

INITIAL STATEMENT

by VALUATION & RESEARCH SPECIALISTS (VRS)

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VALUATION & RESEARCH SPECIALISTS

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Neochimiki Lavrentiadis

Reuters: NCHr.AT Sector : Chemicals

Equity Research
Update

Company Description:

Neochimiki Group operates in the chemical sector, distributing raw materials for detergent industries as well as other industrial sectors, and since 1999, producing final products & raw materials for the detergent industry. The largest share of Group's turnover comes from the detergent sector. With over 30 years of experience in the field, the Group is a market leader in Greece and via its subsidiaries has extended its presence in the Eastern European markets. Neochimiki currently cooperates with major multinationals and world-known chemical manufacturers.

	2003 A	2004 A	2005 E
(in mil. €)			
Turnover	55.84	82.91	120.09
EBITDA	11.21	16.65	21.84
Margin %	20.07%	20.08%	18.19%
Net Income	5.43	7.65	10.61
Margin %	9.73%	9.23%	8.84%

Price (07/04/2005)	€3.66
Shares (outstanding)	36,000,000
MktCap (in mn €)	131.76

Beta	0.80		
Dividend '04 E	€ 0.062		
Div. Yield	1.68%		
P/E	24.26x	17.21x	12.41x
P/BV	4.85x	2.74x	2.34x
Debt/Eq.	1.87x	1.68x	1.65x
ROE (avg)	25.14%	21.20%	22.23%

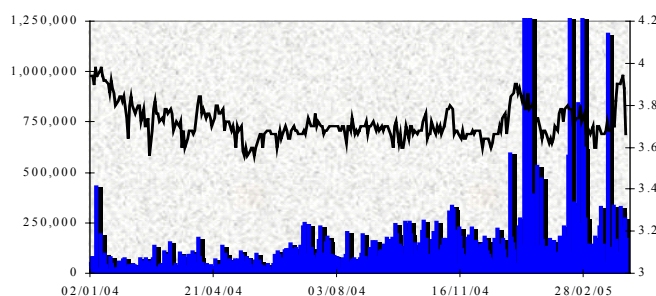
Source: Company Data & VRS Projections

Key Investment Points

- ⊙ Neochimiki is the leading supplier of detergent products on behalf of large multinationals (97% share of domestic production), and private labels (26% share of domestic production) in Greece.
- ⊙ The strength of the Group is its high quality products and the relationship of trust with multinational groups. Neochimiki aims to further utilize this relationship, setting up the fundamentals for a stronger expansion of their collaboration in the Balkans and Eastern Europe.
- ⊙ Group turnover growth, will mostly derive from:
 1. The increase of detergent production sales for major multinational groups and private label.
 2. The further market share penetration in the distribution of chemical raw materials in the business units of plastics, paints & lacquer, detergents and cosmetics industries.
 3. International expansion through distribution of chemical raw materials, to industrial companies (mostly in the detergent, plastics and paint & lacquer sectors) in the Balkans, and, gradually, own produced detergents on behalf of large multinationals.
- ⊙ We expect group turnover CAGR₂₀₀₄₋₂₀₀₉ of 32.27%, with EBITDA CAGR₂₀₀₄₋₂₀₀₉ of 23.90% and net income CAGR₂₀₀₄₋₂₀₀₉ of 26.57%.

Share Price Graph (01/01/2004-07/04/2005)

Max: €3.98 - Min: €3.56



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Investment Case

The Neochimiki Group has succeeded in becoming the largest distributor of industrial chemicals on behalf of large corporations in Greece. The Group is also the market leader in the domestic detergent (raw material & final-product) manufacturing sector, seeking at the same time to explore opportunities from the broader market of chemicals for other industries and utilizing the technological expertise that has created over the last 30 year of operations.

Neochimiki is utilizing a successful business model that has led to solid growth since its establishment. During 2004, Neochimiki Group succeeded in maintaining strong results (+48.47% turnover growth, +40.9% net income growth), in line with our projections.

In this investment case, we will describe the main growth drivers that will sustain, to a large extent, this growth, presenting at the same time any negative factors that could affect the Group's operations.

Opportunities in the Detergent Sector

Neochimiki Group is active:

- a) in the manufacturing of detergents and housecleaning products on behalf of multinationals and private label, and
- b) in the production of chemical raw materials mainly for detergents.

Neochimiki Group is the leading producer of detergent products (in liquid and powder form) on behalf of large multinationals and private labels in Greece. **The detergent market that Neochimiki targets, is estimated at €800 mil. (retail prices), with imports currently representing about 75% of total** (the domestic production accounted for approximately € 200 mil. in retail prices for fiscal 2003).

Neochimiki is **the first company that entered the production of detergents for multinationals**, after the multinational corporations terminated most of their production activities in Greece. The Group currently **holds about:**

1. 97% of multinationals' outsource production in Greece, and
2. 26% market share of detergent production for private labels.

Neochimiki Group is continuously seeking to increase its market share, utilizing its competitive advantages. **Opportunities arise from:**

- the low penetration of domestic production compared to the total detergent market, and
- the multinational corporations' strategic decision to outsource the

production and distribution of some detergent products to third parties, receiving as well customer support services.

Neochimiki's competitive advantages consist of:

- a) its efficient plant (one of the largest factories of detergents in the Balkan area with excellent quality standards, combining low operating and manufacturing costs with high product designing and production capacity). The plant is currently operating on a 40% capacity, assuming the potential to double the production.
- b) the low prices as a result of economies of scale:
broader portfolio of products > higher production volume > economies of scale > lower production cost > attractive pricing policy
- c) excellent know-how in the detergent and house-cleaning sector
- d) the relationship of trust with multinationals
- e) final products that meet the relevant standards
- f) state of the art logistic centers approved by all multinationals.

With its expertise and growth, the Group has set high barriers of entry. A newcomer should invest heavy capital for developing production plants, R&D departments and sales network. In addition, the relationship of trust that Neochimiki currently enjoys with multinationals presumes many years of strong efforts to provide quality assurance, before becoming their reliable partner.

Today, Neochimiki produces detergent products for multinational corps in Greece such as Henkel, UniLever, Johnson Diversey, Sara Lee and Ecolab. In addition, the Group produces detergent final products on behalf of Super Market chains, such as Carrefour, Dia and Delhaize Group.

☞ **Competition**

With regard to production of detergents for multinationals, the Group has achieved a monopoly in Greece, with its main competition coming from abroad from companies like Mc Bride, Da Silva, Persan and Chenotechnica. With regard to production for private labels the main competitors are Rolco Vianill, Minolvara, Hayat, Interstar, Persan, and McBride. Finally, in the production of detergent raw materials, the Group's main competitors are Kapachem, Cognis, Basf and Sasol.

☞ **Growth Rate & Gross Profit Margin Estimates**

During 2004, turnover from production activities **increased by 49.56% y-o-y to € 30.9 mn from €20.66 mn in 2003, implying that the Group has so far succeeded in capturing through its production an increasing stake from imported detergents.** The significant y-o-y increase is attributed to the new agreements with

multinationals and private labels, as well as the increase of Group's production capacity after the initialization of the new production unit.

The Group has the capacity and the know how to further increase sales for final detergent products, utilizing any potential agreement with multinational or private organizations. **In the next 5 year period, turnover from production activities is expected to increase on a CAGR₂₀₀₄₋₂₀₀₈ of 26.44%, representing approximately 30% of total Group turnover at end 2009.** Final detergent products produced for multinationals are expected to represent at least half of turnover from production activities and about 15% of total turnover from 20.3% at end 2004, growing on a CAGR₂₀₀₄₋₂₀₀₉ of 24.31%.

The average gross margin for production activities, stands at approximately 47.8% (at end fiscal 2004) and is expected to remain stable in fiscal 2005, and gradually decrease to 42.3% at end 2009. Gross profit of the production for multinationals contributes the highest share (49% margin at end 2004, expecting to reach 44% at end 2009), with production for private labels and raw materials contributing about 47% and 46% at end 2004 respectively (gradually reaching 41% and 40% respectively).

Horizontal Diversification of Activities

Neochimiki is also the leader in distributing, trading, packaging and repackaging of chemical raw materials on behalf of world-known chemical suppliers. The Group distributes chemicals on behalf of well known multinationals, benefiting from latter's strategic decision to outsource the distribution of some chemical products to third parties, receiving at the same time customer support services.

The Group has managed to diversify its client base horizontally, offering high performance chemicals used in the production process by most industries such as detergents, plastics, paint & lacquers, fertilizers, cosmetics, food, textile, water treatment industries and metal industries.

Neochimiki is currently expanding its operations domestically by:

1. Diversifying its product portfolio, providing chemical raw materials that meet the needs in many industries.
2. Increasing market share in the distribution of chemical raw materials in industries with solid growth rates such as plastics, paint and detergents.
3. Absorbing an increasing stake from the distribution of chemical raw materials. This relates to the international trend of multinationals to outsource the distribution and

customer support services to reliable local distributors.

Opportunities arise, based on the fact that **the overall Greek chemical market is estimated at €5 billion, with Neochimiki currently holding 1.3% market share.**

☞ **Growth Rate and Gross Profit Margin Estimates**

During 2004, total turnover from distribution of chemical raw materials **increased by 47.74% y-o-y, representing 62.7% of total Group turnover.** Sales of raw materials for paint and lacquers, increased by 92.62% y-o-y, positively affected by the new agreement with Shell, for the distribution of lacquers. The strong growth of polymer raw material sales (+110.8%), is attributed to the higher demand and the increase of exports. In addition, the Company entered the fields of industrial oils (mostly targeting rubber industry), adding for the first time € 7.2 mn to its total turnover.

- **Raw Materials for Polymers:** The Group distributes raw materials for polymers for plastic industries, one of the fastest growing industries, with materials that are involved in every facet of our lives. This industry has significant prospects for further development and applications. **We expect earnings from this sector to grow on a CAGR₂₀₀₄₋₂₀₀₉ of at least 33.26% representing about 13% of total turnover at end 2009.** At end 2004, sales increased by 110% with gross profit margin settling at 24%, a level that is expected to gradually decrease at 19% by the end of 2009 according to our projection model. Rigas, Skeberis, Pentaplus, Ultra polymers and Biesterfeld companies should be considered among the Group's main competitors regarding this activity.
- **Raw Materials for Paint and Lacquer:** The Group distributes a broad range of chemical raw materials, which are used by the paint industries during the production and formation of building paints, marine paints and lacquers for all purposes. In order to penetrate further this industry, with regard to resins (raw material used in paint & lacquer industry), the Group acquired Clariant's resin factory in Vathi Avlida by means of its subsidiary Lamda Lamda during 2003. **The Group already has more than 8% market share at this particular sector, aiming to capture at least 15% by the end of fiscal 2009, reaping earnings on a CAGR₂₀₀₄₋₂₀₀₉ of approximately 48.34%.** The trade of raw materials for paint and lacquer industries contributed up to 12% (€ 9.70 mil.) to the consolidated turnover in 2004, while this percentage is expected to be 15.8% for the year 2005 and 20.7% at end 2009. Gross profit margin reached 24%, a level that is expected to fall to 19% by the end of 2009 according to our projection model. In this specific

business unit, the Group's main competitors are BP, Shell, Petrobras, Interchem, Chima, Brenntag and Univar.

- **Raw Materials for Fertilizers:** The market of chemical raw materials for fertilizers reveals solid growth, and is currently estimated at € 330 mil. **The Group has so far captured 1.2% market share; however it is expected to gradually increase to at least 13% in the next 5 years. As a result, turnover from this sector is expected to grow on a CAGR₂₀₀₄₋₂₀₀₉ of 61.78%, representing about 13% of total Group turnover.** The distribution of fertilizers contributed up to 5% (€ 4 mil.) to the consolidated turnover in 2004, while this percentage is expected to reach 7.6% for the year 2005 and 13% at end 2009. Gross profit margin reached 23% and is also expected to fall to 19% by the end of 2009, according to our projection model. The main competitors of the Group are Veterin, B.F.L., Haifa and Bayer.
- **Industrial Base Oil:** During 2004, the Group expanded activities in the distribution of Base Industrial oils for Rubber, Lubricant, & Wax industries. **This sector is expected to grow on a CAGR₂₀₀₄₋₂₀₀₉ of approximately 28%, representing approximately 7% of total Group turnover.** Gross profit margin reached 23%, and is expected to account for 18% by the end of fiscal 2009. The Group's main competitors in this filed are Motor Oil, Brenntag and Univar.

International Expansion

The strength of the Group is its high quality products, the relationship of trust with the multinational groups, and its modern logistics facilities approved by the multinationals, located in key areas in the chemical distribution geographic map of the Balkans.

Neochimiki aims to further **utilize the relationship with multinationals, and further expand their collaboration in the Balkans and Eastern Europe**. It is reminded that the Group has already set up a 99.84% subsidiary in Romania, while in January 2004, it established a 100% subsidiary in Serbia, in July 2004 a 100% subsidiary in Cyprus, and in October 2004 a 100% subsidiary in Bulgaria.

Opportunities arise, from the following facts:

1. The overall Eastern European chemical market is estimated at € 15 billion,

(Neochimiki currently holds 0.1% market share).

2. Group's relationship with multinationals and other Greek and international industries with operations in Greece and Eastern Europe (approximately 2,000 customers).
3. Greece's important role in the region of the Balkans and Eastern Europe, representing an important investor with common cultural links in local communities. This relationship promotes Greek Companies as prime candidates for potential collaborations with multinationals or other large international companies seeking expansion in Eastern European countries.

☞ **Growth Rate Estimates**

Exporting activity currently represents approximately 14% of total Group turnover. During 3rd quarter 2004, the Group established a 100% subsidiary company 'Neochimiki Bulgaria' in Sofia-Bulgaria for the purpose of distributing chemical products in the domestic market. The benefit from this subsidiary as well as from the subsidiaries established in Cyprus, Romania and Serbia during 2004 will fully appear in the results of 2005, when we expect total exports to represent about 20% of total consolidated turnover. **Our projections for the future sales mix imply that approximately 30%-33% of total turnover will come from international operations.**

GROUP HISTORIC & PROJECTED TURNOVER BREAKDOWN

	2002 A	2003 A	2004 A	2005 E	2006 E	2007 E	2008 E	2009 E
Production of								
Detergents for Multinational Corps	9,740	11,149	16,840	23,985	30,497	36,550	42,983	49,985
% of Total	20.80%	19.97%	20.31%	19.97%	19.10%	18.07%	16.50%	14.89%
Detergents for Private Labels	4,410	5,027	6,010	9,018	12,025	14,988	20,888	30,033
% of Total	9.42%	9.00%	7.25%	7.51%	7.53%	7.41%	8.02%	8.95%
Raw Materials for Detergent Industries	3,800	4,484	8,050	10,015	11,860	14,382	16,803	19,850
% of Total	8.12%	8.03%	9.71%	8.34%	7.43%	7.11%	6.45%	5.91%
TOTAL	17,950	20,660	30,900	43,018	54,382	65,920	80,674	99,868
% of Total	38.34%	37.00%	37.27%	35.82%	34.06%	32.60%	30.98%	29.76%
y-o-y growth		15.10%	49.56%	39.22%	26.42%	21.22%	22.38%	23.79%
Wholesale of Raw Materials for								
Paint & Lacquers	3,900	5,025	9,680	19,022	30,012	38,885	52,677	69,520
% of Total	8.33%	9.00%	11.68%	15.84%	18.80%	19.23%	20.23%	20.71%
Food Industry	4,506	4,467	4,520	5,977	7,815	12,003	17,887	25,460
% of Total	9.62%	8.00%	5.45%	4.98%	4.89%	5.94%	6.87%	7.59%
Textile Industry	3,760	4,470	2,988	3,021	3,065	3,160	3,225	3,388
% of Total	8.03%	8.01%	3.60%	2.52%	1.92%	1.56%	1.24%	1.01%
Cosmetics & Detergents Industry	3,800	4,464	5,012	5,992	6,457	7,757	8,768	10,820
% of Total	8.12%	7.99%	6.05%	4.99%	4.04%	3.84%	3.37%	3.22%
Polymers	4,800	5,025	10,595	15,479	22,117	26,185	32,858	44,531
% of Total	10.25%	9.00%	12.78%	12.89%	13.85%	12.95%	12.62%	13.27%
Fertilizers	3,800	3,909	3,994	9,078	14,865	22,806	32,965	44,261
% of Total	8.12%	7.00%	4.82%	7.56%	9.31%	11.28%	12.66%	13.19%
Industrial Base Oil	0	0	7,200	9,530	11,487	14,890	19,232	24,713
% of Total			8.68%	7.94%	7.19%	7.36%	7.38%	7.36%
Water Processing & Biological Sewage	2,576	4,467	4,596	5,493	5,885	6,982	8,443	9,252
% of Total	5.50%	8.00%	5.54%	4.57%	3.69%	3.45%	3.24%	2.76%
Raw Materials for Metal Industries	1,727	3,350	3,420	3,485	3,572	3,638	3,711	3,793
% of Total	3.69%	6.00%	4.13%	2.90%	2.24%	1.80%	1.42%	1.13%
TOTAL TURNOVER	46,819	55,838	82,905	120,095	159,657	202,226	260,440	335,606
y-o-y growth		19.26%	48.48%	44.86%	32.94%	26.66%	28.79%	28.86%

Source: Company Data & VRS Projections

Financial Analysis

Strong Growth Rates – Solid Operating Profit Margins

As the majority of investments have been completed, we expect turnover to grow in line with capacity utilization, international expansion, and higher market share in all product categories of turnover breakdown.

We estimate turnover CAGR₂₀₀₄₋₂₀₀₉ of 32.27%, with revenues related to detergent production of final products and raw materials representing about 30% of the total. We also expect solid growth in revenue streams related to raw materials for Paint & Lacquers, Polymers, Cosmetics and Fertilizer, where opportunities appear more attractive compared to the other fields.

Gross profit margins will gradually decrease but will remain strong, since competition from domestic rivals is expected to remain weak (most competition comes from abroad) in the major activities of the Group. We note that the sector is at a mature stage, and we also expect pressures on pricing. Gross margin currently stands at 33.65%, with our estimations leading to a margin of 26.2% at end 2009, due to higher contribution of distributing activities. EBITDA margin accounted for approximately 20% at end fiscal 2004, a level that will decrease to 14.5% at end fiscal 2009, growing on a CAGR₂₀₀₄₋₂₀₀₉ of 23.9%.

Key Elements of Balance Sheet

The Company was listed on the Athens Stock Exchange in May 2003. The majority of capital raised, was utilized on fixed assets, either through acquisition or construction. As a result, at end 2004, net tangible assets increased by 75.85% y-o-y. The Group completed a € 27 mn investment plan (including the construction of a new warehouse - storage area of 15,000 m³ - and logistic center on its property in Thessalonica, logistic centers in Thiva, production plant in Atalanti, and the expansion and renovation of the production plant in Avlida). For the next 5 years (2005 - 2009) the Group is planning to invest approximately € 68 mn, for further expansion and renovation of buildings and machinery, and expansion of facilities abroad.

With regard to **current assets** for the Group during 2004, **inventories** appear higher (+70%) compared to fiscal 2003 results, with inventory turnover ratio increasing to 100 days (avg) from 98 last year. The Group will aim to gradually decrease inventory days below 90 (avg).

Debtor's turnover ratio remains at approximately at 95 - 105 days (avg), while **creditor's turnover ratio** ranges at approximately 80-85 days. These levels are

expected to sustain for the next 5 years, resulting to working capital change growth on a CAGR₂₀₀₄₋₂₀₀₉ of 75.5% (from € 1.1 mn change in working capital at end 2004, to € 18 mn change at end 2009).

At end 2004, Group **long-term liabilities** increased to € 57.69 mn, compared to € 33 mn at the end of fiscal 2003, **and account for 2 corporate bonds (the first ending in 2008, and the second in 2009) and 1 syndicated loan (ending in 2010)**. We expect the Group to issue more corporate bonds, most probably in fiscal 2007 or 2008 (when the first corporate bond should be repaid), in order to finance its investments and the increasing needs for working capital.

At end 2004, short-term bank loans accounted for € 15.8 mn, settling '*bank debt / equity*' ratio to 1.27x. This ratio is high; it is justified however by Groups decision to follow a low supplier's turnover ratio, benefiting from discounts that in most cases exceed bank interest rates. In addition the Group is under a dynamic investment strategy in order to strengthen its position in the Greek market, increase its market share in most business segments and expand abroad. However, by the end of fiscal 2009, '*bank debt / equity*' ratio is expected to gradually fall to 1x, due to the Group's strong cash flow gains.

Investment Risks

- Although revenues remain strong, the past couple of years have been extremely difficult for the chemical industry and for detergent manufacturers. These challenges are likely to persist in view of continued economic uncertainty.
- Competition in the broader trading market of chemical raw materials is in the form of large number of small size trading companies, most of which are subsidiaries of large multinational groups.
- Unpredictable price fluctuation in raw materials, since prices depend directly on the fluctuation of international oil prices, may affect financial results.
- High investment expenditure for research and new technology in order to cover future customer needs, may also affect financial results. We expect detergent companies to focus more on new products that will evolve to meet constantly changing requirements, such as diminishing water usage, improved energy use in machines, and lower wash temperatures to minimize thermal requirements.
- The Group is characterized by high dependence on the production growth of many industries and particularly the chemical sector.
- Suppliers of detergent ingredients are being pinched, as detergent producers strive to lower costs in the face of intense competition.

Company Overview

Neochimiki was established in 1974 as a family-run business, while in 1996 Mr. Lavrentiadis took over the management of the Company. Neochimiki controls 11 companies holding at least 80% in each. The Group specializes mainly in the chemical product-trading sector. Since 1999, the Group expanded operations vertically, to the chemical product manufacturing sector, by acquiring the detergent and chemical factory of Henkel Hellas, part of the Hoechst Hellas facilities at Vathi, Avlida and during 2003 the resin factory of Clariant. The largest share of Group's turnover relates to detergent sector (trading raw materials and production of cleaning and polishing products). In addition, the Group supplies chemical products, which compose an inseparable part of production process in plastics, paint, varnishing, metal, fertilizing, textile, food and water treatment, serving over than 2,000 clients with more than 150 different categories of chemicals.

Group Structure

Neochimiki is the parent company and controls 14 majority-owned subsidiaries, both in Greece and abroad.

1. Lamda Detergent S.A. (99.9% participation) is active in the consumer detergent final-product manufacturing sector and specializes in the manufacturing of liquid and powder detergents for domestic and professional use. The company's products are supplied to multinational companies, such as Henkel, Ecolab, UniLever, Johnson Diversey, Sara Lee, and to large supermarket chains in Greece in the form of private label products.
2. Lamda Pack S.A. (99.9% participation) packages chemical raw materials and specialty fertilizers. It also produces packaging materials to meet the Group's needs.
3. Lamda Lamda S.A. (99.9% participation) is active in the production of resin, the distribution of organic solvents for multinational firms as well as chemical starting products for paint and lacquer industries.
4. Lamda Polymers International S.A. (99.9% participation) is active in distribution of Polymers.
5. Spedimet S.A. (99.9% participation) mainly provides transportation services of liquid fuels, mineral oils, chemical and caustic liquids in special tank-trucks.
6. Neochimiki Romania S.A. (99.9% participation) distributes the full range of the Group's products in Romania.

7. Petronet S.A. (99.9% participation) distributes lubricants and oil products.
8. Chemical Solutions S.A. (99.9% participation) distributes resin and chemicals raw materials for Paint & Lacquer Industries.
9. Tria Lamda S.A. (99.9% participation) produces and trades fertilizers.
10. Chempol Hellas S.A. (99.9% participation) distributes petrochemical products as well as mechanical and technological plastics.
11. Neochimiki Beograd S.A. (100% participation) distributes the full range of the Group's products in Serbia.
12. Neochimiki Bulgaria S.A. (100% participation) distributes the full range of the Group's products in Bulgaria
13. Neochimiki L.V. Lavrentiadis LTD (100% participation) distributes the full range of the Group's products in Cyprus.
14. Global Galax S.A. (60% participation) distributes lubricants and oil products, in Serbia.

Trading Product Categories

Neochimiki is a leading supplier of high-value-added chemical products and constitutes today one of the main suppliers in Greece. The trading activity of the Company includes the trading, producing, packaging and repackaging of chemical raw materials in bulk. It also trades already packaged raw materials of leading suppliers. The bulk of its products are imported from large European chemical manufacturing firms in Germany, France, Italy, Belgium, Spain, UK, Austria, Turkey, and Finland. The general categories of its trading products include:

- Inorganic Bases
- Inorganic Salts
- Inorganic Acids
- Organic Acids
- Polymers
- Detergents and Cleaning Materials
- Organic Solvents
- Inorganic and Organic Chemical Products

Facilities

Group's facilities are distributed in Avlida, Atalanti, Thessalonica, and Athens.

Atalanti: The Group has a privately owned factory that produces powder, liquid detergents and raw materials for detergents. The plant has 19 production lines and is one of the biggest in the Balkans with a manufacturing capacity of 100,000 tons/year in powder liquid and 25,000 tons/years in raw materials. The 100,000 m² total area includes 15,000 m² of storage space and 7,000 m³ tanks.

Avlida: The Group has privately owned warehouses and tanks covering a total area of 20,000 m³, storing different chemical products, such as liquid sodium hydroxide, sodium hypochlorite, and other chemicals in special specification tanks.

Thessalonica: In the year 2000, the Group established a branch in the Industrial Area of Thessalonica, which covers a total area of 40,000 m². In the warehouse facilities, the Group has tanks covering a total area of 5,000 m³ and a storage area of 5,000 m². This investment is part of the Group's strategy to expand operations in N. Greece, the Balkans, and Ukraine.

Athens: The headquarters of the Group are located in Athens in an area of 1,100 m², including a state-of-the art chemical laboratory.

Quality Assurance

The Group is monitoring and controlling each part of production facilities. Laboratory facilities are fully equipped and supported by specialized personnel for carrying out the controls. In order to ensure high-quality products, the Group applies the following procedure:

- a. Examination of the quality of raw materials used during production,
- b. Applied control and checking of all the production parameters during the process,
- c. Incorporation of continued evaluation in all final product quality level,
- d. Verification that the whole cycle meets the product specifications, which are mutually agreed with customers.

The Group has received the certification of quality standards ISO 9002: 2000 for the production operations and facilities in Atalanti and Vathi.

Strategies for Future Development

The Group has adopted a long-term strategy to:

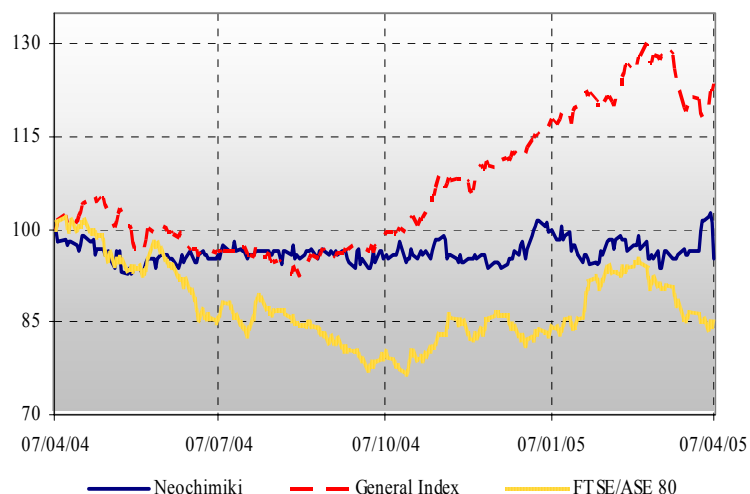
- Maintain leadership and expand product portfolio with regard to the distribution of chemical raw materials in all sectors of local chemical markets,
- Utilize its privately-owned logistic center in Thessalonica, exploring distribution opportunities in Northern Greece, the Balkans and Eastern Europe,
- Establish subsidiaries in foreign countries. The Group will explore opportunities through distributing chemical products to existing customers with operations in the Balkans and some countries in Eastern Europe,
- Increase market share, by profiting from the international trend of multinationals to outsource some of the detergent production (in Greece and gradually in the Balkans and Eastern Europe) to reliable local manufacturers.
- Taking advantage of distribution opportunities arising by the international trend of multinationals to outsource the distribution and customer support services to reliable local distributors, in the € 5 million Greek and € 15 million Balkan chemical markets.

Share Price Performance vs. General Index & FTSE/ASE 80 (base=100, period=12months)

	Ticker
ASE:	NEOXH
Bloomberg	NEOXH GA
Reuters	NCHr.AT

Shares are included in the following indices of the ASE:

- Parallel Market Price Index
- Wholesale Sector Index
- FTSE/ASE 80
- Eurobank MID CAP EPS-50



Data as of 07/04/2005	2004 A	2005 E	2006 E	2007 E
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Price (in €)	3.66
Shares Outstanding	36,000,000
Market Capitalization (in €)	131,760,000

EPS (in €)	0.21	0.29	0.35	0.44
Book Value / Share (x)	1.3	1.6	1.8	2.2
EV (in € mn)	198,132	205,318	206,869	202,623
P/E (a.t.& m.i.)	17.21x	12.41x	10.33x	8.24x
P/BV	2.74x	2.34x	1.98x	1.65x
P/Cash Flow	6.47x	5.49x	4.52x	3.75x
EV/EBITDA	11.90x	9.40x	7.83x	6.28x
EV/Sales	2.39x	1.71x	1.30x	1.00x
Dividend / Share (in €)	0.06	0.07	0.07	0.08
Dividend Yield	1.68%	1.83%	1.98%	2.14%

Source: VRS Estimates

Valuation

DCF Methodology

Applying our projections to the DCF model, we end up on a fair value of € 191.97 million or € 5.33 per share.

(in ,000 €)	2005 E	2006 E	2007 E	2008 E	2009 E	L-Term Assumptions
Cash Flow to the Firm (FCFF)						
EBIT	16,232	19,524	24,294	30,343	38,069	39,549
Less: Adjusted Tax	1,492	2,388	3,112	4,413	6,250	6,493
Adjusted Operating Profit	14,740	17,136	21,182	25,931	31,819	33,057
Plus: Depreciation	5,611	6,884	7,987	9,200	10,548	13,760
Operating Cash Flow	20,351	24,020	29,169	35,131	42,367	46,817
Less: Working Capital	8,921	10,331	12,039	14,689	18,093	18,404
Less: Capex	12,016	12,948	13,830	13,848	14,640	13,760
Cash Flow to the Firm (FCFF)	-586	741	3,300	6,595	9,634	14,653
Discount Factor	0.943	0.889	0.835	0.780	0.725	0.725
Present Value of Cash Flows	-553	659	2,754	5,144	6,982	
Accumulated Present Value	-553	106	2,860	8,004	14,986	
Residual Value						352,851
Present Value of Residual Value						255,701
Enterprise Value						270,686
VALUATION						
Value of firm		270,686				
Less: Net Debt		78,858				
Plus: Participations		146				
Value of firm		191,974				
Value of share		€5.33				
WACC CALCULATION						
Risk Free Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beta Factor	1.20	1.20	1.20	1.20	1.20	1.20
Market risk Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Equity	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Debt / Debt+Equity	62.7%	61.0%	58.5%	54.8%	50.4%	50.4%
Cost of Debt	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Tax Rate	12.23%	15.60%	16.07%	17.96%	19.90%	19.9%
Weighted Average Cost of Capital	6.04%	6.06%	6.21%	6.41%	6.65%	6.65%

Source: VRS Estimates

GROUP HISTORIC & PROJECTED PROFIT & LOSS ACCOUNT

(in ,000 €)		2003 A	2004 A	2005 E	2006 E	2007 E	2008 E	2009 E
Turnover		55,838	82,905	120,095	159,657	202,226	260,440	335,606
	y-o-y Change %	19.26%	48.47%	44.86%	32.94%	26.66%	28.79%	28.86%
Cost of Sales		36,822	55,010	82,994	114,320	145,970	190,019	247,706
	% of Turnover	65.94%	66.35%	69.11%	71.60%	72.18%	72.96%	73.81%
	y-o-y Change %	7.80%	49.39%	50.87%	37.74%	27.69%	30.18%	30.36%
Total Gross Operating Results		19,016	27,895	37,101	45,337	56,256	70,421	87,900
Gross Operating Margin		34.06%	33.65%	30.89%	28.40%	27.82%	27.04%	26.19%
	y-o-y Change %	50.18%	46.69%	33.00%	22.20%	24.08%	25.18%	24.82%
Other operating income		58	118	60	60	60	60	60
Administrative Expenses		2,061	3,167	3,723	3,991	5,157	6,641	8,390
	% of Turnover	3.69%	3.82%	3.10%	2.50%	2.55%	2.55%	2.50%
Research and Development costs		58	62	65	70	72	75	78
	% of Turnover	0.10%	0.07%	0.05%	0.04%	0.04%	0.03%	0.02%
Distribution Cost		5,749	8,134	11,529	14,928	18,807	24,221	30,876
	% of Turnover	10.30%	9.81%	9.60%	9.35%	9.30%	9.30%	9.20%
Total Expenses		7,868	11,363	15,317	18,989	24,036	30,937	39,344
	% of Turnover	14.09%	13.71%	12.75%	11.89%	11.89%	11.88%	11.72%
	y-o-y Change %	66.73%	44.42%	34.80%	23.97%	26.57%	28.71%	27.17%
EBITDA		11,206	16,650	21,843	26,408	32,280	39,544	48,616
EBITDA Margin		20.07%	20.08%	18.19%	16.54%	15.96%	15.18%	14.49%
	y-o-y Change %	39.94%	48.58%	31.19%	20.90%	22.24%	22.50%	22.94%
Depreciation		2,663	4,419	5,611	6,884	7,987	9,200	10,548
	% of Turnover	4.77%	5.33%	4.67%	4.31%	3.95%	3.53%	3.14%
EBIT		8,543	12,231	16,232	19,524	24,294	30,343	38,069
	% of Turnover	15.30%	14.75%	13.52%	12.23%	12.01%	11.65%	11.34%
	y-o-y Change %	41.44%	43.17%	32.71%	20.28%	24.43%	24.90%	25.46%
Total Financial Income		14.4	21.5	20.0	20.0	20.0	20.0	20.0
Total Financial Expense		2,167	3,340	4,053	4,234	4,952	5,798	6,687
Net Extraordinary Results		250	-197	0	0	0	0	0
Net Results Before Taxes		6,640	8,715	12,199	15,310	19,362	24,565	31,402
EBT Margin		11.89%	10.51%	10.16%	9.59%	9.57%	9.43%	9.36%
	y-o-y Change %	48.76%	31.25%	39.97%	25.50%	26.47%	26.87%	27.83%
(-)Prior years' taxes differences		282	266	78	149	239	249	265
Tax income		732	781	1,492	2,388	3,112	4,413	6,250
	Effective Tax Rate	11.02%	8.97%	12.23%	15.60%	16.07%	17.96%	19.90%
Net Results After Taxes		5,626	7,668	10,628	12,773	16,012	19,904	24,888
EAT Margin		10.08%	9.25%	8.85%	8.00%	7.92%	7.64%	7.42%
	y-o-y Change %	90.42%	36.29%	38.61%	20.17%	25.36%	24.31%	25.04%
Proportion of Minority rights		194	13	15	17	20	22	25
Consolidated Net Results (a.t.&m.i.)		5,432	7,654	10,613	12,756	15,992	19,882	24,863
Net Margin		9.73%	9.23%	8.84%	7.99%	7.91%	7.63%	7.41%
	y-o-y Change %	90.50%	40.91%	38.66%	20.18%	25.37%	24.33%	25.05%

Source: Company Data & VRS Estimates

GROUP HISTORIC & PROJECTED BALANCE SHEET

	2003 A	2004 A	2005 E	2006 E	2007 E	2008 E	2009 E
Assets							
Formation Expenses	2,361	4,132	4,466	4,466	4,466	4,466	4,466
Accumulated depreciation	618	1,442	2,130	2,934	3,827	4,466	4,466
Total Net Formation Expenses	1,743	2,690	2,336	1,532	639	0	0
Tangible Assets	56,265	96,340	107,992	120,910	134,710	148,528	163,138
Accumulated depreciation	5,413	6,915	11,839	17,919	25,013	33,574	44,122
Total Net Tangible Assets	50,851	89,425	96,154	102,991	109,698	114,954	119,016
Financial Assets	81	116	146	176	206	236	266
TOTAL FIXED ASSETS	50,932	89,541	96,300	103,167	109,904	115,190	119,282
% Total Assets	57.74%	66.39%	61.73%	57.53%	53.30%	48.78%	43.10%
Inventories	11,199	19,135	22,248	29,117	38,869	49,633	64,379
Debtors	8,808	17,386	22,755	30,610	36,984	48,640	62,615
Cheques Receivables	9,523	583	3,951	5,907	8,313	9,278	11,496
Other Receivables	4,426	3,397	6,145	6,540	9,527	11,165	14,580
Securities (net)	6	0	0	0	0	0	0
Cash in bank and at hand	1,206	1,833	1,942	2,141	1,637	1,870	4,035
TOTAL CURRENT ASSETS	35,170	42,334	57,041	74,315	95,330	120,587	157,105
% Total Assets	39.9%	31.4%	36.6%	41.4%	46.2%	51.1%	56.8%
Prepayments & Accrued Income	366	313	321	329	337	345	354
GRAND TOTAL ASSETS	88,210	134,878	155,997	179,343	206,209	236,122	276,742
Equity & Liabilities							
Share capital	10,800	10,800	10,800	10,800	10,800	10,800	10,800
Share premium account	6,525	6,525	6,525	6,525	6,525	6,525	6,525
Total Reserves	7,768	14,148	15,740	17,654	20,052	23,035	26,764
Profit carried forward	1,875	572	7,178	15,406	26,184	40,069	57,987
Minority Rights	1,272	271	12	14	16	18	20
Consolidation Differences	0	-4,606	-4,606	-4,606	-4,606	-4,606	-4,606
TOTAL CAPITAL & RESERVES	28,428	43,780	51,719	61,862	75,041	91,910	113,560
% Total Equity & Liabilities	32.23%	32.46%	33.15%	34.49%	36.39%	38.92%	41.03%
Provisions	18.8	322.5	330.5	338.8	347.3	355.9	364.8
Debenture Loans	21,000	39,635	34,500	33,750	28,500	44,500	61,500
Other long term debts	9	50	50	50	50	50	50
Bank Loans	12,000	18,000	18,000	13,500	9,000	4,500	0
Total L-Term Liabilities	33,009	57,685	52,550	47,300	37,550	49,050	61,550
Suppliers	8,246	11,803	17,757	23,586	31,602	40,240	53,413
Notes & Checks Payable	473	242	667	648	1,111	1,283	2,110
Banks	14,775	10,570	23,000	30,000	35,000	27,000	24,000
Current portion of long term debt	0	5,250	5,250	9,750	18,500	17,500	10,500
Taxes-duties	776.1	2,438	1,567	2,508	3,267	4,633	6,562
Social charges	256.6	377	447	479	619	797	1,007
Dividends	2,025	2,215	2,415	2,615	2,815	3,015	3,215
Sundry debtors	92	21	115	72	167	145	262
Total Current Liabilities	26,644	32,915	51,218	69,658	93,082	94,613	101,069
TOTAL LIABILITIES	59,653	90,601	103,768	116,959	130,633	143,664	162,619
% Total Equity & Liabilities	67.63%	67.17%	66.52%	65.22%	63.35%	60.84%	58.76%
Accrued Expenses	110	175	179	184	188	193	198
TOTAL EQUITY & LIABILITIES	88,210	134,878	155,997	179,343	206,209	236,122	276,742

Source: Company Data & VRS Estimates

Notes

Notes

VALUATION & RESEARCH SPECIALISTS

Value Invest - www.valueinvest.gr Investment Research & Analysis Journal - www.iraj.gr

Equity Research

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