macroeconomic environment on consumers' purchasing power and interest rates (effect on purchase on credit).

## Share Price Performance vs. FTSE / ASE 40 (base=100)

	<b>Ticker</b>
ASE:	EΦTZI
Bloomberg	ESC GA
Reuters	ESKr.AT
Boerse Stuttgart	FGE.STU
Boerse Frankfurt	FGE.F
XERTA	FGE.DE

Shares are included in the following indices of the ASE:

- General Index
- Wholesale Sector Index
- FTSE/ASE 40
- FTSE/ASE 140
- MSCI Greece Small Cap



As of November 24, 2005      2004      2005 E      2006 E      2007 E

Price	€2.98				
Shares	54,262,320				
Market Capitalization (in €)	161,701,714				
EPS (in €)		0.08	0.02	0.09	0.10
Book Value / Share (x)		0.39	0.36	0.40	0.45
EV (in € mn)		121,230	140,032	142,692	145,484
P/E (a.t.& m.i.)		35.53x	144.28x	32.72x	28.74x
P/BV		2.03x	1.94x	1.86x	1.80x
EV/EBITDA		15.15x	28.91x	14.12x	13.13x
EV/Sales		0.58x	0.87x	0.83x	0.85x

\*Note: Multiples are based on 52.93 million shares (excluding 1.33 mil. shares of the share buyback).

Source: VRS Estimates

## Convertible Bond

On August 16, 2004, 166,212 new common bearer bonds of the Company commenced trading on the ATHEX (nominal value 100 Euro and conversion price 4.5454 Euro), following the issuance of a Convertible Bond Loan as approved by the Company's E.G.M. on 21/1/2004. The Company's shares are also trading on the Derivatives Market platform, in the form of Stock Repo and Stock Reverse Repo contracts. Those contracts are available for trading to all market participants.

**Valuation (DCF Method)**

Evaluating our projections on the **DCF valuation method**, we end up on a fair value of € 172.32 mil. or € 3.18 per share.

	2005 E	2006 E	2007 E	2008 E	2009 E	L-Term Assumptions
<b>ASSUMPTIONS</b>						
Growth Rate (Sales)	-22.37%	6.09%	-0.38%	-6.43%	-5.81%	<b>2.60%</b>
EBIT Margin	2.80%	5.66%	6.21%	7.41%	8.65%	<b>9.70%</b>
Tax Rate	32.00%	29.00%	25.00%	25.00%	25.00%	<b>25.00%</b>
Working Capital (% of sales)	10.35%	2.19%	2.71%	2.07%	0.98%	<b>1.00%</b>
Capex (% of sales)	0.62%	0.58%	0.58%	0.63%	0.66%	<b>0.60%</b>
Cost of Capital	5.18%	5.37%	5.61%	5.78%	6.03%	<b>6.03%</b>
Depreciation (% of sales)	0.20%	0.23%	0.27%	0.34%	0.41%	<b>0.60%</b>
<b>CASH FLOW STATEMENT</b>						
<b>Turnover</b>	<b>161,750</b>	<b>171,600</b>	<b>170,953</b>	<b>159,963</b>	<b>150,673</b>	<b>154,590</b>
EBIT	4,524	9,707	10,609	11,852	13,033	<b>14,995</b>
Less: Adjusted Tax	594	2,050	1,899	2,192	2,516	<b>2,895</b>
<b>Adjusted Operating Profit</b>	<b>3,930</b>	<b>7,657</b>	<b>8,710</b>	<b>9,660</b>	<b>10,517</b>	<b>12,101</b>
Plus: Depreciation	319	397	469	542	614	<b>928</b>
<b>Operating Cash Flow</b>	<b>4,249</b>	<b>8,054</b>	<b>9,179</b>	<b>10,201</b>	<b>11,131</b>	<b>13,028</b>
Less: Change in Working Capital	16,735	3,751	4,639	3,313	1,471	<b>1,546</b>
Less: Capex	999	1,000	1,000	1,000	1,000	<b>928</b>
<b>Cash Flow to the Firm (FCFF)</b>	<b>-13,485</b>	<b>3,302</b>	<b>3,540</b>	<b>5,888</b>	<b>8,660</b>	<b>10,555</b>
Discount Factor	0.95	0.90	0.85	0.80	0.75	0.75
Present Value of Cash Flows	-12,821	2,974	3,005	4,703	6,462	
Accumulated Present Value	-12,821	-9,847	-6,842	-2,139	<b>4,322</b>	
Residual Value						307,530
<b>Present Value of Residual Value</b>						<b>229,457</b>
<b>VALUATION</b>						
Enterprise Value	233,779					
% Residual Value of Total	98.15%					
<b>Value of firm</b>	<b>172,321</b>					
<b>Value of share</b>	<b>3.18</b>					
<b>WACC CALCULATION</b>						
Risk Free Rate	3.60%	3.60%	3.60%	3.60%	3.60%	<b>3.60%</b>
Beta Factor	1.20	1.20	1.20	1.20	1.20	1.20
Market risk Premium	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
<b>Cost of Equity</b>	<b>10.20%</b>	<b>10.20%</b>	<b>10.20%</b>	<b>10.20%</b>	<b>10.20%</b>	<b>10.20%</b>
Debt / Debt + Equity	76.89%	75.84%	74.61%	71.81%	67.77%	67.77%
Cost of Debt	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%
Tax Rate	32.00%	29.00%	25.00%	25.00%	25.00%	25.00%
<b>Weighted Average Cost of Capital</b>	<b>5.18%</b>	<b>5.37%</b>	<b>5.61%</b>	<b>5.78%</b>	<b>6.03%</b>	<b>6.03%</b>

Source: VRS Estimates

### Sensitivity Analysis

The model's assumptions reflect the ongoing profitability of the Company, its expansion program under the new strategy designed by the management, and F.G. Europe's growing presence in the Greek and European markets. Our valuation incorporates a sensitivity analysis based on the discounted free cash flow method employing a discount rate in the range of 4.5% – 7.5%, and a growth rate ranging between 1-3.5%.

		WACC				
		4.50%	5.00%	6.03%	6.50%	7.50%
GROWTH	1.00%	3.03	2.52	1.79	1.33	1.15
	2.00%	4.72	3.76	2.53	1.84	1.57
	2.60%	6.59	5.00	3.18	2.25	1.91
	3.00%	8.66	6.24	3.76	2.59	2.19
	3.50%	13.59	8.71	4.74	3.13	2.61

Source: VRS Estimates

## Financial Analysis

### Profit & Loss Analysis

- **Group's turnover for the fiscal 2005 is expected to decline by at least 22%** mostly attributed to the management's decision to gradually withdraw the low margin mobile telephony division. For the fiscal 2006, we expect about 6% turnover growth, following the dynamic promotion of Sharp products (will add at least € 17 million to total turnover) that will outpace the reduction of mobile revenues (a drop of at least € 14 million). For the period 2005-2009, **we estimate Group turnover CAGR<sub>2005-2009</sub> of -1.76%**, with revenues related to mobile business, representing about 31.7% of the total at end 2009 from 68% of total at end 2005.
- **Gross profit margins will gradually improve** - will settle at about 18.17% by end 2009 from 7.9% at end 2004 - as a result of the gradual alteration of Group's sales mix. We note that all sectors are at a mature stage, and we also expect pressures on pricing due to high competition.

### Projected Gross Margin Breakdown

(in € ,000)	2005 E	2006 E	2007 E	2008 E	2009 E
<b>Air Conditions</b>	<b>11,980</b>	<b>15,083</b>	<b>15,913</b>	<b>16,763</b>	<b>17,214</b>
y-o-y Change. %		25.90%	5.51%	5.34%	2.69%
% of Turnover	28.52%	30.84%	30.30%	29.75%	29.23%
<b>White Appliances</b>	<b>1,865</b>	<b>3,717</b>	<b>4,576</b>	<b>5,033</b>	<b>5,646</b>
y-o-y Change. %		99.31%	23.09%	9.99%	12.18%
% of Turnover	23.31%	24.95%	24.73%	24.31%	24.18%
<b>Consumer Electronics</b>	<b>185</b>	<b>1,897</b>	<b>2,820</b>	<b>2,954</b>	<b>3,280</b>
y-o-y Change. %		925.30%	48.67%	4.75%	11.04%
% of Turnover	17.62%	17.73%	17.41%	17.08%	16.82%
<b>Mobile Telephony</b>	<b>1,166</b>	<b>1,059</b>	<b>952</b>	<b>904</b>	<b>717</b>
y-o-y Change. %		-9.20%	-10.09%	-5.04%	-20.71%
% of Turnover	1.06%	1.10%	1.15%	1.40%	1.50%
<b>Hydroelectric Plant</b>	<b>375</b>	<b>440</b>	<b>464</b>	<b>476</b>	<b>487</b>
y-o-y Change. %		17.33%	5.45%	2.50%	2.50%
% of Turnover	75.00%	80.00%	80.00%	80.00%	80.00%
<b>Other</b>	<b>10</b>	<b>15</b>	<b>19</b>	<b>23</b>	<b>27</b>
y-o-y Change. %		50.00%	25.00%	20.00%	20.00%
% of Turnover	5.00%	5.00%	5.00%	5.00%	5.00%
<b>COST OF SALES</b>	<b>15,581</b>	<b>22,210</b>	<b>24,743</b>	<b>26,152</b>	<b>27,371</b>
% of Turnover	9.63%	12.94%	14.47%	16.35%	18.17%
y-o-y Change. %		42.55%	11.40%	5.70%	4.66%

Source: Company Data & VRS Projections

- **EBITDA** margin accounted for approximately 3.84% at end fiscal 2004, a level that will increase to **9.06%** at end fiscal 2009, with EBITDA growing on a **CAGR<sub>2004-2009</sub> of 11.27%**. The strong EBITDA increase is attributed to the following factors:
1. Gross margin improvement.
  2. Moderate increase of distribution expenses (CAGR<sub>2004-2009</sub> of 8.75% mostly attributed to higher promotion spending that will represent about 4% of total Group turnover).
  3. Full utilization of Sharp Products. The Group is currently under strong promotion strategy, while sales remain significantly lower compared to expected potential.

	2004	2005 E	2006 E	2007 E	2008 E	2009 E
<b>Profit Margins</b>						
Gross Margin	7.92%	9.63%	12.94%	14.47%	16.35%	18.17%
EBITDA Margin	3.84%	2.99%	5.89%	6.48%	7.75%	9.06%
EBIT Margin	3.77%	2.80%	5.66%	6.21%	7.41%	8.65%
Pre-tax profit margin	3.35%	1.15%	4.12%	4.44%	5.48%	6.68%
Net Profit margin	2.13%	0.68%	2.81%	3.21%	3.98%	4.86%
<b>Cost Absorption &amp; Sources</b>						
Cost of sales on sales	92.08%	90.37%	87.06%	85.53%	83.65%	81.83%
Administrative cost on sales	1.36%	2.10%	2.30%	2.75%	3.00%	3.25%
Distribution cost on sales	3.04%	5.00%	5.20%	5.70%	6.10%	6.40%

Source: Company Accounts and Research Department.

### Key Elements of Balance Sheet

For the next 5 year period (2005-2009), the Group is planning to invest approximately € 1 mn per year in order to finance basic fixed asset needs.

With regard to **current assets** for the Group, inventory turnover ratio is expected to increase to 103 days (on average basis) in 2009, from 57 at end 2004, due to the effect of sales mix change (mobile products and services ratio, rests below 5 days).

**Debtor's turnover ratio** is expected to increase at approximately 164 days from 80 days (on average basis) in 2009, during 2004 (the gradual reduction of mobile

sales affects this ratio as well, since this category of sales rests below 5 days), while **creditor's turnover ratio** will range between 35-44 days. Under this assumption, Group's working capital needs will increase, assuming about € 30 million extra capital during fiscals 2005 and 2009.

At end 2004, Group **long-term debt** accounted for € 47.7 mn, including the convertible bond of € 16.6 mn. So far, € 4.88 million have been converted into shares. We have assumed that the Group will get another 5-year corporate bond in fiscal 2007 (when the convertible bond should be repaid), in order to refinance its capital needs for investments and retain the level of short term bank loans stable.

**Total bank debt** is expected to range between € 65 - 70 mil., with the ratio '*bank debt / equity*' settling at 4.22x at end 2005, and gradually contract to 2.73x at end 2009, changing against Group's stable cash flow increase. This ratio is high and is justified by Groups decision to finance working capital needs (finance customers and inventories) in order to add another advantage in the highly competitive electronics environment.

	2004	2005 E	2006 E	2007 E	2008 E	2009 E
<b>Activity</b>						
Stock Days	57	78	80	85	94	103
Debtors Days	80	115	123	132	149	164
Creditors Days	30	38	36	37	41	44
Operating Cycle	137	193	204	216	243	267
Cash Cycle	107	154	168	180	202	223
<b>Capital Structure</b>						
Total Debt/ Total Equity	3.79	4.22	4.01	3.71	3.23	2.70
Bank Loans/ Total Equity	2.83	3.34	3.15	2.95	2.56	2.11
<b>Capital Gearing</b>						
Interest Coverage	9.25	1.82	3.83	3.68	4.02	4.60
Bank Debt / EBITDA	7.25	13.26	6.57	6.27	5.56	4.84
<b>Liquidity</b>						
Current Ratio	3.24	2.13	1.78	2.44	1.84	1.70
Quick Ratio - Acid Ratio	2.21	1.41	1.19	1.65	1.25	1.16

Source: Company Accounts and Research Department.

## GROUP HISTORIC &amp; PROJECTED PROFIT &amp; LOSS ACCOUNT

(in ,000 €)	2004	2005 E	2006 E	2007 E	2008 E	2009 E
<b>Turnover</b>	<b>208,358</b>	<b>161,750</b>	<b>171,600</b>	<b>170,953</b>	<b>159,963</b>	<b>150,673</b>
y-o-y Change %		-22.37%	6.09%	-0.38%	-6.43%	-5.81%
Cost of Sales	191,859	146,169	149,390	146,210	133,810	123,302
% of Turnover	92.08%	90.37%	87.06%	85.53%	83.65%	81.83%
y-o-y Change %		-23.81%	2.20%	-2.13%	-8.48%	-7.85%
<b>Total Gross Operating Results</b>	<b>16,499</b>	<b>15,581</b>	<b>22,210</b>	<b>24,743</b>	<b>26,152</b>	<b>27,371</b>
Gross Operating Margin	7.92%	9.63%	12.94%	14.47%	16.35%	18.17%
y-o-y Change %		-5.56%	42.55%	11.40%	5.70%	4.66%
Other operating income	665	746	763	780	798	816
Administrative Expenses	2,824	3,397	3,947	4,701	4,799	4,897
% of Turnover	1.36%	2.10%	2.30%	2.75%	3.00%	3.25%
Distribution Cost	6,339	8,088	8,923	9,744	9,758	9,643
% of Turnover	3.04%	5.00%	5.20%	5.70%	6.10%	6.40%
<b>Total Expenses</b>	<b>9,163</b>	<b>11,484</b>	<b>12,870</b>	<b>14,445</b>	<b>14,557</b>	<b>14,540</b>
% of Turnover	4.40%	7.10%	7.50%	8.45%	9.10%	9.65%
y-o-y Change %		25.33%	12.07%	12.24%	0.77%	-0.11%
<b>EBITDA</b>	<b>8,001</b>	<b>4,843</b>	<b>10,104</b>	<b>11,078</b>	<b>12,394</b>	<b>13,647</b>
EBITDA Margin	3.84%	2.99%	5.89%	6.48%	7.75%	9.06%
y-o-y Change %		-39.47%	108.61%	9.64%	11.88%	10.12%
<b>Depreciation</b>	<b>150</b>	<b>319</b>	<b>397</b>	<b>469</b>	<b>542</b>	<b>614</b>
% of Turnover	0.07%	0.20%	0.23%	0.27%	0.34%	0.41%
<b>EBIT</b>	<b>7,851</b>	<b>4,524</b>	<b>9,707</b>	<b>10,609</b>	<b>11,852</b>	<b>13,033</b>
% of Turnover	3.77%	2.80%	5.66%	6.21%	7.41%	8.65%
y-o-y Change %		-42.37%	114.56%	9.29%	11.72%	9.97%
Total Financial Results	-865	-2,668	-2,638	-3,013	-3,084	-2,970
<b>Net Results Before Taxes</b>	<b>6,986</b>	<b>1,856</b>	<b>7,069</b>	<b>7,596</b>	<b>8,768</b>	<b>10,063</b>
EBT Margin	3.35%	1.15%	4.12%	4.44%	5.48%	6.68%
y-o-y Change %		-73.43%	280.87%	7.45%	15.44%	14.77%
Tax income	2,574	594	2,050	1,899	2,192	2,516
<b>Net Results After Taxes</b>	<b>4,412</b>	<b>1,262</b>	<b>5,019</b>	<b>5,697</b>	<b>6,576</b>	<b>7,547</b>
EAT Margin	2.12%	0.78%	2.92%	3.33%	4.11%	5.01%
y-o-y Change %		-71.39%	297.68%	13.51%	15.44%	14.77%
Proportion of Minority rights	-28	169	198	209	214	219
<b>Consolidated Net Results (a.t.&amp;m.i.)</b>	<b>4,440</b>	<b>1,093</b>	<b>4,821</b>	<b>5,488</b>	<b>6,362</b>	<b>7,328</b>
Net Margin	2.13%	0.68%	2.81%	3.21%	3.98%	4.86%
y-o-y Change %		-75.38%	340.95%	13.84%	15.93%	15.18%

Source: Company Data &amp; VRS Estimates.

## GROUP HISTORIC &amp; PROJECTED BALANCE SHEET

	2004	2005 E	2006 E	2007 E	2008 E	2009 E
<b>Assets</b>						
Total Intangible Assets	16	216	316	416	516	616
Accumulated depreciation	0	17	57	112	182	267
<b>Total Net Intangible Assets</b>	<b>16</b>	<b>199</b>	<b>259</b>	<b>304</b>	<b>334</b>	<b>349</b>
Tangible Assets	4,080	4,779	5,529	6,279	7,029	7,779
Accumulated depreciation	579	881	1,237	1,651	2,123	2,652
<b>Total Net Tangible Assets</b>	<b>3,501</b>	<b>3,898</b>	<b>4,292</b>	<b>4,628</b>	<b>4,906</b>	<b>5,127</b>
Financial & Other L-Term Assets	486	586	736	886	1,036	1,186
<b>Total Fixed Assets</b>	<b>4,003</b>	<b>4,683</b>	<b>5,286</b>	<b>5,817</b>	<b>6,276</b>	<b>6,662</b>
% Total Assets	4.07%	4.65%	4.99%	5.23%	5.49%	5.74%
Inventories	30,070	32,325	33,457	34,293	34,807	34,981
Debtors	45,552	56,050	59,974	63,572	66,687	68,421
Other Receivables	3,068	4,500	4,613	4,636	4,659	4,682
Securities (net)	393	393	393	393	393	393
Cash in bank and at hand	15,361	2,803	2,275	2,613	1,496	1,005
<b>TOTAL CURRENT ASSETS</b>	<b>94,444</b>	<b>96,072</b>	<b>100,711</b>	<b>105,507</b>	<b>108,043</b>	<b>109,482</b>
% Total Assets	95.93%	95.35%	95.01%	94.77%	94.51%	94.26%
<b>GRAND TOTAL ASSETS</b>	<b>98,447</b>	<b>100,755</b>	<b>105,997</b>	<b>111,324</b>	<b>114,318</b>	<b>116,144</b>
<b>Equity &amp; Liabilities</b>						
Share capital	15,956	16,279	16,279	16,279	16,279	16,279
Share premium account	819	5,376	5,376	5,376	5,376	5,376
Total Reserves	3,774	-371	-130	144	462	829
Profit carried forward	-430	-2,581	-1,191	832	3,686	7,458
Minority Rights	437	606	804	1,013	1,227	1,446
<b>TOTAL CAPITAL &amp; RESERVES</b>	<b>20,556</b>	<b>19,308</b>	<b>21,137</b>	<b>23,644</b>	<b>27,030</b>	<b>31,388</b>
% Total Equity & Liabilities	20.88%	19.16%	19.94%	21.24%	23.64%	27.02%
L-Term Bank Loans	47,722	35,355	27,482	43,873	28,000	20,000
Provisions for Staff Retirement	228	231	235	238	242	246
Investment Grants	566	453	340	226	113	0
Other Provisions	94	95	96	97	98	99
Tax Liabilities	133	106	85	68	54	44
<b>Total L-Term Liabilities</b>	<b>48,743</b>	<b>36,240</b>	<b>28,238</b>	<b>44,502</b>	<b>28,507</b>	<b>20,388</b>
Suppliers	16,032	14,700	14,759	14,818	14,877	15,026
Banks	8,254	21,000	31,000	2,000	25,000	38,000
Taxes-duties	1,366	594	2,050	1,899	2,192	2,516
Sundry debtors	1,486	1,040	941	852	839	826
<b>Total Current Liabilities</b>	<b>29,148</b>	<b>45,206</b>	<b>56,622</b>	<b>43,178</b>	<b>58,781</b>	<b>64,368</b>
<b>TOTAL LIABILITIES</b>	<b>77,891</b>	<b>81,446</b>	<b>84,860</b>	<b>87,680</b>	<b>87,288</b>	<b>84,756</b>
% Total Equity & Liabilities	79.12%	80.84%	80.06%	78.76%	76.36%	72.98%
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>98,447</b>	<b>100,755</b>	<b>105,997</b>	<b>111,324</b>	<b>114,318</b>	<b>116,144</b>

Source: Company Data &amp; VRS Estimates.

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