

# MLS MULTIMEDIA SA

[ MLSr.AT ]

- MLS expands operations internationally utilizing the unique features of its products. The company's goal is to gradually reduce its dependency from the Greek market, introducing new revenue streams
- Apart from sustaining its leading market share in Greece, MLS is exploring growth opportunities from the gradual introduction of interactive boards in the Greek educational system



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Greek Equities - October 17, 2011

## MLS Multimedia SA

Sector : Information Technology - Software

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### Company Description:

MLS Multimedia is a small-medium size information and communication technology (ICT) company in Greece, generating revenues through the development of a broad range of software systems in multimedia and navigation. The Company's major product categories consist of navigating systems and software, language technology applications (such as translators, etc.), educational technology products (educational software and interactive boards) as well as other multimedia products in the areas of entertainment.

In million €	2010	2011 E	2012 E
Turnover	10.02	9.85	17.64
EBITDA	4.39	4.82	6.62
Margin %	43.8%	48.9%	37.5%
Net Income	1.64	1.68	2.85
Margin %	16.4%	17.1%	16.1%

Price (14/10/2011)	€ 2.00
Shares Outstanding	12,417,000
MktCap (in € ,000)	24,834

Beta (2-Y, Reuters data)	0.63
Dividend '10	€ 0
Div. Yield	0%

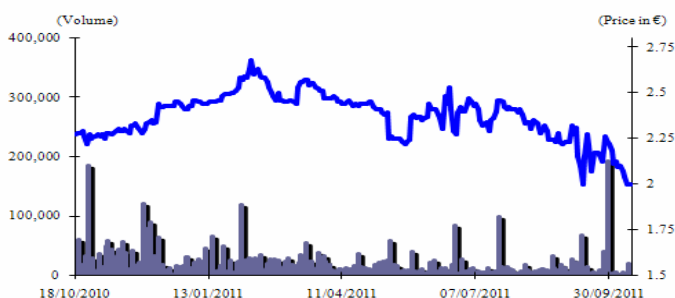
	2010	2011 E	2012 E
P/E	15.1x	14.8x	8.7x
P/BV	1.5x	1.4x	1.3x
Debt/Equity	0.0	0.0	0.0
ROE	10.6%	9.8%	15.2%

Source: Company data & VRS Projections

### Key Investment Points

- ⊗ The domestic economic crisis affected Company's sales in years 2010 and 2011. However, MLS managed to maintain and slightly increase its market share in navigation products that account for 90% of its turnover.
- ⊗ MLS is currently expanding navigation devices sales internationally diversifying its operations geographically. Turkey is the first challenge ahead that appears very promising and is expected to outpace sales from the Greek market in fiscal 2014, assuming that MLS will acquire only 15% of the local market. Chile is the second navigation market that MLS enters. We have assumed that MLS will acquire a 15% market share in fiscal 2015, adding to total turnover more than € 2 million.
- ⊗ Further expansion of navigation devices sales in other European countries will add to total turnover mostly from the fiscal 2013 and on.
- ⊗ MLS is expected to undertake 33% of a € 60 million project for the introduction of interactive boards to Greek high schools during the period 2012-2014, undertaking the annual service of the supplied boards afterwards.
- ⊗ According to our estimates for the period 2011-2015, turnover will post an average annual growth of 21%, while EBITDA margin will range close to 38.5% level. **By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of € 2.79 per share.**

Share Price Graph (52 Weeks) - Max: € 2.68 - Min: € 2.00



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

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## General Overview

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For the last 5 years, MLS managed to triple its sales (€10 million in fiscal 2010 from €3.25 million in fiscal 2005) mostly attributed to the strong demand for the Company's innovative products in automotive navigation. The domestic crisis has affected Company's results in fiscal 2010 and so far in fiscal 2011. However, in Q3 2011, MLS started navigation product sales in Turkey that are expected to add about 400,000 euro in fiscal 2011. As a result we believe that in fiscal 2011, sales will remain close to last year's levels, settling at €9.85 million dropping slightly by 1.6% year on year.

International expansion in navigation products is expected to boost turnover during the next 4 years (2012-2015). More specifically, for the period 2012-2015, we have projected solid growth for sales and bottom line results for the Company based on the following key assumptions:

1. Expansion of navigation product sales in Turkey (launched in September 2011) and Chile (October 2011);
2. The introduction of navigation systems in other European & Latin American countries in fiscal 2012;
3. Recurring revenues on a monthly basis from value added services through its navigation product network (including mobile and navigation sets);
4. Undertaking of Greek state projects for educational technology to schools (projects of at least €60 million over the next 3-4 years).

## Investment Case

### Automotive Navigation

MLS is a pioneer in the Greek navigation market, having developed and distributed the first navigation system for vehicle owners in the Greek market in 2003. During the last 5 years, MLS managed to remain the market leader in the fast growing navigation market in Greece. The Company's target is to remain market leader in Greece and expand operations internationally selling value added navigation products and services through its navigation systems, aiming to establish a strong customer base that will also "pay" recurring fees on a monthly basis. Such services include apart from navigation guidance, live traffic, news, useful information about banks, overnight pharmacies, cheap gas stations, and other important data.

**Greek Market:** The Company's market share is currently calculated at 50% with respect to navigation devices (about 100,000 devices annually based on MLS, data Gfk) and 56% with respect to market value (about 14 million euro based on MLS, data Gfk). We believe that MLS will at least maintain or slightly improve its market share in the next 5 years, given:

1. its continuous investments in advanced technology seeking new potential for navigation systems that advances competitiveness, and
2. the broad sales network that covers most of the possible selling points (92% weighted distribution).

In addition, MLS aims to increase its penetration in mobile telephony offering navigation services to all mobile users targeting the i-phone and android users. We believe that MLS could capture 30% of this target group by the end of the fiscal 2015 resulting to revenues of about 250,000 euro. The next table presents our assumptions for the Greek market.

Assumptions for MLS sales in Greece	2011 E	2012 E	2013 E	2014 E	2015 E
Portable navigation devices market (pieces)	100,000	100,000	100,000	100,000	100,000
Portable navigation devices market (in € ,000)	14,000	13,300	12,635	13,267	13,930
MLS market share in value	56.0%	56.5%	57.0%	57.5%	58.0%
MLS market share in volume	50.0%	50.0%	50.0%	50.0%	50.0%
MLS share in navigation devices (pieces)	50,000	50,000	50,000	50,000	50,000
<b>MLS revenue from devices (in € ,000)</b>	<b>7,840</b>	<b>7,515</b>	<b>7,202</b>	<b>7,628</b>	<b>8,079</b>
<b>MLS revenue from mobile services (in € ,000)</b>	<b>80</b>	<b>120</b>	<b>180</b>	<b>220</b>	<b>250</b>

Source: VRS Projections

**Turkish Market:** MLS entered the Turkish navigation market in September 2011, introducing the globally unique MLS Destinator Talk&Drive™ in the Turkish language, and local maps (in collaboration with the most reliable map designer in the country, according to the management). MLS also agreed with one of the largest distributors of technological products in Turkey, the Nova Elektronik DIS TIC AS, subsidiary of Metro Elektronik, to provide its products to retailers, and has already been placed in many electrical stores in the country.

According to Gfk, the Turkish market is estimated at 300,000 devices annually, and is expected to reach at least 700,000 devices annually by the end of the fiscal 2014. We believe that MLS will acquire at least 15% market share in Turkey by the end of the fiscal 2015. Our assumptions and revenue projections are summarized in the following table.

<b>Assumptions for MLS sales in Turkey</b>	<b>2011 E</b>	<b>2012 E</b>	<b>2013 E</b>	<b>2014 E</b>	<b>2015 E</b>
Portable navigation devices market (pieces)	250,000	400,000	600,000	700,000	750,000
MLS market share in volume	1.5%	8.0%	12.0%	14.0%	15.0%
MLS share in navigation devices (pieces)	3,750	32,000	72,000	98,000	112,500
Average selling price of MLS products (euro)	110	105	100	95	90
<b>MLS revenue from the sale of devices (in € ,000)</b>	<b>413</b>	<b>3,360</b>	<b>7,200</b>	<b>9,310</b>	<b>10,125</b>

Source: VRS Projections

**Chile Market:** MLS entered the Chilean navigation market in October 2011, introducing the MLS Destinator Talk&Drive™ in the Chilean-Spanish language, and local maps in collaboration with Navteq, one of the most reliable map designers in the country. MLS also formed an exclusive agreement with one of the largest distributors of car technology products and car navigation in Chile, Bluetalk SA, a subsidiary of Autobahn Corp. based in Santiago. Bluetalk, which already operates in the navigation market with the brand Autonav, will assume the distribution of MLS Destinator Talk & Drive™ devices, and will undertake all activities and promotional marketing and technical support services to the Chilean market. The group Autobahn has its own chain of stores selling automotive products and collaborates at the distribution level with all the major retail chains in Chile.

According to Gfk, the Chilean market (3.5 million cars, 17 million population) is currently estimated at 70,000 devices with only 5% penetration in cars. We believe that MLS will acquire at least 12.5% market share in Chile by the end of the fiscal 2015. We have not assumed any revenues for the

fiscal 2011, although MLS might start selling during Christmas time. Our assumptions and revenue projections are summarized in the following table.

<b>Assumptions for MLS sales Chile</b>	<b>2011 E</b>	<b>2012 E</b>	<b>2013 E</b>	<b>2014 E</b>	<b>2015 E</b>
Portable navigation devices market (pieces)	70,000	90,000	120,000	150,000	180,000
MLS market share in volume	0.0%	4.4%	5.8%	10.0%	12.5%
MLS share in navigation devices (pieces)	0	4,000	7,000	15,000	22,500
Average selling price of MLS products (euro)	0	110	100	95	90
<b>MLS revenue from the sale of devices (in € ,000)</b>	<b>0</b>	<b>440</b>	<b>700</b>	<b>1,425</b>	<b>2,025</b>

Source: VRS Projections

**Other International Markets:** In the near future, the Company will seek further opportunities internationally, targeting Latin American, Central European and Balkan markets where R&D activities are in progress. These markets are expected to contribute limited revenues in fiscal 2011 and 2012 however their growth potential should not be underestimated. MLS has a strong product that can compete with all major players in navigation market. We have included revenues from other international markets based on our conservative growth scenario as it is presented in the next table.

<b>Assumptions for MLS sales in Other International Markets</b>	<b>2011 E</b>	<b>2012 E</b>	<b>2013 E</b>	<b>2014 E</b>	<b>2015 E</b>
MLS navigation devices sales	0	3,000	7,000	15,000	35,000
Average selling price of MLS products (euro)	0	110	110	100	90
<b>MLS revenue from the sale of devices (in € ,000)</b>	<b>0</b>	<b>330</b>	<b>770</b>	<b>1,500</b>	<b>3,150</b>

Source: VRS Projections

## Educational Technology

**Educational Software:** MLS is the indisputable leader in the Greek multimedia market possessing a portfolio of more than 100 titles. The Greek multimedia market however is significantly lower compared to other EU countries, a trend that is not expected to change significantly in the next 5 years. The Company invests in R&D for other educational multimedia products like the e-book seeking to capture a stake from the country's digitalization trend. With regard to this revenue stream, we have assumed annual average revenue of about €300,000 over the next 5 years.

**Interactive Board:** The Company's latest achievement is the development of an interactive board. The Company aims at selling this product to the Greek public and private schools, benefiting from the Ministry of Education's intention (according to announcements) to introduce interactive boards to all schools in Greece during the next 3 years. The total cost for the introduction of interactive boards only to high schools is estimated at €60 million. We have projected that the Company will acquire at least 33% of this project, with the Company undertaking the annual service of the supplied boards. From November 2010 – April 2011, the Greek State installed 3,300 interactive boards in high schools of which MLS supplied 1,100 boards (or 33% of total), receiving 1.6 million euro.

### Historic & Projected Turnover Breakdown

(in 000 €)	2008	2009	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Educational Technology</b>								
Interactive Boards & Educational Software	1,932	1,114	1,323	1,500	6,020	7,090	4,180	1,667
% Sales €	15.5%	7.5%	13.2%	15.2%	34.1%	30.1%	16.8%	6.4%
<b>Navigation Systems</b>								
Mobile Telephony (Domestic & International Market)	0	0	0	100	400	600	800	1,000
% Sales €	0.0%	0.0%	0.0%	1.0%	2.3%	2.5%	3.2%	3.8%
Portable Navigation Devices (Domestic Market)	10,499	13,674	8,694	7,840	7,515	7,202	7,628	8,079
% Sales €	84.5%	92.5%	86.8%	79.6%	42.6%	30.6%	30.7%	31.0%
Portable Navigation Devices (International Market)	0	0	0	413	3,710	8,670	12,235	15,300
% Sales €	0.0%	0.0%	0.0%	4.2%	21.0%	36.8%	49.2%	58.7%
<b>Total Navigation Revenues</b>	<b>10,499</b>	<b>13,674</b>	<b>8,694</b>	<b>8,353</b>	<b>11,625</b>	<b>16,472</b>	<b>20,663</b>	<b>24,379</b>
% Sales €	84.5%	92.5%	86.8%	84.8%	65.9%	69.9%	83.2%	93.6%
<b>Total Turnover</b>	<b>12,431</b>	<b>14,788</b>	<b>10,017</b>	<b>9,853</b>	<b>17,645</b>	<b>23,562</b>	<b>24,843</b>	<b>26,046</b>

Source: Company's Historic Data & VRS Projections.

## **Company Profile**

MLS Multimedia SA was established in October 1995 in Thessalonica, Northern Greece, and listed its shares on the ASE in May 2001. The Company activates in the broader multimedia market on both commercial and development basis.

### **Products**

MLS creates pioneering products, while a strong commitment to R&D fuels its continuous growth and evolution. Investments in this sector, combined with an instinct for developing innovative solutions, allow MLS to supply a constant stream of advanced and useful products to the markets in which it already operates and to expand into new sectors that take technology a step further.

In 2003, the Company developed the first automatic navigation device on the Greek market, while the MLS Destinator (launched in 2005) is now the top system in its field and the market leader in Greece. Meanwhile, in 2006 MLS brought out a device that propelled it to the forefront of global innovation and completely redrew the parameters for navigation systems, namely the MLS Destinator Talk&Drive™, the only navigation system with voice recognition.

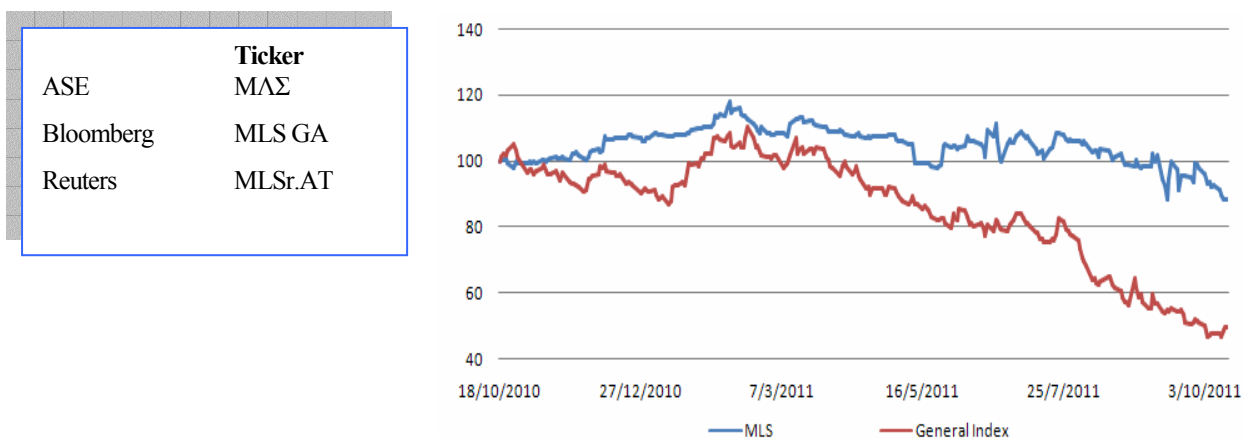
MLS also occupies a leading position in the field of educational software, and has recently completed a commission to supply educational software to the Greek and Cypriot school systems. Its product portfolio includes the MLS Talk&Write Greek speech processing system, the Systran automatic translation system, the TOMI electronic encyclopedia and a host of widely popular educational titles. Recently, MLS developed an interactive touch board. The MLS Board also marks the company's entry into the field of integral education technology solutions, since the device incorporates the intelligent MLS Board Software, specifically designed for interactive teaching.

### **Shareholders' Structure**

<b>Shareholder</b>	<b>Equity Stake</b>
Ioannis Kamatakis	66%
Free Float (with each investor holding less than 5%)	34%

Source: The Company

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



	14 October 2011	2010	2011 E	2012 E	2013 E	2014 E	2015
<b>Price (in €)</b>	<b>€ 2.00</b>						
<b>Shares</b>	<b>12,417,000</b>						
<b>Market Cap (in €)</b>	<b>24,834,000</b>						
EPS (in €)		0.13	0.14	0.23	0.36	0.38	0.39
Book Value / Share (x)		1.3	1.4	1.6	1.9	2.2	2.4
EV (in € thous.)		21.72	22.34	22.98	20.51	16.98	13.58
P/E (a.t. & m.i.)		15.15x	14.78x	8.72x	5.54x	5.29x	5.07x
P/BV		1.50x	1.40x	1.25x	1.07x	0.93x	0.83x
EV/EBITDA		4.95x	4.64x	3.47x	2.28x	1.78x	1.35x
EV/Sales		2.17x	2.27x	1.30x	0.87x	0.68x	0.52x
Dividend / Share (in €)		0.00	0.00	0.06	0.08	0.10	0.15
Dividend Yield		0.0%	0.0%	3.0%	4.0%	5.0%	7.5%

Source: VRS Estimates

## Valuation (DCF Methodology)

We have applied the DCF methodology which is the most widely accepted approach for corporate valuation and provides a greater depth of understanding of the Company's dynamics. We note that the DCF method incorporates best the Company's growth prospects over the next 5 years.

By projecting the Company's operating profits, and then adjusting for taxes, depreciation, capital expenditures and working capital, we end up with the future free cash flows to the firm. Discounting those cash flows with the weighted average cost of capital (the interest rate that weighs both own capital and debt employed by a company), we end up with the Company's enterprise value, also known as EV that equals with equity value (or market capitalization) plus debt minus cash.

**Weighted Average Cost of Capital (WACC).** We have applied the following major assumptions in our model:

- **Risk Free Rate** was calculated at 8.48%, which is the 3year average level of the Greece's long term interest rate for convergence purposes, based on ECB.
- **Beta factor** at 0.63, based on Reuters data.
- **Market Risk Premium** was calculated at 6% (our assumption).
- **Cost of debt** was set at the level of 8%, and assuming a tax rate of 20%, the net cost of debt was calculated at 6.4%.
- The level of '**debt / total invested capital**', was set at 10% as the Company has currently no bank debt.

Risk Free Rate	8.5%
Beta Factor	0.6
Market risk Premium	6.0%
<b>Cost of Equity</b>	<b>12.3%</b>
Debt / Debt + Equity	10.0%
Cost of Debt	8.0%
Tax Rate	20.0%
<b>WACC</b>	<b>11.7%</b>

Based on the above calculations the weighted average cost of capital that we use to discount the future cash flows of the Company settles at 11.7%.

The following important assumptions have been made in the DCF model:

	2011 E	2012 E	2013 E	2014 E	2015 E	L-Term Assumptions
<b>ASSUMPTIONS</b>						
Growth Rate (Sales)	-1.6%	79.1%	33.5%	5.4%	4.8%	<b>0.5%</b>
EBIT Margin	22.5%	20.8%	24.3%	24.1%	24.0%	<b>24.1%</b>
Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	<b>20.0%</b>
Working Capital (% of sales)	3.7%	6.9%	5.1%	1.6%	1.4%	<b>2.7%</b>
Capex (% of sales)	40.4%	25.4%	13.2%	12.5%	11.9%	<b>12.0%</b>
Cost of Capital	11.7%	11.7%	11.7%	11.7%	11.7%	<b>11.7%</b>
Depreciation (% of sales)	26.4%	16.7%	13.9%	14.3%	14.7%	<b>12.0%</b>

Source: VRS Estimates

The recent economic crisis has affected important valuation factors, altering the final fair valuation compared to last year's estimates. These factors are:

- More conservative approach in financial projections.
- Increase in the cost of equity, due to higher risk free rate and market risk premium.

The following table demonstrates our calculations for the fair value of the Company.

(in euro million)	2011 E	2012 E	2013 E	2014 E	2015 E	L-Term Assumptions
<b>CASH FLOW STATEMENT</b>						
<b>Turnover</b>	<b>9.9</b>	<b>17.6</b>	<b>23.6</b>	<b>24.8</b>	<b>26.0</b>	<b>26.2</b>
EBIT	2.2	3.7	5.7	6.0	6.2	6.3
Less: Adjusted Tax	0.4	0.7	1.1	1.2	1.2	1.2
<b>Adjusted Operating Profit</b>	<b>1.8</b>	<b>3.0</b>	<b>4.6</b>	<b>4.8</b>	<b>5.0</b>	<b>5.1</b>
Plus: Depreciation	2.6	2.9	3.3	3.6	3.8	3.1
<b>Operating Cash Flow</b>	<b>4.4</b>	<b>5.9</b>	<b>7.9</b>	<b>8.4</b>	<b>8.8</b>	<b>8.2</b>
Less: Change in Working Capital	0.4	1.2	1.2	0.4	0.4	0.7
Less: Capex	4.0	4.5	3.1	3.1	3.1	3.1
<b>Cash Flow to the Firm (FCFF)</b>	<b>0.1</b>	<b>0.2</b>	<b>3.6</b>	<b>4.9</b>	<b>5.4</b>	<b>4.4</b>
Discount Factor	0.90	0.80	0.72	0.64	0.58	0.58
Present Value of Cash Flows	0.05	0.17	2.57	3.14	3.10	
Accumulated Present Value	0.05	0.22	2.79	5.93	<b>9.03</b>	
Residual Value						39.1
<b>Present Value of Residual Value</b>						<b>22.5</b>

**VALUATION**

Enterprise Value	31.55
% Residual Value of Total	71.4%
Less: Net Debt	-3.11

<b>Value of firm (EUR mn)</b>	<b>34.66</b>
<b>Outstanding # of shares (000)</b>	<b>12,417</b>
<b>Value of share (EUR)</b>	<b>2.79</b>

Source: VRS Estimates

**Based on our projections for the 5-year period 2011-2015 and applying the DCF methodology for a conservative growth scenario, the fair value of the Company accounts for 34,660,940 euro.**

Based on the above valuation we calculate the following major valuation ratios for the Company.

	2010	2011 E	2012 E
P / E	21.14x	20.62x	12.18x
EV / EBITDA	7.19x	6.55x	4.76x
EV / Sales	3.46x	3.52x	1.96x

The model's assumptions presume also the following conditions:

- Sustained demand for navigators with MLS maintaining its leading position;
- Successful expansion of operations internationally
- The Company will undertake the public projects incorporated into our financial forecasts;
- Continuous investments in new systems and / or updating of existing multimedia products;
- Ability to finance the long-term investment and expansion program.

### Sensitivity Analysis

Our valuation incorporates a sensitivity analysis based on the discounted free cash flow method employing a discount rate in the range of 9.7% - 13.7% and a growth rate between 0% - 1.5%.

		WACC				
		9.7%	10.7%	11.7%	12.7%	13.7%
GROWTH	0.00%	3.06	2.95	2.71	2.50	2.33
	0.25%	3.33	3.01	2.75	2.53	2.36
	0.50%	3.40	3.06	2.79	2.57	2.39
	1.00%	3.55	3.18	2.89	2.65	2.45
	1.50%	3.72	3.31	2.99	2.73	2.52

Source: VRS Estimates.

## Financial Analysis

### Profit & Loss Analysis

#### Turnover Analysis

For the last 5 years, the Company's financials have performed exceptionally well, posting an average annual sales and net profit growth of 32% and 41% outpacing ours and market's estimates. This growth is mostly attributed to the rapid expansion of navigation systems in Greece, where MLS is the market leader.

For the period 2011 - 2015, Group's turnover is expected to increase by an annual average growth rate of 21%, mostly attributed to the international expansion of navigation devices' sales. Our assumptions and projections have already been presented in previous section of this report.

#### Cost of Sales Analysis

Sales in Turkey, Chile and other international countries will reduce gross margin in fiscal 2012 to 49.8% from 61.8% this year. However, the gross margin will gradually increase at 51% levels. The improvement is mostly attributed to the increasing stake of value added services through navigation software. The next table presents our assumptions in the cost of sales analysis:

#### Historic & Projected Cost of Sales Breakdown

(in € ,000)	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Inventories recognized as expense</b>	<b>3,044</b>	<b>2,956</b>	<b>7,940</b>	<b>10,556</b>	<b>11,055</b>	<b>11,565</b>
y-o-y change	-52.3%	-2.9%	168.6%	32.9%	4.7%	4.6%
<b>Personnel payments and expenses</b>	<b>87.7</b>	<b>85.9</b>	<b>98.8</b>	<b>113.6</b>	<b>121.6</b>	<b>125.2</b>
y-o-y change	-0.2%	-2.0%	15.0%	15.0%	7.0%	3.0%
<b>Payments &amp; other exp. to 3<sup>rd</sup> parties</b>	<b>404</b>	<b>424</b>	<b>509</b>	<b>611</b>	<b>672</b>	<b>692</b>
y-o-y change	-35.8%	5.0%	20.0%	20.0%	10.0%	3.0%
<b>Other expenses &amp; services</b>	<b>291</b>	<b>300</b>	<b>309</b>	<b>318</b>	<b>328</b>	<b>338</b>
y-o-y change	6.1%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Total Cost of Sales</b>	<b>3,827</b>	<b>3,766</b>	<b>8,857</b>	<b>11,598</b>	<b>12,177</b>	<b>12,719</b>
% of turnover	38.2%	38.2%	50.2%	49.2%	49.0%	48.8%
y-o-y change	-44.6%	-1.6%	135.2%	31.0%	5.0%	4.5%

Source: Company Data & VRS Projections

### EBITDA Analysis

EBITDA margin accounted for approximately 43.8% in fiscal 2010 from 33.7% in fiscal 2009. In fiscal 2012, EBITDA margin is expected to reduce compared to fiscal 2010 and 2011 levels due to the international expansion of Company's business and gradually increase up to 38.7% level in fiscal 2015.

Our assumptions with regard to operating expenses analysis is presented in the following tables:

### Historic & Projected Administrative Expenses Breakdown

(in € ,000)	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Personnel payments and expenses</b>	<b>164.4</b>	<b>123.3</b>	<b>166.5</b>	<b>199.8</b>	<b>209.7</b>	<b>216.0</b>
y-o-y change	-6.4%	-25.0%	35.0%	20.0%	5.0%	3.0%
<b>Payments &amp; other exp. to 3<sup>rd</sup> parties</b>	<b>184.3</b>	<b>147.4</b>	<b>199.0</b>	<b>238.8</b>	<b>250.8</b>	<b>258.3</b>
y-o-y change	-55.6%	-20.0%	35.0%	20.0%	5.0%	3.0%
<b>Exceptional Non-Operating Expen.</b>	<b>33.7</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
y-o-y change	379%	-85.2%	0.0%	0.0%	0.0%	0.0%
<b>Other expenses</b>	<b>67</b>	<b>43</b>	<b>53</b>	<b>59</b>	<b>63</b>	<b>65</b>
y-o-y change	-42.4%	-35.0%	23.0%	10.0%	7.0%	3.0%
<b>Administrative Expenses</b>	<b>449</b>	<b>319</b>	<b>424</b>	<b>502</b>	<b>528</b>	<b>544</b>
% of turnover	4.48%	3.24%	2.43%	2.22%	2.16%	2.10%
y-o-y change	10.4%	-28.9%	32.8%	18.5%	5.2%	3.0%

Source: Company Data & VRS Projections.

### Historic & Projected Distribution Expenses Breakdown

(in € ,000)	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Personnel payments and expenses</b>	<b>131.5</b>	<b>111.8</b>	<b>127.5</b>	<b>145.3</b>	<b>152.6</b>	<b>157.1</b>
y-o-y change	-45.5%	-15.0%	14.0%	14.0%	5.0%	3.0%
<b>Payments &amp; other exp. to 3<sup>rd</sup> parties</b>	<b>245.9</b>	<b>209.0</b>	<b>240.4</b>	<b>288.4</b>	<b>302.8</b>	<b>311.9</b>
y-o-y change	21.5%	-15.0%	15.0%	20.0%	5.0%	3.0%
<b>Other expenses</b>	<b>1,065</b>	<b>493</b>	<b>970</b>	<b>1,537</b>	<b>1,615</b>	<b>1,693</b>
y-o-y change	-25.9%	-53.7%	97.0%	58.4%	5.0%	4.8%
<b>Selling, distribution expenses</b>	<b>1,442</b>	<b>813</b>	<b>1,338</b>	<b>1,971</b>	<b>2,070</b>	<b>2,162</b>
% of turnover	14.4%	8.3%	7.6%	8.4%	8.3%	8.3%
y-o-y change	-20.9%	-43.6%	64.5%	47.3%	5.0%	4.4%

Source: Company Data & VRS Projections.

### Historic & Projected R&D Breakdown

(in € ,000)	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Personnel payments and expenses</b>	<b>712.4</b>	<b>605.6</b>	<b>678.2</b>	<b>691.8</b>	<b>698.7</b>	<b>705.7</b>
y-o-y change	90.7%	-15.0%	12.0%	2.0%	1.0%	1.0%
<b>Payments &amp; other exp. to 3<sup>rd</sup> parties</b>	<b>1,982.1</b>	<b>1,090</b>	<b>1,221</b>	<b>1,294</b>	<b>1,320</b>	<b>1,333</b>
y-o-y change	38.4%	-45.0%	12.0%	6.0%	2.0%	1.0%
<b>Other expenses</b>	<b>159.7</b>	<b>161.3</b>	<b>162.9</b>	<b>164.5</b>	<b>166.2</b>	<b>167.9</b>
y-o-y change	394.4%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>MLS Production Expenses</b>	<b>-2,881</b>	<b>-1,600</b>	<b>-1,600</b>	<b>-1,600</b>	<b>-1,600</b>	<b>-1,600</b>
y-o-y change	163.2%	-44.5%	0.0%	0.0%	0.0%	0.0%
<b>R&amp;D Expenses</b>	<b>-27</b>	<b>257</b>	<b>462</b>	<b>551</b>	<b>585</b>	<b>607</b>
% of turnover	-0.3%	2.6%	2.7%	2.4%	2.4%	2.3%
y-o-y change	-	-	79.8%	19.1%	6.3%	3.7%

Source: Company Data & VRS Projections.

### Key Elements of Balance Sheet

**CAPEX:** The majority of investments refer to intangible assets in the form of product (software) development and account for employee and related expenses. For the period 2011-2015, MLS is expected to invest about € 15 mn for intangible assets (€3 mn per year) part of which is expected to be subsidized by the Greek State and the remaining from own capital. Investments will focus on:

- a) Navigation software for all mobile sets,
- b) Introduction of new languages for the MLS Destinator Talk & Drive, in order to gradually expand operations internationally,
- c) Educational multimedia software and interactive board.

The following tables present the most important financial ratios with regard to working capital, company's leverage and profitability:

**Historic & Projected Balance Sheet Ratios**

	2010	2011 E	2012 E	2013 E	2014 E	2015 E
Stock Days	306	290	210	210	210	210
Debtors Days	104	90	90	90	90	90
Creditors Days	301	220	200	200	200	200
Total Liab. / Total Equity	0.32	0.24	0.36	0.38	0.34	0.32
Bank Loans/ Total Equity	0.00	0.00	0.00	0.00	0.00	0.00
Current Ratio	2.10	2.30	1.87	2.11	2.50	2.86
Quick Ratio - Acid Ratio	1.50	1.61	1.15	1.36	1.74	2.08

Source: Company Data &amp; VRS Projections

**Historic & Projected P&L Ratios**

	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Profit Margins</b>						
Gross Margin	61.8%	61.8%	49.8%	50.8%	51.0%	51.2%
EBITDA Margin	43.8%	48.9%	37.5%	38.2%	38.4%	38.7%
EBIT Margin	21.5%	22.5%	20.8%	24.3%	24.1%	24.0%
Pre-tax profit margin	20.5%	21.3%	20.2%	23.8%	23.6%	23.5%
Net Profit margin	16.4%	17.1%	16.1%	19.0%	18.9%	18.8%
<b>Cost Absorption &amp; Sources</b>						
Cost of sales on sales	38.2%	38.2%	50.2%	49.2%	49.0%	48.8%
Administrative cost on sales	4.5%	3.2%	2.4%	2.1%	2.1%	2.1%
Distribution cost on sales	14.4%	8.3%	7.6%	8.4%	8.3%	8.3%
R&D Expenses on Sales	-0.3%	2.6%	2.6%	2.3%	2.4%	2.3%

Source: Company Data &amp; VRS Projections

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

(in ,000 €)	2009	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Turnover</b>	<b>14,788</b>	<b>10,017</b>	<b>9,853</b>	<b>17,645</b>	<b>23,562</b>	<b>24,843</b>	<b>26,046</b>
y-o-y Change %	19.0%	-32.3%	-1.6%	79.1%	33.5%	5.4%	4.8%
<b>Cost of Sales</b>	<b>6,908</b>	<b>3,827</b>	<b>3,766</b>	<b>8,857</b>	<b>11,598</b>	<b>12,177</b>	<b>12,719</b>
% of Turnover	46.7%	38.2%	38.2%	50.2%	49.2%	49.0%	48.8%
y-o-y Change %	2.5%	-44.6%	-1.6%	135.2%	31.0%	5.0%	4.5%
<b>Total Gross Operating Results</b>	<b>7,880</b>	<b>6,190</b>	<b>6,087</b>	<b>8,788</b>	<b>11,963</b>	<b>12,667</b>	<b>13,327</b>
Gross Operating Margin	53.3%	61.8%	61.8%	49.8%	50.8%	51.0%	51.2%
y-o-y Change %	38.5%	-21.4%	-1.7%	44.4%	36.1%	5.9%	5.2%
Other operating income	77	63	120	60	60	60	60
<b>Operating Expenses</b>	<b>2,974</b>	<b>1,864</b>	<b>1,389</b>	<b>2,224</b>	<b>3,024</b>	<b>3,183</b>	<b>3,313</b>
% of Turnover	20.1%	18.6%	14.1%	12.6%	12.8%	12.8%	12.7%
y-o-y Change %	89.3%	-37.3%	-25.5%	60.1%	36.0%	5.3%	4.1%
<b>EBITDA</b>	<b>4,983</b>	<b>4,389</b>	<b>4,817</b>	<b>6,624</b>	<b>9,000</b>	<b>9,543</b>	<b>10,074</b>
EBITDA Margin	33.7%	43.8%	48.9%	37.5%	38.2%	38.4%	38.7%
y-o-y Change %	19.0%	-11.9%	9.8%	37.5%	35.9%	6.0%	5.6%
<b>Depreciation</b>	<b>2,253</b>	<b>2,234</b>	<b>2,596</b>	<b>2,945</b>	<b>3,272</b>	<b>3,552</b>	<b>3,832</b>
% of Turnover	15.2%	22.3%	26.4%	16.7%	13.9%	14.3%	14.7%
<b>EBIT</b>	<b>2,729</b>	<b>2,155</b>	<b>2,221</b>	<b>3,678</b>	<b>5,727</b>	<b>5,991</b>	<b>6,242</b>
% of Turnover	18.5%	21.5%	22.5%	20.8%	24.3%	24.1%	24.0%
y-o-y Change %	23.4%	-21.0%	3.1%	65.6%	55.7%	4.6%	4.2%
Net Financial Results	-195	-104	-120	-120	-120	-120	-120
<b>Net Results Before Taxes</b>	<b>2,535</b>	<b>2,051</b>	<b>2,101</b>	<b>3,558</b>	<b>5,607</b>	<b>5,871</b>	<b>6,122</b>
EBT Margin	17.1%	20.5%	21.3%	20.2%	23.8%	23.6%	23.5%
y-o-y Change %	32.9%	-19.1%	2.4%	69.4%	57.6%	4.7%	4.3%
Income Tax	131	412	420	712	1,121	1,174	1,224
Effective Tax Rate	5.2%	20.1%	20.0%	20.0%	20.0%	20.0%	20.0%
<b>Net Results (a.t.)</b>	<b>2,403</b>	<b>1,640</b>	<b>1,681</b>	<b>2,847</b>	<b>4,486</b>	<b>4,697</b>	<b>4,897</b>
<b>Net Margin</b>	<b>16.3%</b>	<b>16.4%</b>	<b>17.1%</b>	<b>16.1%</b>	<b>19.0%</b>	<b>18.9%</b>	<b>18.8%</b>
y-o-y Change %	32.0%	-31.8%	2.5%	69.4%	57.6%	4.7%	4.3%

Source: Company Data &amp; VRS Estimates

## HISTORIC &amp; PROJECTED BALANCE SHEET

	2009	2010	2011 E	2012 E	2013 E	2014 E	2015 E
<b>Assets</b>							
Total Intangible Assets	21,472	25,026	28,026	31,026	34,026	37,026	40,026
Accumulated depreciation	13,010	15,180	17,567	20,225	23,152	26,349	29,817
<b>Total Net Intangible Assets</b>	<b>8,462</b>	<b>9,845</b>	<b>10,458</b>	<b>10,801</b>	<b>10,873</b>	<b>10,676</b>	<b>10,209</b>
Tangible Assets	2,342	2,415	3,395	4,874	4,974	5,074	5,174
Accumulated depreciation	1,627	1,684	1,893	2,181	2,526	2,881	3,246
<b>Total Net Tangible Assets</b>	<b>715</b>	<b>731</b>	<b>1,501</b>	<b>2,693</b>	<b>2,448</b>	<b>2,193</b>	<b>1,928</b>
Financial & Other L-Term Assets	157	156	153	150	147	144	141
<b>Total Fixed Assets</b>	<b>9,334</b>	<b>10,733</b>	<b>12,113</b>	<b>13,644</b>	<b>13,468</b>	<b>13,013</b>	<b>12,278</b>
% Total Assets	45.54%	48.97%	55.02%	50.74%	41.85%	36.21%	31.28%
Inventories	2,495	3,212	2,992	5,096	6,673	7,006	7,318
Debtors	2,441	2,857	2,429	4,351	5,810	6,126	6,422
Other Receivables	2,150	2,004	1,984	1,945	1,906	1,944	1,983
Cash in bank and at hand	4,075	3,110	2,496	1,855	4,328	7,851	11,255
<b>Total Current Assets</b>	<b>11,161</b>	<b>11,183</b>	<b>9,902</b>	<b>13,246</b>	<b>18,717</b>	<b>22,927</b>	<b>26,978</b>
% Total Assets	54.46%	51.03%	44.98%	49.26%	58.15%	63.79%	68.72%
<b>Total Assets</b>	<b>20,495</b>	<b>21,916</b>	<b>22,015</b>	<b>26,890</b>	<b>32,185</b>	<b>35,940</b>	<b>39,256</b>
<b>Equity &amp; Liabilities</b>							
Share capital	4,594	4,594	4,594	4,594	4,594	4,594	4,594
Share premium account	1,451	582	23	23	23	23	23
Reserves & Profit Carried Forward	8,448	11,410	13,094	15,200	18,696	22,156	25,194
Minority Rights	0	0	0	0	0	0	0
<b>Total Capital &amp; Reserves</b>	<b>14,494</b>	<b>16,586</b>	<b>17,712</b>	<b>19,818</b>	<b>23,314</b>	<b>26,773</b>	<b>29,812</b>
% Total Equity & Liabilities	70.72%	75.68%	80.46%	73.70%	72.44%	74.49%	75.94%
L-Term Bank Loans	0	0	0	0	0	0	0
Provisions for Staff Retirement	186	120	121	122	122	123	124
Deferred Tax Liabilities	0	0	0	0	0	0	0
<b>Total L-Term Liabilities</b>	<b>186</b>	<b>120</b>	<b>121</b>	<b>122</b>	<b>122</b>	<b>123</b>	<b>124</b>
Suppliers	3,739	3,157	2,270	4,853	6,355	6,672	6,970
Banks	0	0	0	0	0	0	0
Taxes-duties	176	438	378	640	1,009	1,057	1,102
Sundry debtors	1,899	1,614	1,534	1,457	1,384	1,315	1,249
<b>Total Current Liabilities</b>	<b>5,814</b>	<b>5,209</b>	<b>4,182</b>	<b>6,950</b>	<b>8,749</b>	<b>9,044</b>	<b>9,321</b>
<b>Total Liabilities</b>	<b>6,001</b>	<b>5,330</b>	<b>4,303</b>	<b>7,072</b>	<b>8,871</b>	<b>9,167</b>	<b>9,444</b>
% Total Equity & Liabilities	29.28%	24.32%	19.54%	26.30%	27.56%	25.51%	24.06%
<b>Total Equity &amp; Liabilities</b>	<b>20,495</b>	<b>21,916</b>	<b>22,015</b>	<b>26,890</b>	<b>32,185</b>	<b>35,940</b>	<b>39,256</b>

Source: Company Data &amp; VRS Estimates

### HISTORIC & PROJECTED CASH FLOW

(in € ,000 )	2009	2010	2011 E	2012 E	2013 E	2014 E	2015 E
Profit after tax	2,403	1,640	1,681	2,847	4,486	4,697	4,897
Plus: Change of Depreciation	2,253	2,234	2,596	2,945	3,272	3,552	3,832
<b>Gross Cash Flow</b>	<b>4,656</b>	<b>3,867</b>	<b>4,277</b>	<b>5,792</b>	<b>7,758</b>	<b>8,249</b>	<b>8,730</b>
<u>Change in:</u>							
(-) Trade Debtors	-347	416	-428	1,921	1,459	316	297
(-) Inventory	-1,907	716	-220	2,104	1,577	333	312
(-) Other Receivables	295	-145	-20	-40	-39	38	39
(+) Trade Creditors	556	-582	-887	2,583	1,502	317	297
(+) Liabilities for taxes	38	262	-60	262	369	47	45
(+) Other Short - term liabilities	289	-285	-81	-77	-73	-69	-66
Change in Working Capital	2,842	-1,592	-360	-1,216	-1,199	-392	-371
<b>Operating Cash Flow</b>	<b>7,498</b>	<b>2,275</b>	<b>3,917</b>	<b>4,576</b>	<b>6,559</b>	<b>7,858</b>	<b>8,359</b>
<u>Change in:</u>							
(-) Intangible Assets	4,126	3,554	3,000	3,000	3,000	3,000	3,000
(-) Tangible Assets	159	74	979	1,480	100	100	100
(-) Other long - term receivables	22	-1	-3	-3	-3	-3	-3
(+) Other Long - term liabilities	104	-66	1	1	1	1	1
(+) Cons. diff./ Minority Interests	0	0	0	0	0	0	0
<b>Cash Flow from Investment</b>	<b>-4,203</b>	<b>-3,692</b>	<b>-3,975</b>	<b>-4,476</b>	<b>-3,096</b>	<b>-3,096</b>	<b>-3,097</b>
<b>Net Cash Flow Before Financing Activities</b>	<b>3,295</b>	<b>-1,417</b>	<b>-59</b>	<b>100</b>	<b>3,463</b>	<b>4,761</b>	<b>5,262</b>
Increase in Share Capital	869	0	0	0	0	0	0
Increase in Share Premium Account	-1,490	-869	-559	0	0	0	0
Net Change in Reserves	-796	1,322	4	4	4	4	4
Change in Long - Term Debt	0	0	0	0	0	0	0
Change in Short - Term Debt	0	0	0	0	0	0	0
Dividends	0	0	0	745	993	1,242	1,863
Minority Interests on Profit	0	0	0	0	0	0	0
<b>Net Cash Flow from Financing</b>	<b>-1,417</b>	<b>453</b>	<b>-555</b>	<b>-741</b>	<b>-989</b>	<b>-1,238</b>	<b>-1,859</b>
<b>Cash at Beginning</b>	<b>2,196</b>	<b>4,075</b>	<b>3,110</b>	<b>2,496</b>	<b>1,855</b>	<b>4,328</b>	<b>7,851</b>
<b>Change in Cash</b>	<b>1,879</b>	<b>-965</b>	<b>-614</b>	<b>-642</b>	<b>2,473</b>	<b>3,523</b>	<b>3,404</b>
<b>Cash at End</b>	<b>4,075</b>	<b>3,110</b>	<b>2,496</b>	<b>1,855</b>	<b>4,328</b>	<b>7,851</b>	<b>11,255</b>

Source: Company Data &amp; VRS Estimates

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Revenues are characterized by high seasonality mainly in periods of Christmas and Easter. This trend may create volatility in the Company's cash flows.	Over the past years, MLS has not witnessed any significant effect on cash flow due to seasonality. Furthermore the Company is debt free.
2	The Company's high investments in R&D might not necessarily translate into new commercially successful products.	The Company's track record demonstrates a satisfactory 'return on investment' rate in the majority of projects that have been carried out from an R&D stage.
3	Greece is characterized by a slow penetration rate in terms of home PC users. This trend affects the sales of multimedia titles negatively.	The introduction of multimedia titles in the country's educational system is expected to significantly alter the current trend.
4	The Greek public sector is suffering from inefficiencies in expediting tenders for the introduction of multimedia titles in the country's educational system.	Greece must absorb the 3 <sup>rd</sup> part of the EU Cohesion Funds by the end of 2013.
5	The limited international activities so far imply larger if not exclusive dependence on the domestic market place.	The Management is currently targeting Central Europe and the Balkans and has already entered Cyprus. The plan should translate into a greater contribution of international revenues to the total.
6	The Company is increasingly dependent on revenues from its navigation systems offered in the domestic market place.	Existing plans for more aggressive entrance in the mobile telephony market and geographic diversification are expected to alleviate this concern.
7	As it has occurred in several international markets, prices of navigation systems should continue dropping in line with strong competition, greater supply and product range enlargement.	Innovations made by the Company's R&D team and more aggressive branding –possibly via international partnerships– would decelerate such price trend.

Source: Valuation & Research Specialists, Company's Guidance

## Notes

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

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

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### VRS Cautions on Forward-Looking Statements

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### VRS Makes a Statement about Real Estate Market Risk

The real estate market is to a large extent cyclical and faces risks at a number of levels. Among others, the following factors tend to affect the demand and the ability of tenants to pay rent:

- Macroeconomic environment
- Level of supply
- Interest rates

Furthermore, the following factors are mainly, but not exclusively, accountable for the course of property values:

- Macroeconomic environment
- Corporate Earnings
- Interest rates
- Financing mechanisms offered
- Returns on other types of assets
- Legal and tax legislation

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Covered Company	Reuters	Price Close	Date of Price Close	Disclosure
MLS	MLSt.AT	€ 2.00	14 October 2011	2, 4, 6

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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: no change has been made.
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.
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