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Greece – Sector : Wholesale

FG Europe S.A.

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Company Description:

The Company was established in 1958, under the brand name Viometal, and listed on the ASE in 1968. In February 2001, F.G. Europe, a member of the Fidakis Group of companies, acquired management control and alter the name to F.G. Europe. The Group today is a wholesaler, currently active in the 4 different business segments, of air-conditioners, home electrical appliances, mobile telephony products and services and energy production. The Group has established a leading position in the Greek Air-Conditioners sector and is seeking to exploit synergies in Consumer Electronics. Future growth will come mainly from geographical expansion, new products related to electric appliances, and energy.

Ownership Structure:

G. Fidakis	56.63%
Fujitsu General	4.26%
Credit Suisse	12.00%
V. Restis	5.66%
Free Float	25.71%

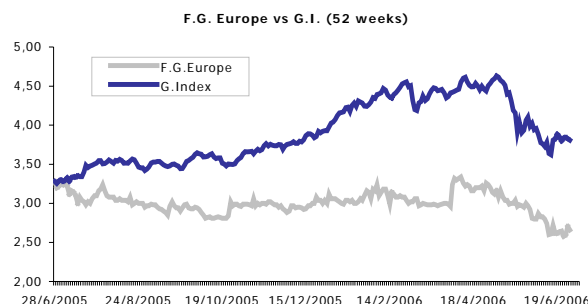
Date	28 June 2006
Share Price (in €)	2.64
Shares Outstanding (mn)	54.58
Mark. Cap. (in €mn)	144.09

	2005	2006 E	2007 E
P / E	138.41	35.07	32.84
P / BV	7.05	6.29	5.62
EV / EBITDA	38.96	22.88	21.95
D / Y	0.00%	1.14%	1.14%
ROE	5.12%	18.96%	18.07%
ROIC	1.30%	4.83%	4.84%
Net debt / Equity	2.77	2.72	2.47

Source: Company Data & VRS Projections

Investment Highlights

- ⊙ **F.G. Europe is the leading wholesaler in the Greek A/C market.** The two main competitive advantages of the Group are the broad network of customers, which are large electrical chain stores in Greece and **the exclusive distribution of the well-known brands Fujitsu (in Greece and Italy), and, after the recent collaboration agreement, Sharp (in Greece).**
- ⊙ **F.G. Europe is utilizing the strong relationship with Greek distribution channels** in order to promote white appliance products in Greece under its own brand name “Eskimo”. The Group orders for the production of a full range of electrical household appliances under specific characteristics, and promotes the final products to Greek retailers. **The competitive advantage of ‘Eskimo’ brand name is its 47% brand awareness in Greece.**
- ⊙ The Group is a wholesaler of a complete range of mobile telephony products, such as business and private solutions, pre-paid cards, phone sets. **The Company is the master dealer of the service provider TIM and the wholesaler of pre-paid cards for all Greek cellular telephony providers, Cosmote, Vodafone, TIM and Q-Telecom.** So far, mobile telephony represented more than 65% of total turnover (€ 107.7mil. at the end of fiscal 2005), operating on about 1.1% gross margin. **The management of the Group decided the gradual reduction of mobile telephony revenues affecting negatively total turnover growth.**



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

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Investment Case

The Group has been among the front-runners in Italy and S-E Europe with regard to A/C sales, and is currently expanding activities in Central and Western Europe (Spain, France, Germany, etc). The network comprises of about 250 sales points in Italy, and over 20 selected wholesalers in South East Europe. The Group has currently proceeded in two major developments that will affect significantly its future growth.

1. **The collaboration agreement with Sharp**, for the distribution of latter's products (LCD TVs, DVD, Video, Home Cinemas, Audio, Refrigerators and Microwaves) in Greece. For the fiscal 2006, we expect full effect of the collaboration agreement, with sales of Sharp products reaching at least €17 mil..
2. **The expansion in energy production.** The Group launched a 2.6 MW hydroelectric plant assuming annual sales of approximately €0.5 mn and about 80% gross margin. In addition, the Group is under the construction of a 10MW wind park and a 1.015 MW hydroelectric plant and under the licensing of another 25.5 MW wind park. We expect the Group to start generating revenues from the new energy production plants from fiscal 2008 and on.

Comparative Ratios

We compare FG Europe Group with a peer group of international wholesale companies. The company can be partially compared to its peers, as there are considerable differences in size and scope. The analysis demonstrates that it trades above adjusted average (based on projected fiscal 2006 multiples P/E and P/Book Value). The diversification of Group's operations in energy and the collaboration agreement with Sharp implies strong growth of future turnover and profitability, assuming higher valuation compared to current levels.

Company	Country	Mkt Cap (mn)	P/E '06	P/BV '06
Crystal Consume Prod.	Israel	29.14	14.61	1.51
Fisher & Paykel Applian.	N. Zealand	619.01	19.58	2.07
Schulthess Group	Switzerland	385.81	33.31	5.82
Hefei Meiling Company	China	127.23	-	0.84
Wuxi Little Swan	China	159.68	59.67	1.75

Data: Bloomberg estimates for fiscal 2006.

P&L (in mil €)	2004	2005	2006 E	2007 E	BS (in mil €)	2004	2005	2006 E	2007 E
Revenues	208.4	161.1	171.1	170.6	Net Fixed Assets	4.00	4.52	5.92	6.77
Gross Profit	16.5	13.9	20.7	22.3	Total Cur. Assets	94.44	87.60	94.34	98.34
OPEX	9.19	10.23	12.49	13.64	Cash & Equivalent	15.36	3.82	3.39	3.40
Gross Profit	6.73	5.13	8.97	9.40	Total Assets	98.4	92.1	100.3	105.1
Finan. Results	0.38	-3.28	-2.84	-3.09	Total Equity	20.12	20.32	22.77	25.51
Depreciation	0.12	0.22	0.16	0.21	L-Term Liabilities	48.74	37.25	28.35	39.63
EBT	6.99	1.63	5.96	6.09	S-term Liabilities	29.15	34.03	48.51	29.15
EAT & Minorities	4.44	1.04	4.08	4.36	Liability & Equity	98.4	92.1	100.3	105.1

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Covered Company	Reuters	Price	Price Close	Disclosure
FG Europe Group	ESKr.AT	2.64	28 June 2006	2,5,6,7

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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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