

LAVIPHARM

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In Search of High Risk / High Return Opportunities Abroad



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January 2004

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Lavipharm S.A.

Greek Equities

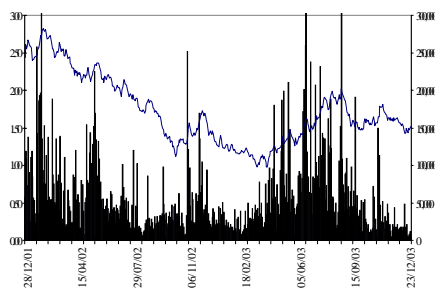
Pharmaceuticals

Reuters: LPHr.AT

Company Description:

Lavipharm is a leading player in the pharmaceuticals sector in Greece, utilizing a large distribution network across the country. The Company owns operations in major international markets and has expanded activities to research and development of new drug solutions as well as to biotechnology.

Share Price Analysis:



Analysis of Growth Drivers

© Consolidated sales break down into **63.50% own sales and 36.50% third party sales**, while on a **parent company / subsidiaries** basis, turnover breakdown ratio stands at **0.9 / 1**. Revenue growth generated so far on a group basis has been largely dependent on the domestic pharmaceuticals sector, which is a cyclical sector, with a number of structural problems and relatively depressed profit margins. Unavoidably, **this business segment is anticipated to deliver low-end 1-digit growth in future.**

© On the other hand, Lavipharm Group's operations in the US market currently appear as the most promising long-term growth story. US holding **Lavipharm Laboratories** (not yet consolidated) **have developed a new drug delivery patent for "Endo", which is expected to enter the market by the dawn of 2005.** Upon successful market reception, this product could translate into a significant revenue stream for the Lavipharm Group, and offer the ground for development and introduction of additional patents in international markets.

Valuation Ratios

(EUR 1.61 , Closing Price as of January 5th, 2004)

in EUR mn	Turnover	EBITDA	EAT	P / E (x)	P / BV (x)	EV / Sales (x)	EV / EBITDA	Debt / Equity	ROA (avg)	ROE (avg)
2001	290.61	16.83	1.85	34.23	0.59	0.36	6.20	0.63	1.43%	3.61%
2002	304.80	17.14	3.13	20.21	0.70	0.40	7.04	0.85	1.16%	3.29%
2003	308.40	10.17	1.55	40.74	0.74	0.42	12.74	0.97	0.55%	1.82%
2004	255.36	8.81	1.77	35.84	0.71	0.52	15.21	1.01	0.61%	2.08%
2005	279.70	10.07	1.83	34.57	0.68	0.48	13.34	0.99	0.61%	2.08%

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Investment Highlights

Lavipharm is a leading pharmaceuticals company with operations in Greece and major international markets such as the USA and France. The Company is mainly a **commercial distributor not only of drugs but also of cosmetics.**

At the same time, it **has expanded to the research and development of new products.** Own produced drugs and cosmetic sales represent only a minor fraction of the consolidated sales.

The Lavipharm Group utilizes an extensive network of agents, medical assistants and professionals promoting pharmaceuticals sales of its own account, as well as for third parties. The parent Company offers a great range of **distribution services** to several of its subsidiaries, as well as to leading pharmaceutical companies abroad.

In fiscal year 2002, 57% of company sales were realized abroad, a trend that is expected to sustain in coming years. Lavipharm also holds L.A.S. Group, which is the largest private drug warehouse center in Greece, and PHARMA Logistics, which is a distribution center. Lavipharm Group services over 4,000 drugstores across the country.

LAVIPHARM GROUP

Warehouse, Distribution & Promotion Network

- 1 **Group L.A.S.** (Drug Warehouse = W/S)
1,100 drugstores across the country. Market share: 11%. 6 drug warehouses across the country. 8,100 s.m.
700 orders per hour (capacity of auto picking system in Paiania). Range of 4,500 sku's in drugs and 6,500 sku's related products.
Own fleet of 67 trucks, covering the broader Greek area. Network servicing 1,100 drugstores at least twice per year (2003).
 - 2 **Group Pharma Logistics** (Distribution Center = 3rd Party Logistics Services Provider)
3,000 drugstores across the country (serviced upon request avg visiting frequency 1-2 times per month).
170 hospitals (serviced on a daily basis). 130 drug warehouses (serviced 1-2 times per week). Market share: 23.5% on pharmaceutical market. 3 distribution centers and 3 depots across the country. 8,250 s.m., 600 orders per day.
Range of 450 sku's in drugs, and 850 sku's in related products. Own fleet of 20 trucks, covering the broader Greek area.
 - 3 64 medical assistants servicing 17,000 doctors in the broader Greek area; 140,000 visits per annum.
 - 4 14 salesmen visiting 2,500 drugstores out of total 9,000 in Greece.
-

Notes: The distribution network and fleet is owned by subsidiaries.

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The **Greek pharmaceuticals sector** displays high consolidation to few large corporate players, while imported products dominate the market. The sector suffers from a series of structural problems such as a more favorable legislative framework for imported than for domestically produced drugs, the public sector's declining share in health spending and the fixed profit margins for drug distribution centers. We anticipate that **this sector will experience low growth rates in the future, in the range of 6% - 8%.**

The **Greek cosmetics sector** – on which Lavipharm's revenues depend to a much lesser extent – is a cyclical business currently affected by weak consumer confidence and private spending. The **sector's future growth rate is currently estimated at 5% - 7% on an annual basis**, despite lower domestic per capita spending than in EU. The cumulative growth rate in 1995 – 2000 reached 20%, whereas super markets, cosmetics stores, and drugstores – pharmacies are, among others, the major distribution channels.

Since both sectors have entered a mature phase, demonstrating one-digit growth rates on an annual basis, it becomes evident that in order **to grow faster Lavipharm has to target international markets and find niche market segments with greater growth potential** than those available domestically.

Financial Highlights (in Euro mn)		2001	2002	2003	2004	2005
Turnover		290.61	304.80	308.40	255.36	279.70
	<i>Growth</i>	<i>n/a</i>	4.88%	1.18%	-17.20%	9.53%
EBITDA		16.83	17.14	10.17	8.81	10.07
	<i>Margin</i>	5.79%	5.62%	3.30%	3.45%	3.60%
EBIT		11.89	11.94	4.78	4.34	5.17
	<i>Margin</i>	4.09%	3.92%	1.55%	1.70%	1.85%
EBT		6.32	7.48	1.50	2.16	2.47
	<i>Margin</i>	2.18%	2.46%	0.49%	0.85%	0.88%
EAT		1.85	3.13	1.55	1.77	1.83
	<i>Margin</i>	0.64%	1.03%	0.50%	0.69%	0.65%

Source: VRS Equity Research.

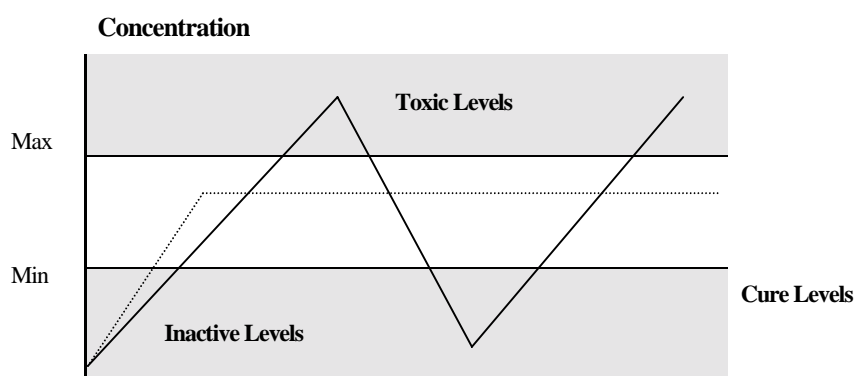
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Over the past few years, and in search of higher risk / higher return opportunities, the Lavipharm Group has expanded activities in biotechnology, **acquiring pharmaceutical companies in the US and French markets.**



One of Lavipharm's competitive advantages lies in the development of innovative drug solutions by its international holdings. The Group has built strong know-how in drug delivery solutions through extensive research and development over the past few years. **Conventional drug delivery systems, although cheaper, entail significant detriment to human health as opposed to the new solutions.** The latter appear more efficient and appropriate when the objective becomes the maximum possible treatment capacity. Furthermore, in the case of the transdermal drug delivery solutions, developed – among other products - by the Lavipharm Group, advantages over the classical oral dosage forms include the following: improved systemic bioavailability, controlled and constant drug delivery profile, reduced dose frequency, longer duration and finally, reversible action.

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Lavipharm Corporation & Lavipharm Laboratories Inc.

Owned by 49.81%, Lavipharm Corporation is the international arm of the Group and owns Lavipharm Laboratories Inc. (100% ownership, NJ, United States) and Lavipharm France Holding S.A. (100% ownership, Paris France). The following considerations should be highlighted with regard to the growth drivers of the US holding:

History in Retrospect: Lavipharm Laboratories Inc. was established in 1997. Two years later, the Lavipharm Group entered an agreement with Endo Pharmaceuticals Inc. for the development of a new drug delivery patent.

Distribution Date: According to the latest developments disclosed by the company's management, final production phase will commence in late 2004 and the new Endo patent will enter the market in Q1 2005. Lavipharm Laboratories Inc. will receive royalties on sales generated by Endo Pharmaceuticals.

Estimated Revenues for the Lavipharm Group: Although it is rather early to proceed with estimates on the revenues from the specific product, the target market for Lavipharm upon Endo's successful market entrance should be substantial. In general, during the period 2002 – 2007, drug delivery patents of total worth USD 37 billion are expected to expire in the US market, allowing greater penetration for companies such as Lavipharm Laboratories. According to analyst forecasts, the Drug Delivery market is expected to grow on a 16% CAGR (1997 – 2007) and account for USD 120 billion in 2007. The sub-sector of Transdermal Delivery Products is expected to top USD 15.96 billion in 2007, targeting a CAGR of 17%.

Lavipharm Corporation is not included in the consolidated financial statements. However upon the circulation of ENDO's market entrance and the generation of revenues, the management does not discount the possibility of consolidating this company with the rest of the Lavipharm Group.

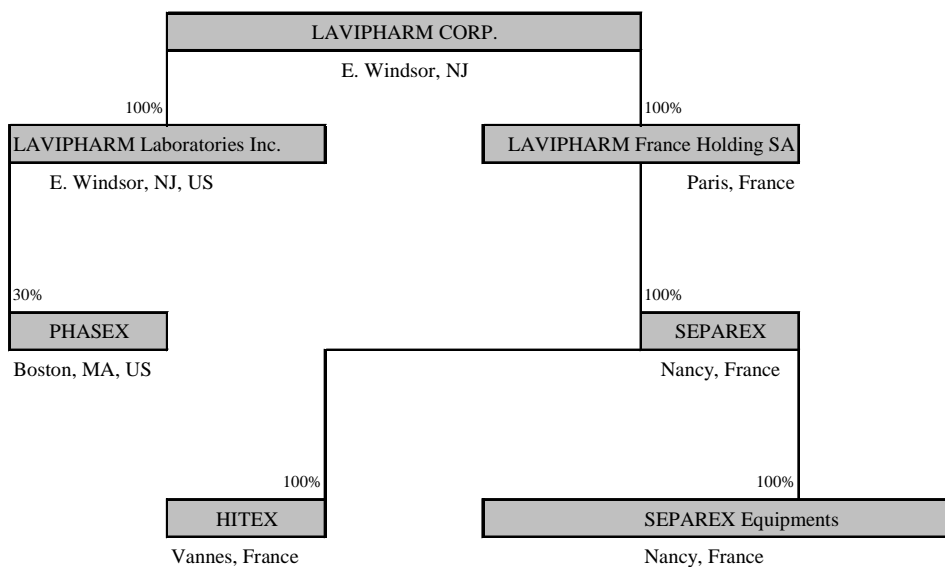
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LAVIPHARM CORPORATION'S HOLDINGS



Source: Annual Report.

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Lavipharm Group Turnover Breakdown (1)

LAVIPHARM GROUP OF COMPANIES - Turnover Breakdown based on Consolidated Financial Statements (under Greek G.A.A.P.)

		2001	%	2002	%	2003	%	2004
<i>In Euro mn</i>								
PARENT COMPANY								
A. PRODUCT SALES								
A.1. DOMESTIC PRODUCT SALES								
Medicines		0.28	158.22%	0.72	7.50%	0.77	6.50%	0.82
	<u>% of Total Parent Sales</u>	0.16%		0.44%		0.53%		1.45%
	<u>% of Total Consolidated Sales</u>	0.10%		0.24%		0.25%		0.32%
Cosmetics		0.00	n/c	0.08	5.00%	0.08	4.50%	0.09
	<u>% of Total Parent Sales</u>	0.00%		0.05%		0.06%		0.15%
	<u>% of Total Consolidated Sales</u>	0.00%		0.03%		0.03%		0.03%
Raw Materials and Other Products		0.01	n/c	0.00	n/c	0.50	3.50%	0.52
	<u>% of Total Parent Sales</u>	0.01%		0.00%		0.34%		0.91%
	<u>% of Total Consolidated Sales</u>	0.00%		0.00%		0.16%		0.20%
TOTAL DOMESTIC PRODUCT SALES		0.29	176.95%	0.80	69.92%	1.36	5.27%	1.43
	<u>% of Total Parent Sales</u>	0.16%		0.49%		0.93%		2.52%
	<u>% of Total Consolidated Sales</u>					0.44%		0.56%
A.2. PRODUCT SALES ABROAD								
Medicines		16.77	-9.82%	15.12	-15.00%	12.85	1.00%	12.98
	<u>% of Total Parent Sales</u>	9.55%		9.33%		8.83%		22.90%
	<u>% of Total Consolidated Sales</u>	5.77%		4.96%		4.17%		5.08%
Cosmetics		0.81	-48.99%	0.41	3.00%	0.43	1.50%	0.43
	<u>% of Total Parent Sales</u>	0.46%		0.26%		0.29%		0.76%
	<u>% of Total Consolidated Sales</u>	0.28%		0.14%		0.14%		0.17%
TOTAL PRODUCT SALES ABROAD		17.58	-11.63%	15.54	-14.52%	13.28	1.02%	13.42
	<u>% of Total Parent Sales</u>	10.01%		9.59%		9.13%		23.66%
	<u>% of Total Consolidated Sales</u>					4.31%		5.25%
TOTAL PRODUCT SALES (Domestic + Abroad) (1)		17.87	-8.59%	16.34	-10.40%	14.64	1.41%	14.84
	<u>% of Total Parent Sales</u>	10.17%		10.08%		10.06%		26.18%
	<u>% of Total Consolidated Sales</u>	6.15%		5.36%		4.75%		5.81%
B. SERVICES								
Distribution Revenues		6.45	-4.35%	6.17	-5.00%	5.86	2.00%	5.98
	<u>% of Total Parent Sales</u>	3.67%		3.81%		4.03%		10.55%
	<u>% of Total Consolidated Sales</u>	2.22%		2.02%		1.90%		2.34%
Revenues from Processing Activities		2.31	12.11%	2.59	-2.00%	2.54	1.50%	2.58
	<u>% of Total Parent Sales</u>	1.32%		1.60%		1.75%		4.55%
	<u>% of Total Consolidated Sales</u>	0.80%		0.85%		0.82%		1.01%
Administrative Revenues		2.05	-5.31%	1.94	1.50%	1.97	1.00%	1.99
	<u>% of Total Parent Sales</u>	1.17%		1.20%		1.36%		3.51%
	<u>% of Total Consolidated Sales</u>	0.71%		0.64%		0.64%		0.78%
TOTAL SERVICES (2)		10.82	-1.01%	10.71	-3.09%	10.38	1.69%	10.55
	<u>% of Total Parent Sales</u>	6.16%		6.61%		7.13%		18.61%
	<u>% of Total Consolidated Sales</u>					3.37%		4.13%
TOTAL PRODUCT SALES & SERVICES (FOR OWN ACCOUNT) (1) + (2)		28.69	-5.73%	27.05	-7.50%	25.02	1.53%	25.40
	<u>% of Total Parent Sales</u>	16.33%		16.68%		17.19%		44.79%
	<u>% of Total Consolidated Sales</u>	9.87%				8.11%		9.95%
C. SALES FOR THE ACCOUNT OF THIRD PARTIES								
Group Companies		47.01	6.51%	50.07	-80.00%	10.01	3.00%	10.31
	<u>% of Total Parent Sales</u>	26.76%		30.89%		6.88%		18.19%
	<u>% of Total Consolidated Sales</u>	16.17%		16.43%		3.25%		4.04%
Other Companies		99.96	-14.97%	84.99	30.00%	110.49	-81.00%	20.99
	<u>% of Total Parent Sales</u>	56.91%		52.43%		75.93%		37.02%
	<u>% of Total Consolidated Sales</u>	34.40%		27.88%		35.83%		8.22%
TOTAL SALES FOR THE ACCOUNT OF THIRD PARTIES (3)		146.96	-8.10%	135.05	-10.78%	120.50	-74.02%	31.31
	<u>% of Total Parent Sales</u>	83.67%		83.32%		82.81%		55.21%
	<u>% of Total Consolidated Sales</u>	50.57%		44.31%		39.07%		12.26%

Source: Company Statements, "Valuation & Research Specialists".

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Lavipharm Group Turnover Breakdown (2)

GRAND TOTAL SALES OF THE PARENT COMPANY (1) + (2) + (3)	175.65	-7.72%	162.10	-10.23%	145.52	-61.03%	56.70
	2001	%	2002	%	2003	%	2004
SUBSIDIARY COMPANIES CONSOLIDATED							
L.A.S. GROUP	122.55	19.00%	145.83	7.00%	156.04	5.50%	164.62
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	34.93%		39.95%		46.11%		62.04%
<i>Pooling-of-Interests Method Percentage</i>	60.00%		60.00%				
LAVICOSMETICA COSMETIQUE ACTIVE HELLAS	25.28	7.69%	27.22				
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	7.20%		7.46%				
<i>Pooling-of-Interests Method Percentage</i>	49.00%		49.00%				
LAVIPHARM HELLAS	23.64	2.69%	24.28	4.00%	25.25	4.50%	26.39
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	6.74%		6.65%		7.46%		9.94%
<i>Pooling-of-Interests Method Percentage</i>	99.90%		99.90%				
LAVIPHARM PHARMACEUTICAL SERVICES LTD.	0.00		4.67	50.00%	7.01	50.00%	10.51
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	0.00%		1.28%		2.07%		3.96%
<i>Pooling-of-Interests Method Percentage</i>	50.00%		50.00%				
PHARMA LOGISTICS	3.53	-76.85%	0.82	445.00%	4.45	57.00%	6.99
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	1.01%		0.22%		1.32%		2.64%
<i>Pooling-of-Interests Method Percentage</i>	95.00%		66.50%				
PHARMA PLUS	0.00		0.12	8.50%	0.13	7.50%	0.14
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	0.00%		0.03%		0.04%		0.05%
<i>Pooling-of-Interests Method Percentage</i>	75.00%		75.00%				
LAVICO	0.19		0.00		0.00	0.00%	0.00
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	0.05%		0.00%		0.00%		0.00%
<i>Pooling-of-Interests Method Percentage</i>	100.00%		100.00%				
TOTAL SALES FROM SUBSIDIARIES before Consolidation (4)	175.19	15.84%	202.94	-4.96%	192.88	8.18%	208.65
<i>% of Total Consolidated Sales before Intra-Company Sales</i>	49.93%		55.59%		57.00%		
GRAND TOTAL CONSOLIDATED SALES before Intra-Company Sales (1) + (2) + (3) + (4)	350.84	4.05%	365.04	-7.30%	338.40	-21.58%	265.36
INTRA-COMPANY SALES (Cross-Company Turnover)	60.23	0.02%	60.24	-50.20%	30.00	-66.67%	10.00
GRAND TOTAL CONSOLIDATED SALES	290.61	4.88%	304.80	1.18%	308.40	-17.20%	255.36

Source: Company Statements, "Valuation & Research Specialists".

Notes: Since 2003, Lavicosmetica is not included in the consolidated financial statements.

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Risk Considerations & Accounting / Reporting Issues

The Company distributes drug products for its subsidiaries and third parties, receiving a distribution fee for the services rendered. Besides simply distributing, the Company also buys and resells the above products without any economic profit. Thus, on an accounting basis, Lavipharm treats purchases of these products as cost of goods sold and sales of these products (without economic profit) as revenues. The Company is not obligated to perform the above accounting treatment, which furthermore overestimates its turnover. Therefore, the gross profit margin (on parent basis) should be based on its own sales and not on third party sales. [See information on the relevant turnover breakdown in APPENDIX 3 at the end of this report.]

On the Balance Sheet side, equity holdings of EUR 47.107 million appear based on acquisition cost, whereas their current book value is lower by EUR 48.833 million lower than acquisition cost.

The Company's auditors have not verified its ability to receive a future amount of EUR 53.26 million, which is included in the financial accounts "Customers", "Long – Term & Short - Term Receivables against Affiliated Companies" and "Sundry Debtors".

The majority of Lavipharm's holdings are loss-making and this implies that parent company's fund injection in order to stimulate growth will continue in the future. Such an event may affect its cash flow outlook and put pressures on profit margins, which already range at lower levels. The financial performance and the acquisition cost versus current book value of Lavipharm's subsidiaries are presented in the following two pages.

Financial Highlights*in EUR mn*

Subsidiary (Included in Consolidated Financial Statements)	Turnover		EBT	
	2002	2001	2002	2001
LAVICO	0.00	0.19	-0.12	-0.10
LAVIPHARM HELLAS	24.28	23.64	-2.38	-2.74
PHARMA PLUS	0.12	0.00	-1.45	-0.15
PHARMA LOGISTICS	0.82	3.53	0.13	-0.40
L.A.S. GROUP	145.83	122.55	1.30	1.03
LAVIPHARM PHARMACEUTICAL SERVICES LTD.	4.67	0.00	-0.39	0.00

Source: Official Financial Statements.

Loss - making subsidiaries.

Cash Flow Statement, Consolidated*Highlights*

<i>In Euro Million</i>	2002	2003	2004	2005
Funds Generating from Operations	6.14	5.01	4.99	8.52
Net Cash Inflow from Operating Activities	-20.35	-3.71	-7.83	-7.28
Net Cash Outflow from Investing Activities	-18.67	0.36	3.26	4.03
Net Cash Outflow before Financing Activities	-32.89	1.65	0.42	5.27
Net Cash Inflow from Financing Activities	26.37	-3.67	1.20	-3.66
Increase (decrease) in Cash and Cash Equivalents	-6.52	-2.01	1.62	1.61
Opening Balance Cash and Cash Equivalents (net of overdrafts)	25.79	19.26	17.24	18.86
Closing Balance, Cash and Cash Equivalents	19.26	17.24	18.87	20.47

Source: VRS Equity Research.

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Participation in Subsidiaries	2000	2001	2002
LAVICO	95.00%	100.00%	100.00%
LAVIPHARM HELLAS	99.90%	99.90%	99.90%
PHARMA PLUS	75.00%	75.00%	75.00%
PHARMA LOGISTICS	-	95.00%	66.50%
L.A.S. GROUP	60.00%	60.00%	60.00%
LAVIPHARM PHARMACEUTICAL SERVICES LTD.	-	50.00%	50.00%

Source: Annual Report.

Acquisition Cost & Book Value of Subsidiaries	as of 12/31/2002		
	Equity Stake	Acquisition EUR mn	Book Value EUR mn
LAVIPHARM HELLAS	99.90%	6.73	-5.86
PHARMA PLUS	75.00%	0.45	-1.00
PHARMA LOGISTICS	66.50%	1.43	-0.23
LAVICO	100.00%	1.27	0.03
LAVICOSMETICA COSMETIQUE ACTIVE HELLAS	49.00%	0.35	1.03
LAVIPHARM PHARMACEUTICAL SERVICES LTD.	50.00%	0.26	0.10
L.A.S. GROUP	60.00%	5.41	8.74
LAVIKAT	51.00%	0.03	0.17
LABORATOIRES LAVIPHARM - FRANCE	45.00%	0.71	0.11
LAVIPHARM CORPORATION - USA	49.81%	45.92	-37.95
TOTAL		62.54	-34.86

Source: Annual Report.

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Analysis on Quarterly Financial Results (1)

LAVIPHARM, Interim Income Statement		Model by "VRS"								
Consolidated Financial Statements, Greek GAAP (in EUR mil.)		Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q3 03 / Q3 02	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Turnover		75.511	76.526	74.905	77.860	5.72%	77.842	78.949	79.193	n/a
Cost of Goods Sold		59.419	63.234	64.173	66.805	11.69%	68.693	70.482	71.676	n/a
Gross Profit		16.092	13.292	10.732	11.055	-29.97%	9.149	8.466	7.516	n/a
	Gross Profit Margin	21.31%	17.37%	14.33%	14.20%		11.75%	10.72%	9.49%	
Other Operating Income		0.313	0.342	0.390	5.461	-11.34%	0.858	3.271	0.346	n/a
Gross Operating Income		16.405	13.633	11.122	16.516	-29.31%	10.007	11.738	7.862	n/a
Administrative Expenses		3.166	4.209	4.180	5.236	-12.78%	3.602	3.635	3.646	n/a
Research & Development Expenses		0.219	0.209	0.217	-0.645	186.59%	0.513	0.564	0.622	n/a
Distribution Expenses		6.926	8.481	5.766	7.769	-34.41%	4.172	4.303	3.782	n/a
Net Financial Income		-1.042	7.746	-1.806	-1.500	-11.93%	-0.426	-1.248	-1.590	n/a
Net Operating Income		5.051	8.481	-0.847	2.656	110.01%	1.293	1.987	-1.778	n/a
Extraordinary Income		0.027	0.251	1.580	2.555	-96.25%	0.687	0.768	0.059	n/a
Extraordinary Expenses		2.386	5.021	-0.138	4.999	285.84%	0.765	2.167	-0.531	n/a
Net Profit (Loss) Before Taxes		2.692	3.711	0.871	0.211	-236.45%	1.215	0.588	-1.188	n/a
Minority Interests		-1.662	-0.493	-0.386	0.437	-170.10%	0.005	0.168	0.271	n/a
Net Profit (Loss)		1.030	3.218	0.484	0.648	-289.40%	1.220	0.757	-0.917	n/a

Source: Company accounts.

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Analysis on Quarterly Financial Results (2)

LAVIPHARM, Interim Income Statement	Model by "VRS"								
Consolidated Financial Statements, Greek GAAP (in EUR mil.)	3M 2002	6M 2002	9M 2002	2002	9M 03 / 9M 02	3M 2003	6M 2003	9M 2003	2003
Turnover	75.511	152.036	226.942	304.801	3.98%	77.842	156.790	235.983	n/a
Cost of Goods Sold	59.419	122.653	186.826	253.630	12.86%	68.693	139.175	210.851	n/a
Gross Profit	16.092	29.384	40.116	51.171	-37.35%	9.149	17.615	25.132	n/a
Gross Profit Margin	21.31%	19.33%	17.68%	16.79%		11.75%	11.23%	10.65%	
Other Operating Income	0.313	0.654	1.044	6.505	328.51%	0.858	4.129	4.475	n/a
Gross Operating Income	16.405	30.038	41.160	57.676	-28.07%	10.007	21.744	29.607	n/a
Administrative Expenses	3.166	7.375	11.555	16.791	-5.82%	3.602	7.237	10.883	n/a
Research & Development Expenses	0.219	0.428	0.645	0.000	163.50%	0.513	1.078	1.700	n/a
Distribution Expenses	6.926	15.407	21.173	28.942	-42.11%	4.172	8.476	12.258	n/a
Net Financial Income	-1.042	6.704	4.899	3.398	-166.66%	-0.426	-1.675	-3.265	n/a
Net Operating Income	5.051	13.532	12.685	15.341	-88.16%	1.293	3.280	1.501	n/a
Extraordinary Income	0.027	0.278	1.858	4.413	-18.48%	0.687	1.455	1.515	n/a
Extraordinary Expenses	2.386	7.407	7.270	12.269	-66.97%	0.765	2.932	2.401	n/a
Net Profit (Loss) Before Taxes	2.692	6.403	7.274	7.484	-91.55%	1.215	1.803	0.615	n/a
Minority Interests	-1.662	-2.155	-2.542	-2.105	-117.48%	0.005	0.173	0.444	n/a
Net Profit (Loss)	1.030	4.247	4.732	5.379	-77.62%	1.220	1.976	1.059	n/a

Source: Company accounts.

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Analysis on Quarterly Financial Results (3)

LAVIPHARM, Interim Balance Sheet	Model by "VRS"								
Consolidated Financial Statements, Greek GAAP (in EUR mil.)	3M 2002	6M 2002	9M 2002	2002	9M 03 / 9M 02	3M 2003	6M 2003	9M 2003	2003
Total Assets	278.385	279.685	286.955	278.956	1.51%	295.367	293.888	291.291	n/a
Cash & Cash Equivalents	18.771	17.601	19.493	19.259	5.78%	24.130	24.397	20.620	n/a
Securities	2.903	2.759	2.638	2.648	-4.28%	2.546	2.536	2.525	n/a
Receivables	148.963	152.344	142.405	133.805	1.61%	147.609	143.901	144.704	n/a
Inventory	24.616	25.267	25.680	27.652	2.22%	25.705	26.287	26.249	n/a
Holdings & Long-Term Assets	57.786	55.646	52.209	50.926	-1.65%	51.414	51.117	51.346	n/a
Tangible Fixed Assets	49.344	50.259	70.271	71.624	8.89%	71.785	74.774	76.520	n/a
Depreciation	27.376	28.371	29.364	30.699	13.33%	30.617	31.922	33.280	n/a
Net Tangible Fixed Assets	21.968	21.888	40.907	40.925	5.70%	41.168	42.851	43.240	n/a
Net Intangible Assets	2.358	3.062	2.459	2.367	-17.26%	2.255	2.229	2.035	n/a
Short-Term Liabilities	157.832	152.227	149.255	151.007	16.18%	167.904	173.954	173.408	n/a
Long-Term Liabilities	0.091	3.818	27.433	29.693	-23.50%	28.886	22.344	20.987	n/a
Provisions	9.474	8.711	6.751	6.419	-32.54%	5.215	4.526	4.554	n/a
Previous Years' Financial Results	-3.731	-3.891	-16.790	-15.421	-7.22%	-15.418	-15.578	-15.578	n/a
Interim Financial Results	2.692	6.403	7.274	0.000	-91.55%	1.215	1.803	0.615	n/a
Reserves & Other Shareholders' Funds	75.017	70.318	70.323	70.380	-0.12%	70.241	70.241	70.241	n/a
Share Capital Paid-In	34.594	39.293	39.293	39.293	0.00%	39.293	39.293	39.293	n/a
Consolidation Differences	-1.015	-1.015	-1.015	-4.445	298.92%	-4.049	-4.049	-4.049	n/a
Minority Interest	4.202	4.200	4.020	3.000	-47.32%	2.091	2.110	2.118	n/a

Source: Company accounts.

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Valuation Outlook

Valuation Outlook

	2001	2002	2003	2004	CAGR 2001-04
Shares Outstanding (mn)	39.3	39.3	39.3	39.3	
Shares Adjusted (mn)	39.3	39.3	39.3	39.3	
Shares Fully Diluted (mn)	39.3	39.3	39.3	39.3	
Share Price in EUR as of 01/05/2004	1.61				
Market Capitalization (in EUR mn)	63.26				
Euro / USD Parity	1.2495				
Market Capitalization (in USD mn)	79.05				
EPS in EUR	0.05	0.08	0.04	0.04	-1.52%
Cash Flow per Share in EUR	0.66	0.49	0.44	0.48	-9.89%
Book Value per Share in EUR	2.72	2.30	2.18	2.26	-5.89%
Dividend per Share in EUR	0.06	0.04	0.03	0.04	-15.35%
EBITDA per Share in EUR	0.43	0.44	0.26	0.22	-19.41%
EV in mn EUR	104.29	120.74	129.61	133.94	8.70%
EV in USD mn	120.07	136.52	145.39	149.72	7.63%
EPS Yield	2.92%	4.95%	2.45%	2.79%	
Dividend Yield	3.68%	2.45%	1.96%	2.23%	
P/E (after-tax) (times)	34.23	20.21	40.74	35.84	
PEG	27.32	16.13	32.52	28.61	
P/Sales (times)	0.22	0.21	0.21	0.25	
P/CF (times)	2.45	3.28	3.67	3.35	
P/Book Value (times)	0.59	0.70	0.74	0.71	
P/EBITDA (times)	3.76	3.69	6.22	7.18	
EV/EBITDA (times)	6.20	7.04	12.74	15.21	
EV / Sales (times)	0.36	0.40	0.42	0.52	
Liabilities / Equity	135.59%	201.17%	226.67%	224.50%	
ROA avg	1.43%	1.16%	0.55%	0.61%	
ROE avg	3.61%	3.29%	1.82%	2.08%	
Debt / Equity	0.63	0.85	0.97	1.01	

Source: VRS Equity Research.

DCF MATRIX

Strategic Value in EUR mn	Perpetual Growth Rate			
	1.50%	2.00%	2.10%	2.50%
WACC - 1 4.00%	26.31	59.29		108.76
WACC 5.00%	18.49	49.92	59.66	97.07
WACC + 1 6.00%	11.10	41.07		86.03

Source: VRS Equity Research.

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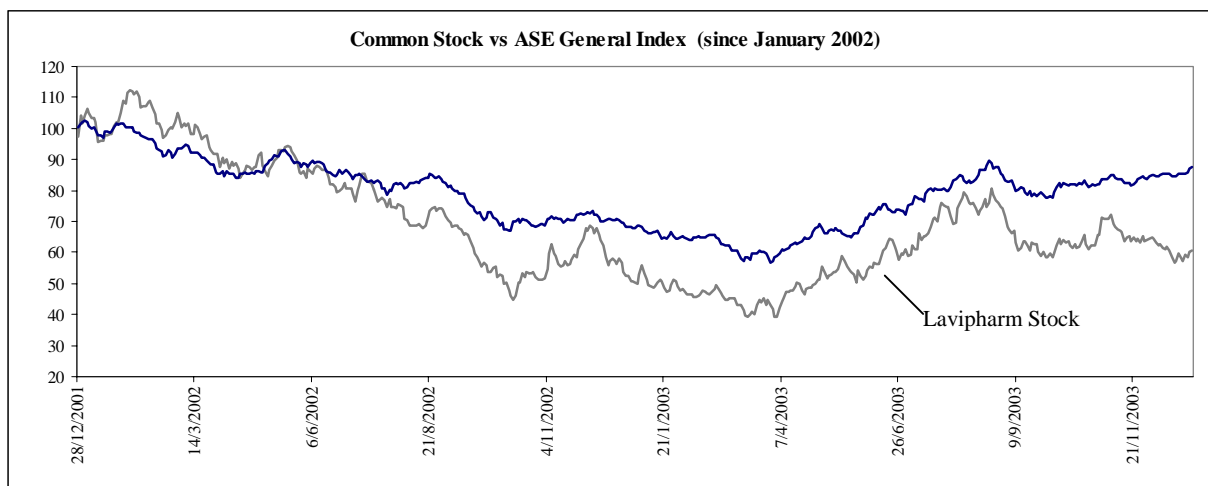
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Share Price Performance & Shareholders' Structure



Share Price Performance (%)	Ytd	1m	3m	12m
Absolute	14.29	-5.00	1.33	14.29
Relative to ASE GI	-15.17	-9.31	-10.74	-15.17
Relative to FTSE/ASE-20	-21.14	-11.51	-13.75	-21.14
Relative to FTSE/ASE-40	-12.48	-7.24	-10.48	-12.48
Relative to FTSE/ASE-80	-14.31	-6.93	-6.97	-14.31

Notes: Last share price close as of 12/31/2003.

Source: VRS Equity Research.

Shareholders Structure

as of December 31st, 2002

Athanasios Lavidas	28.10%
Lavipharm Group Holding	21.80%
Other Investors	50.10%

TOTAL **100.00%**

Source: Company Annual Report.

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APPENDIX 1 : Financial Statements

Income Statement, Consolidated

<i>In Euro mn</i>	2001	2002	2003	2004	2005
Total Net Revenues	290.61	304.80	308.40	255.36	279.70
Cost of Goods Sold (excl. Depreciation)	237.14	248.43	267.54	221.27	242.08
Gross Income	53.47	56.37	40.86	34.09	37.62
Other Operating Income	5.25	6.51	4.93	4.34	4.62
Administrative Expenses	14.31	16.79	15.88	13.28	14.40
Selling, Distribution & Marketing Expenses	27.58	28.94	17.42	14.17	15.38
R&D Expenses	0.00	0.00	2.31	2.17	2.38
Other Expenses	0.00	0.00	0.00	0.00	0.00
Total Operating Expenses	41.89	45.73	35.62	29.62	32.17
EBITDA	16.83	17.14	10.17	8.81	10.07
Depreciation	4.94	5.20	5.40	4.47	4.89
Operating Profit (EBIT)	11.89	11.94	4.78	4.34	5.17
Net Income from Participations	-0.20	8.65	2.16	2.34	2.57
Net Income from Securities	0.04	0.03	0.03	0.04	0.04
Interest Income	1.81	1.38	1.39	1.28	1.45
Interest Expense	5.84	6.66	6.17	5.11	6.04
Profit before Extraordinary Items	7.71	15.34	2.19	2.88	3.19
Extraordinary Income	1.62	4.41	1.77	1.90	2.09
Extraordinary Loss	3.00	12.27	2.45	2.61	2.81
Adjustment due to Inflationary Accounting	0.00	0.00	0.00	0.00	0.00
Pre-Tax Profit (EBT)	6.32	7.48	1.50	2.16	2.47
Minority Interest	-2.57	-2.10	0.50	0.25	0.10
Income Tax	1.90	2.25	0.45	0.65	0.74
Net Income	1.85	3.13	1.55	1.77	1.83

Source: Official Financial Statements, VRS Equity Research. Notes: Under Greek GAAP.

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Balance Sheet, Consolidated

<i>In Euro mn</i>	2001	2002	2003	2004	2005
ASSETS					
Net Intangible Assets	6.51	24.14	24.06	22.44	20.82
Net Fixed Assets	18.11	19.15	18.87	17.23	14.81
Participations	57.67	50.60	50.95	48.15	46.09
Other Long-Term Assets	0.12	0.32	0.47	0.53	0.58
Total Long-Term Assets	82.40	94.22	94.36	88.35	82.30
Inventories	27.14	27.65	28.26	29.89	31.71
Accounts Receivable	119.11	133.81	143.39	154.62	167.44
Securities	2.90	2.65	2.68	2.78	2.89
Prepaid Expenses and Other Current Assets	0.00	0.00	0.00	0.00	0.00
Cash, Current & Time Deposits, Govt Sec.	25.79	19.26	17.24	18.86	20.47
Total Current Assets	174.94	183.36	191.57	206.16	222.52
Transitory Accounts	1.12	1.37	0.00	0.00	0.00
TOTAL ASSETS	258.46	278.96	285.93	294.51	304.82

Source: Official Financial Statements, VRS Equity Research. Notes: Under Greek GAAP.

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Balance Sheet, Consolidated

<i>In Euro mn</i>	2001	2002	2003	2004	2005
LIABILITIES & SHAREHOLDERS' EQUITY					
Share Capital	34.59	39.29	39.30	39.31	39.32
Surplus Above Par Value	62.95	59.89	44.13	47.00	51.00
Reserves & Revaluation Surplus	12.07	10.49	8.36	9.66	10.19
Goodwill	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-3.77	-15.42	0.00	0.00	0.00
Consolidation Difference & Other Adjustments	-3.33	-6.76	-8.58	-9.78	-10.84
Minority Interest	4.20	3.00	2.57	2.76	2.99
Net Worth	106.71	90.49	85.78	88.94	92.66
Provisions	7.06	6.42	5.72	5.89	9.14
Bank Loans & Other L-T	0.35	25.62	27.10	29.02	29.94
Other Long-Term Liabilities	0.08	4.07	5.95	5.12	4.87
Total Long-Term Liabilities	0.43	29.69	33.05	34.14	34.82
Bank Loans	66.46	51.11	56.48	60.52	61.54
Accounts Payable	67.58	73.84	80.43	79.46	80.77
Taxes & Social Security	3.73	10.37	11.38	11.75	11.91
Dividends Payable	4.60	4.08	1.24	1.41	1.46
Other	1.21	11.60	11.85	12.39	12.51
Total Current Liabilities	143.57	151.01	161.38	165.53	168.19
Transitory Accounts	0.69	1.34	0.00	0.00	0.00
Deferred Income	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Total Liabilities	144.69	182.04	194.43	199.68	203.01
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	258.46	278.96	285.93	294.51	304.82

Source: Official Financial Statements, VRS Equity Research. Notes: Under Greek GAAP.

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APPENDIX 2 : Cash Flow Statement**Cash Flow Statement, Consolidated**

<i>In Euro Million</i>	2002	2003	2004
Net Operating Inflow from Operations:			
Net Profit	3.13	1.55	1.77
Add: Depreciation and Amortization	5.20	5.40	4.47
Add: Provisions	-0.64	-0.70	0.17
Less: Dividends	1.55	1.24	1.41
Funds Generating from Operations	6.14	5.01	4.99
Change in Working Capital:			
Increase in Inventories	-0.51	-0.61	-1.64
Increase in Accounts Receivable and Long-Term Assets	-26.51	-9.73	-5.22
Increase in Payables and Accrued Liabilities	6.27	6.59	-0.98
Increase in Accrued Income	-0.25	1.37	0.00
Increase in Accrued Expenses	0.65	-1.34	0.00
Net Cash Inflow from Operating Activities	-20.35	-3.71	-7.83
Investment Activities:			
Payments to Acquire Property, Plant and Equipment	-1.05	0.28	1.64
Payments for Intangible Assets	-17.63	0.08	1.62
Payments for Formation Expenses & Other	0.00	0.00	0.00
Net Cash Outflow from Investing Activities	-18.67	0.36	3.26
Net Cash Outflow before Financing Activities	-32.89	1.65	0.42
Financing Activities:			
Issue of Share Capital and Additional Paid in Capital	1.64	-15.76	2.89
Net Movement in Short-Term & Other Borrowings	-0.80	10.65	-3.50
Net Movement in Long-Term Debt	25.27	1.48	1.92
Net Movement in Securities	0.26	-0.03	-0.10
Net Cash Inflow from Financing Activities	26.37	-3.67	1.20
Increase (decrease) in Cash and Cash Equivalents	-6.52	-2.01	1.62
Opening Balance Cash and Cash Equivalents (net of overdrafts)	25.79	19.26	17.24
Closing Balance, Cash and Cash Equivalents	19.26	17.24	18.87

Source: VRS Equity Research.

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APPENDIX 3 : Turnover Breakdown Metrics (1)

Breakdown Analysis, 9M Turnover (Consolidated)

Business Segment	9M 2003	9M 2003
	EUR mn	Breakdown
Production of Drugs	24.59	10.42%
Cosmetics and Beauty Products	2.52	1.07%
Wholesale of Cosmetics and Beauty Products	1.22	0.52%
Wholesale of Drugs	104.06	44.10%
Other Wholesale Activities	7.70	3.26%
Distribution Services	6.60	2.80%
Financial - Consulting Services	0.13	0.05%
Corporate & Administration Services	0.13	0.05%
Packaging Services	0.93	0.39%
Sales for the Account of Third Parties	88.11	37.34%
TOTAL	235.98	100.00%

Source: Official Financial Statements, VRS Equity Research.

Breakdown Analysis, 9M Turnover (Parent Company)

Business Segment	9M 2003	9M 2003
	EUR mn	Breakdown
Production of Drugs	10.94	9.28%
Cosmetics and Beauty Products	0.15	0.12%
Distribution Services	4.33	3.67%
Financial - Consulting Services	1.01	0.85%
Packaging Services	2.31	1.96%
Sales for the Account of Third Parties	99.15	84.11%
TOTAL	117.89	100.00%

Source: Official Financial Statements, VRS Equity Research.

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APPENDIX 3 : Turnover Breakdown Metrics (2)

Breakdown Analysis, 1st Half Turnover (Consolidated)

Business Segment	H1 2003	H1 2003
	EUR mn	Breakdown
Production of Drugs	16.61	10.59%
Cosmetics and Beauty Products	2.02	1.29%
Wholesale of Cosmetics and Beauty Products	0.81	0.52%
Wholesale of Drugs	69.99	44.64%
Other Wholesale Activities	5.07	3.23%
Distribution Services	4.69	2.99%
Financial - Consulting Services	0.07	0.05%
Corporate & Administration Services	0.07	0.04%
Packaging Services	0.65	0.42%
Sales for the Account of Third Parties	56.81	36.23%
TOTAL	156.79	100.00%

Source: Official Financial Statements, VRS Equity Research.

Breakdown Analysis, 1st Half Turnover (Parent Company)

Business Segment	H1 2003	H1 2003
	EUR mn	Breakdown
Production of Drugs	7.47	9.58%
Cosmetics and Beauty Products	0.11	0.14%
Distribution Services	3.25	4.17%
Financial - Consulting Services	0.70	0.90%
Packaging Services	1.58	2.03%
Sales for the Account of Third Parties	64.84	83.18%
TOTAL	77.95	100.00%

Source: Official Financial Statements, VRS Equity Research.

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APPENDIX 3 : Turnover Breakdown Metrics (3)

Turnover Breakdown per Activity on Consolidated Basis

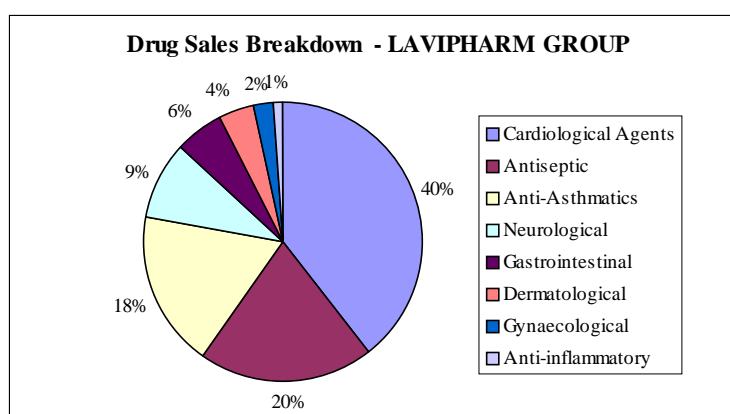
<i>EUR mn</i>	2001	% of Total	2002	% of Total
Turnover from Industrial Activity	35.2	12.10%	36.6	12.01%
Turnover from Commercial Activity	248.8	85.60%	260.9	85.61%
Services	6.7	2.29%	7.3	2.38%
Total	290.615	100.00%	304.801	100.00%

Source: Company Accounts.

Turnover Breakdown per Account on Consolidated Basis

<i>EUR mn</i>	2001	% of Total	2002	% of Total
Sales for Third Parties	100.8	34.67%	93.3	30.62%
Sales for Own Account	189.9	65.33%	211.5	69.38%
Total	290.6	100.00%	304.8	100.00%

Source: Company Accounts.



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APPENDIX 4 : DCF Model

Discounted Cash Flow Analysis

Year	2002	2003	2004	2005	2006	2007	Beyond
Sales Growth Rate (SGR)	4.88%	1.18%	-17.20%	9.53%	7.88%	7.83%	2.10%
Operating Profit Margin (OPM)	3.92%	1.55%	1.70%	1.85%	1.94%	1.89%	2.10%
Cash Tax Rate (CTR)	30.06%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
IFCI	0.34%	-0.09%	-0.64%	-0.86%	0.22%	-0.15%	0.20%
IWCI	6.68%	1.20%	3.07%	2.60%	3.11%	2.73%	1.00%
Cost of Capital (WACC)	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.50%
Depreciation	1.71%	1.75%	1.75%	1.75%	1.75%	1.75%	1.50%

Year	2002	2003	2004	2005	2006	2007	Beyond
<i>Euro mn</i>							
Sales Receipts	304.80	308.40	255.36	279.70	301.74	325.35	332.18
Operating Profit (EBIT)	11.94	4.78	4.34	5.17	5.85	6.15	6.98
Less: Cash Tax	2.25	0.45	0.65	0.74	0.84	0.97	2.09
Profit After Tax before Interest	9.69	4.33	3.69	4.43	5.01	5.18	4.88
Add: Depreciation	5.20	5.40	4.47	4.89	5.28	5.69	4.98
Operating Cash Flow	14.89	9.72	8.16	9.32	10.29	10.88	9.87
Less: IFCI	1.05	-0.28	-1.64	-2.41	0.68	-0.49	0.66
Less: IWCI	20.35	3.71	7.83	7.28	9.37	8.89	3.32

	2002	2003	2004	2005	2006	2007	Beyond
Free Cash Flow	-6.51	6.29	1.97	4.46	0.24	2.47	5.88
Discount Factor		0.9542	0.9105	0.8687	0.8289	0.7909	
Present Value (Free Cash Flow)		6.00	1.79	3.87	0.20	1.96	
Cumulative Present Value		6.00	7.80	11.67	11.87	13.83	
Present Value of Residual Value						193.77	
Business Value						207.60	
% Residual Value						93.34%	

Strategic Value Per Share

Cumulative Present Value of Free Cash Flows	13.83
Present Value of Residual Value	193.77
Business Value	207.60
Marketable Securities	2.65
Corporate Value	210.24
Less: Market Value of Debt and Preferable Shares	150.58
Strategic Value	59.66
Number of shares - F.D. (million)	39.3

Strategic Value per Share

Current Price Adjusted for Rights Issue	1.61
Upside (%)	-5.69%

WACC

Cost of Capital (WACC)	4.80%					
Risk-Free Rate	4.55%					
Beta	1.710					
Market Risk Premium	6.45%					
Debt/Equity	0.95					
Cost of Debt	6.05%	← RFR	+	CDS	+	CS
Tax Rate	30.00%					
Cost of Equity	15.58%					

Source: VRS Equity Research Estimates. NOTES: RFR: Risk Free Rate. CDS: Company Default Spread, CS: Country Spread.

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APPENDIX 5 : Dividend Discount Model

LAVIPHARM, Dividend Discount Model	Valuation Model by "VRS"								
	2001	2002	<u>1st Projected</u> <u>Year</u> 2003	2004	2005	2006	2007	Dividend Growth Rate	Terminal Value End of Period
Dividend per Share (in EUR)	0.06	0.04	0.03	0.04	0.04	0.04	0.04	11.00%	0.97
Required Return / Cost of Capital			15.58%	15.58%	15.58%	15.58%	15.58%		
Present Values (in EUR)			0.0260	0.0299	0.0259	0.0224	0.0194		0.97
Dividend Growth Rate (2003 - 2007 CAGR)								7.46%	
Implied Value per Share (Target Price)									1.09
Current Share Price									1.61
Upside Potential									-32.11%

Source: Company accounts and "VRS" forecasts.

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APPENDIX 6 : EVA Model

Economic Value Added (EVA) **LAVIPHARM S.A.**

<i>Euro mn</i>					
Year	2001	2002	2003	2004	2005
Invested Capital					
Opening Capital	11.52	6.14	5.01	4.99	8.52
Plus: Inventory	27.14	27.65	28.26	29.89	31.71
Plus: Receivables	119.11	133.81	143.39	154.62	167.44
Minus: Payables	67.58	73.84	80.43	79.46	80.77
Net Working Capital	78.68	87.61	91.22	105.05	118.39
Plus: Fixed Capital Investment	82.40	94.22	94.36	88.35	82.30
Invested Capital	161.08	181.83	185.58	193.41	200.69
Year	2002	2003	2004	2005	
Invested Capital					
Operating Profit	11.94	4.78	4.34	5.17	
Plus: Depreciation	5.20	5.40	4.47	4.89	
Less: Cash Taxes	2.25	0.45	0.65	0.74	
Operating Cash Flow	14.89	9.72	8.16	9.32	
Year	2002	2003	2004	2005	
Return on Invested Capital	8.68%	5.29%	4.31%	4.73%	
Cost of Capital	4.80%	4.80%	4.80%	4.80%	
Performance Spread	3.88%	0.49%	-0.50%	-0.07%	
Economic Value Added (EVA)					
	7.06	0.91	-0.96	-0.14	
Market Value Added (MVA)					
Market Capitalization		63.26	63.26	63.26	
Net Debt (Cash) Position		72.29	75.80	75.89	
Total Enterprise Value		135.56	139.06	139.15	
MVA		-6.15	-1.87	0.82	
MVA / EVA					
		-6.75	1.95	-5.86	

Source: VRS Equity Research.

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