

F.H.L. Kiriakidis Group

Reuters : KRKR.AT Bloomberg : KYRM GA

Sector: Building Materials

Ownership Structure:

Kiriakidis Family	49.96%
Sanyo	8.11%
Free Float	41.93%

Stock Data

Price (01/02/2007)	€ 2.18
Mkt Cap (in mn)	€ 54.00
Shares (in mn)	24.77

Stock Ratios

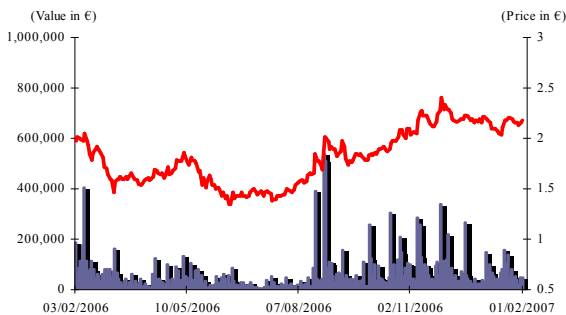
	2004	2005	2006 E	2007 E
P / E	14.29	16.69	14.78	13.60
P / BV	1.34	1.26	1.20	1.33
EV / EBITDA	9.13	9.98	9.07	8.68
Div. Yield	1.83%	2.29%	2.71%	2.72%
ROE	9.35%	7.76%	8.30%	9.26%
ROIC	3.56%	2.79%	3.07%	3.60%
Debt / Equity	1.59	1.64	1.58	1.70

Summary Financials

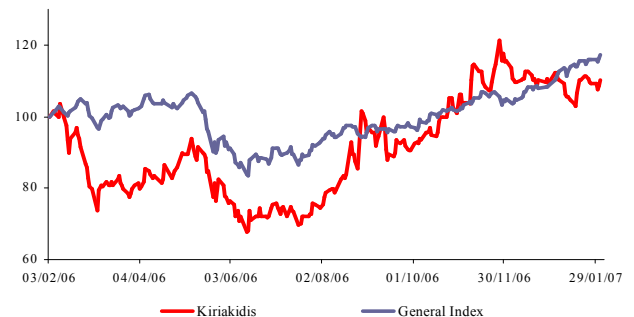
P&L (in mil €)	2004	2005	2006 E	2007 E
Turnover	39.45	43.19	44.44	47.25
Gross Profit	16.44	18.83	19.85	20.79
OPEX	8.72	11.19	11.46	12.21
EBITDA	12.94	12.46	13.80	14.16
Fin. Results	-2.97	-2.66	-3.01	-3.01
Depreciation	4.06	3.74	4.40	4.58
EBT	5.92	6.07	6.39	6.58
EAT & Minor.	3.78	3.24	3.65	3.97

Source: Company Data & VRS Projections

Stock Graph (52 weeks)
Min: € 1.34, Max: € 2.40



Relative performance with G.I. (52 weeks)
Stock Return: 10.10% - G.I. Return: 17.42%



KEY INVESTMENT POINTS

- F.H.L. Kiriakidis is an export oriented Group holding a strong market share in the Greek marble & granite market. The Group has 47,000 m³ annual marble production capacity, with quarries in Thassos, Granitis, Volakas, Nevrokopi and Prilep (FYROM) and proven reserves of 5.27 million m³, **guaranteeing production of premium marble for more than 70 years.**
- **The division of raw and processed marble and other stone sales** account for approximately 80% of total Group turnover. Future growth for this product category will mostly derive from: a) continuous improvement of the quality of processed final products meeting constantly changing customer needs, b) the expansion of the sales network internationally, c) the further enrichment of product portfolio, and d) the sustainability of selling prices close to competition.
- The growth driver of the Group, during the period we examine, arises from the processing of powder produced during the marble extraction in Group's quarries. F.H.L. utilizes this raw material to produce glues, dry mortars, plasters and other similar building materials, **seeking to capture about 10% share from the estimated 4 million tones market.**
- By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of F.H.L. stock at € 2.93 implying an outperform rating. Our time horizon for this rating is approximately 12 months.

TABLE OF CONTENTS

Investment Case	3
Corporate Profile	6
Sector Analysis	8
Risk Factors	10
Valuation - Sensitivity Analysis	11
Stock Data & Valuation Ratios	13
Financial Analysis	14
Historic & Projected Profit & Loss Account	18
Historic & Projected Balance Sheet	19
Historic & Projected Cash Flow	20
Notes	21
Rating System - Disclosure Statement	23
Disclosure Statement	24

INVESTMENT CASE

F.H.L. is an export oriented Group holding strong share in the marble & granite market in Greece (with a leading presence in North and Central Greece). The Group has an annual marble production capacity of 47,000 m³. The Group's product sales include large blocks as well slabs, platforms, tiles and special dimension processed products. In addition, the Group has expanded operations in the production of high value added prefabricated mortars and other similar building materials. **According to our opinion, the growth of the Group in the coming years may be illustrated as follows:**

1. The expansion of sales of marbles and granites internationally,
2. The utilization of know how on special dimension processed products, with participation in projects all over the world,
3. The diversification of operations, through expansion of production capacity in prefabricated mortars and other similar building materials.

Further potential growth scenarios for the Group could be:

1. The acquisition of new queries that could expand the Group's product portfolio and capacity.
2. The development of new plants (apart from the already projected plants) that could increase even further the production capacity of prefabricated mortars and other similar building materials seeking to capture additional share from the estimated 4 million tones market.
3. Strategic collaboration with international partners that could diversify Group's operations vertically (with respect to large scale projects or through a broad sales network).

Marble Tiles & Blocks and Other Stones

The division of marble tiles and blocks and other stone sales, account for approximately 80% of total Group turnover. In the next 5-year period, sales of raw and processed marble and granite products are expected to rise at a CAGR₂₀₀₅₋₂₀₁₀ of 7.05% (~4-5% in quantities), representing at the end of fiscal 2010 about 60% of total Group turnover. Future growth for this product category will mostly derive from:

1. **The expansion of sales network internationally.** The majority of Group's turnover derives from international operations (exports represented about 60% of sales). F.H.L. targets the global stone market, where opportunities appear stronger. The Group is continuously seeking to expand agreements with representatives in several countries targeting

those with high marble or other stone consumption. The priorities of the Group include countries in the Eastern Europe and Middle East.

2. **The continuous improvement of the quality** of processed final products that meet customer needs. The Group is investing on staff training and technical equipment in order to be able to deal with market demands.
3. **The further enrichment of product portfolio** with new kinds of marble, granites and other stones. The Group also imports and trades some specialized stones.
4. **The sustainability of selling prices close to competition.** F.H.L. targets the global stone market, facing competition from production countries such as China, India, Turkey and Brazil. The global stone market is oriented towards privileged relationships based on quality productions at competitive prices.

☞ **Prileb's Premium Quality Snow-White Marble**

F.H.L. is the global leader in the manufacturing of premium quality snow-white marble through its FYROM subsidiary Mermeren Kombinat. This marble type is a unique and thus value added product that trades on significantly higher prices compared to other similar types in the global market. This advantage becomes even stronger given Group's specialized technological equipment that offers the ability to further process the marble and produce final architectural products.

☞ **Large Scale Projects**

The Group has invested in highly specialized technological equipment that can process the marble producing final architectural products. This investment was made in order the Group to have the capacity and know-how to take over large and complicated projects that demand detailed processing.

The Group utilized this capacity by signing in 2004 an agreement for the supply of architecturally processed snow-white marble in the construction of the third-in-rank- worldwide mosque in Abu Dhabi, in UAE. This project is currently at the final stage of completion, with total budget amounting at € 30-32 million.

This project boosted Group's profitability as well as its international prestige, as it managed to enter the club of the international producers and large-scale project constructors. We should mention that FHL was the preferred bidder among top international players with the final approval made by the international house HILL International. The successful completion of this project is expected to become the Group's passport for undertaking future global projects that demand

high quality marble and specialized processing such as projects relating to casinos, hotels, shopping centers etc.

For the fiscal 2007, the Group will receive about € 3.5 million from the large project in Abu Dhabi and € 6 million from other large and smaller scale projects. In the next 4 year period, we have assumed that the Group will undertake large scale projects of about € 9-10 million.

☞ **Diversification in the Building Materials Market**

The Group exploits opportunities arising from the process of powder and scrap, produced during the marble extraction in Group's quarries. The aim of Kiriakidis is to produce glues, dry mortars, plasters and other similar building materials. Those products are of high added value since the Group acquires the raw materials from its own quarries and produces high quality prefabricated mortars and other similar building materials. The Group is seeking to capture about 10% share from the estimated 4 million tones Greek plaster market.

F.H.L. has already started investments for the establishment of a production plant in Kilkis - total Capex is estimated at € 3.5 million that will be 40% financed from grants - and the expansion and modernization (quality improvement of final products) of the production plant in Drama - total Capex is estimated at € 2 million. The latter investment will be complete during 1Q 2007, whereas the first by the end of fiscal 2007 (launching operations in January 2008).

The Group is currently producing approximately 100,000 tones of final products and expects to increase production to 400,000 tones on full capacity after the completion of the investments by the end of the fiscal 2007.

In the next 5-year period, sales of prefabricated mortars and other building materials is expected to rise at a CAGR₂₀₀₅₋₂₀₁₀ of 30.37%, representing at the end of the fiscal 2010 46% of total Company turnover (~38.6% of total Group turnover), from approximately 20% at the end of the fiscal 2005 (~16% of total Group turnover).

CORPORATE PROFILE

F.H.L. Kiriakidis Marbles & Granites Group was established on 03/12/1991 as a mining, processing and trading company of marbles, granites and various stones. Following a long-term process of strategic acquisitions as well as new investments, the parent company participates, controls and consolidates 8 companies that mine, produce and market marble and other related products such as plasters and dry mortars in Greece and abroad. F.H.L. Kiriakidis was listed on Athens Exchange in 1998. Currently, Kiriakidis Group is an international player and leader in the regional marble market, whereas it is the global leader in premium quality snow-white marble. In the Greek marble market, Kiriakidis is also the leader with a market share of over 35%.

The product portfolio includes a wide range of high quality marbles (Thassos white, Sivec white, Prinos semi white etc.), by-products that use marble as a raw material (processed plates, floor tiles etc.), prefabricated mortars and ready-to-use plasters, with the latter product category arising as significant contributor in future revenues. It is noted that F.H.L. Group utilizes powder produced from the process of marbles, from its own quarries, to produce specialized building materials.

Through the acquisition strategy, Kiriakidis Group managed to maximize its independence on raw materials covering customer needs in quality and color. F.H.L. owns excavation sites (marble quarries) in Thassos, Granitis, Volakas, Nevrokopi and Prileb (FYROM) with proven reserves of 5.27million m³, which guarantee production of premium marble for more than 70 years (at current extraction rates).

Kiriakidis Group's Subsidiaries as of 30 September 2006

Company	Ownership Stake (%)	Equity Value (in € 000s)
FHL MERMEREN KOMBINAT (1)	88%	18,401
LATOMIKI K. NOUKARIS	97%	321
FHL WHITE MARBLE COMMERCIAL	99%	297
KIRIAKIDIS BROS – MARBLES	51%	77
COSMOS BUILDING MATERIALS SHANGHAI	92%	2,205
BEIJING FHL CONSTRUETION LTDA	100%	450
FHL DO BRASIL MARMORES LTDA	99%	670
MARMI BIANCHI SRL	100%	10

(1) FHL Mermeren owns the quarry in Prileb, Skopje, producing snow-white marble. It is listed on the Athens Exchange since 2004.

The following table presents Kiriakidis Group's marble quarries and capacities:

Place	Area (m ²)	License End (Year)	Stock (m3)	Annual Production (m3)	Min Life (years)
Thassos	36,335	2014	415,000	7,000	52
Thassos	34,140	2023	292,000	7,000	42
Drosero Rema	96,144	2021	204,000	4,000	51
Volakas	65,172	2014	109,000	3,000	36
Volakas	40,681	2010	355,000	12,000	30
Volakas	24,610	2013	125,000	7,000	18
Volakas	24,067	2021	90,000	1,000	88
Volakas	54,400	2010	290,000	4,000	72
Thassos	42,869	2014	350,000	4,000	85
Thassos	39,397	2023	215,000	5,000	43
Nevrokopi	100,000	2016	590,000	3,000	>100
Prilep	2,000,000	2003	2,238,327	30,000	75
Volakas	40,681	2010	355,000	12,000	30
Volakas	24,610	2013	125,000	7,000	18
Volakas	24,067	2021	90,000	1,000	88
Volakas	54,400	2010	290,000	4,000	72
Nevrokopi	100,000	2016	590,000	3,000	>100

Source: Company

The Group operates 4 production units for the process and shape of marble and other stone related final products. It owns high specialized and latest technology equipment, maximizing its efficiency to undertake large and complicated projects like the construction of the marble parts of the temple in Dubai.

The majority of Group's turnover accounts for exports through a broad sales network that comprises of subsidiary companies as well as representatives in several countries. The major distribution centers are located in Athens, Salonica, Italy and China. In addition, Kiriakidis Group has its own specialized sales force.

Group Turnover Breakdown per Geographic Region as of 30/09/2006

In € 000s	30/9/2006	30/9/2005
Greece	7,813	13,634
Europe	8,574	3,594
Asia	17,190	15,149
Africa	349	239
Americas	163	324
Total Consolidated Revenues	34,089	32,941

Source: Company

SECTOR ANALYSIS

Marble is any limestone which is hard enough to take polish. It is used as construction material for buildings and interiors, and for manufacture of handicrafts. The finest marble is white and all varieties are composed of crystals of mineral calcite or dolomite, which are perfectly white when pure. Black, grey, pink, red, green, and various other kinds of marble are used in buildings and monuments.

According to the Athens Chamber of Commerce & Industry, the marble industry is regarded as an important sector of the Greek economy, with a significant growth potential. Marble constitutes an important rock of the mineral wealth of Greece not only due to its inexhaustible supply, but also thanks to the unique quality and variety of colors. Greece is an important producer, occupying though a low one-digit share in the global primary production of rock. The total mine production has risen sharply from 141,000 tones in 1996 to about 1.5 million tones in 2006. Export activity has also been significant with total unprocessed marble exported exceeding 80,000 tones.

Marble Production Geographic Breakdown

	Country	Tones (in mn)	Market Share
1	China	17.50	23.20%
2	India	8.50	11.30%
3	Italy	7.85	11.00%
4	Spain	5.75	7.70%
5	Iran	4.85	6.50%
6	Brazil	3.20	4.30%
7	Portugal	2.25	3.00%
8	U.S.A.	2.25	3.00%
9	Greece	1.45	1.90%
10	France	1.25	1.70%
11	South Africa	1.15	1.50%
12	North Korea	0.75	1.00%

Source: Stone 2004, Repertorio Economico Mondiale.

A large number of extractors and processors are active in the Greek marble market dealing with the quarrying, processing and trading of marble products. Quite a few of the large sized units have vertically integrated activities or belong to groups with other companies in the same field. Companies involved with granite are fewer in number, while in their majority they are also active in the marble sector. In addition, most of Greek companies have export activities that contribute decisively to broadening the recognition of Greek marble.

Although Greek marbles have “conquered” many markets world wide, they meet intense competition on the one hand from countries such as China, Italy, Spain, Portugal etc., and on the other hand from substitute products, and primarily from ceramic tiles, due to the easier handling of those materials and the lower costs involved. The result of all this is the drop in market share of the primary use of marble (flooring) and its use mainly in special constructions (stairs, external surfaces, etc.).

The development of the world stone sector has basically been constant over the past 15-years. During the period 2001-2004, global stone expansion had been particularly rapid, mainly regarding trade, rising from 356 million m2 in fiscal 2001 to 490 million m2 in fiscal 2004. This trend is expected to sustain in the next 5-year period. The destinations of manufactured stone pieces involve building works, representing about 75% of total, including interior architecture such as kitchen surfaces and bathroom vanity units. However, alternative consumptions are growing on a higher pace, including funerary art and street furniture.

Major Applications of Marble Worldwide

Use	% of total use
Flooring, exterior and interior cladding, stairs, etc.	72%
Buildings, monuments, etc.	28%

Source: FMI/OCSE.

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Strong competition from both domestic and international rivals creating pricing pressure.	The Group has a broad portfolio of products (own and from purchases), ranging from the unique in the world snow-white marble to lower quality stones.
2	The strong currency (euro) reduces competitiveness of the Group's prices compared to rivals from China, India and other emerging markets.	The Company has diversified vertically its operations offering final processed products for architectural uses, providing added value to its products.
3	There is significant dependence on global economic trends as marble products are considered luxury items.	The Company seeks opportunities all over the world, diversifying its operations geographically.
4	Dependence on large scale projects that include high percentage of uncertainty.	The Group has diversified operations by entering the promising market of prefabricated plasters and other similar building materials. This activity is expected to represent at least 40% of total Group turnover by the end of the fiscal 2010.
5	Regulatory problems regarding marble quarrying in Greece.	The Group has already acquired the license to exploit a quarry in FYROM.

Source: Company Data, VRS Research Department.

VALUATION

Based on our forecasts for the next 5-years (explicit period) and the long-term assumptions (terminal value), the application of the discounted free cash flow methodology leads to a fair price of € 2.93 for Kiriakidis stock (implying a total value € 72.51 million).

	2006 E	2007 E	2008 E	2009 E	2010 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	2.9%	6.3%	34.2%	4.0%	3.7%	1.5%
EBIT Margin	21.2%	20.3%	19.5%	20.0%	20.4%	20.3%
Tax Rate	29.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Working Capital (% of sales)	6.9%	-12.9%	0.3%	3.3%	2.8%	2.8%
Capex (% of sales)	5.7%	8.9%	3.8%	3.0%	3.0%	3.5%
Cost of Capital	6.4%	6.5%	6.7%	6.9%	7.3%	7.4%
Depreciation (% of sales)	9.9%	9.7%	7.0%	6.6%	6.2%	3.5%
CASH FLOW STATEMENT						
Turnover	44,442	47,254	63,406	65,923	68,336	69,361
EBIT	9,400	9,585	12,345	13,174	13,935	14,080
Less: Adjusted Tax	2,726	2,396	3,086	3,294	3,484	3,520
Adjusted Operating Profit	6,674	7,189	9,259	9,881	10,451	10,560
Plus: Depreciation	4,398	4,576	4,442	4,321	4,216	2,428
Operating Cash Flow	11,072	11,765	13,701	14,201	14,667	12,988
Less: Change in Working Capital	3,085	-6,093	182	2,184	1,894	1,907
Less: Capex	2,544	4,211	2,399	1,975	2,024	2,428
Cash Flow to the Firm (FCFF)	5,443	13,647	11,121	10,043	10,749	8,653
Discount Factor	0.94	0.88	0.82	0.76	0.70	0.70
Present Value of Cash Flows	5,117	12,040	9,157	7,681	7,567	
Accumulated Present Value	5,117	17,157	26,313	33,994	41,561	
Residual Value						146,039
Present Value of Residual Value						102,080

VALUATION

Enterprise Value	143,641
% Residual Value of Total	71.1%
Less: Net Debt	71,132

Value of firm (€ ,000)	72,510
Outstanding # of shares (000)	24,772
Value of share (€)	2.93

WACC CALCULATION

Risk Free Rate	4.5%
Beta Factor	1.3
Market risk Premium	5.0%
Cost of Equity	11.0%
Debt / Debt + Equity	52.0%
Cost of Debt	5.5%
Tax Rate	25.0%
Weighted Average Cost of Capital	7.4%

Source: VRS Estimates

We have applied the following major assumptions in our model:

- Average cost of capital at 7.4% for the infinite period.
- We have estimated sustained growth in all activities during the examined period and infinity sales growth of 1.5%.
- Infinite EBIT margin of 20.3%.

Applying a sensitivity analysis to the above DCF model, based on different growth rates and different values for weighted average cost of capital (WACC), we end up with the following table:

		WACC				
		5.4%	6.4%	7.4%	8.4%	9.4%
GROWTH	0.50%	3.24	2.73	2.05	1.53	1.13
	1.00%	4.84	3.50	2.59	1.93	1.44
	1.50%	5.64	4.00	2.93	2.17	1.62
	2.00%	6.68	4.62	3.33	2.45	1.82
	2.50%	8.07	5.39	3.81	2.78	2.05

Source: VRS Estimates

STOCK DATA & VALUATION RATIOS

Stock Data & Valuation Ratios (historic & projected figures)

	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Price (in € as of 01/02/2007)	2.18					
Shares Outstanding	24,772					
Market Capitalization (in € mn)	54,003					
EPS (in €)	0.13	0.15	0.16	0.23	0.24	0.25
Book Value / Share (x)	1.73	1.82	1.64	1.78	1.93	2.09
EV (in € million)	124,393	125,135	122,919	117,797	113,644	109,074
P/E (a.t. & m.i.)	16.69x	14.78x	13.60x	9.51x	9.18x	8.59x
P/BV	1.26x	1.20x	1.33x	1.22x	1.13x	1.04x
EV/EBITDA	9.98x	9.07x	8.68x	7.02x	6.50x	6.01x
EV/Sales	2.88x	2.82x	2.60x	1.86x	1.72x	1.60x
Dividend / Share (in €)	0.05	0.06	0.06	0.08	0.09	0.09
Dividend Yield	2.29%	2.71%	2.72%	3.89%	4.03%	4.31%

Source: Company Data & VRS Projections

FINANCIAL ANALYSIS**•Revenue Growth Assumptions**

For the period under consideration, 2006-2010, we expect Group turnover CAGR of 9.6%, making the following key assumptions:

- The Group's management aims to produce top quality value added products seeking higher selling price. During the past 3 years the Company reduced the quantity sold by 80%, increasing at the same time selling prices by at least 200%. For the next 5 year, period we have estimated that prices will increase by at least 6%. Taking into consideration the Company's enormous reserves of raw material, the revenues growth potential for Kiriakidis is considered unlimited for the coming 10years period.
- The Group is under an investment program in the plasters division. The total capacity of plasters and other similar buildings materials currently stands at 100,000 tons annually. The new investment will increase this capacity initially (during the 2nd quarter of fiscal 2007) to 200,000 tons annually and finally (the completion of the second plant is estimated by the end of the fiscal 2007) to 400,000 tons annually. The expansion of this division affects the results of the Group:
 1. According to our estimations the higher production capacity will add to total Group sales about € 20 million annually (from sales of €7 million that we estimate for the fiscal 2006). We have conservatively assumed lower average selling prices for the first year of operation of the new plants and 1.5% annual growth afterwards.
 2. The Group uses the low quality marble as raw material for the plasters division increasing the utilization of its quarries and maximizing economies of scale.
 3. The higher stake in total Group revenues reduces inventory days, improving Group's cash position.
- We have estimated that turnover from projects will account for approximately € 9.5 - 10 million annually. This assumption has been based on the signed agreements of Company (for the first 2-year period), and the hypothesis that the Group will sustain at least this level of projects based on its successful track record. Even though we consider certain that the Company will undertake important works during the next 5years, we have not included such a possibility in our model for conservative reasons.

Activity Turnover Breakdown (historic & projected figures)

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Kiriakidis ABEE	30,097	34,495	35,322	38,179	53,974	55,878	57,581
% change	15.6%	14.6%	2.4%	8.1%	41.4%	3.5%	3.0%
Marble tiles	13,050	10,301	10,440	12,078	12,777	13,417	14,047
% change	-9.2%	-21.1%	1.3%	15.7%	5.8%	5.0%	4.7%
% of company sales	43.4%	29.9%	29.6%	31.6%	23.7%	24.0%	24.4%
Blocks	8,888	4,826	4,807	5,320	5,952	6,550	7,216
% change	6.1%	-45.7%	-0.4%	10.7%	11.9%	10.0%	10.2%
% of company sales	29.5%	14.0%	13.6%	13.9%	11.0%	11.7%	12.5%
Projects	2,814	12,364	13,025	9,581	9,644	9,927	9,944
% change		339.3%	5.3%	-26.4%	0.7%	2.9%	0.2%
% of company sales	9.4%	35.8%	36.9%	25.1%	17.9%	17.8%	17.3%
Plasters	5,343	7,004	7,050	11,200	25,600	25,984	26,374
% change	63.4%	31.1%	0.7%	58.9%	128.6%	1.5%	1.5%
% of company sales	17.8%	20.3%	20.0%	29.3%	47.4%	46.5%	45.8%
Mermeren Kombinat	11,191	13,934	14,016	14,310	15,102	16,200	17,400
% change		24.5%	0.6%	2.1%	5.5%	7.3%	7.4%
Cosmos Building Materials Shangai	684	1,059	1,695	2,508	3,411	4,400	5,324
% change		55.0%	60.0%	48.0%	36.0%	29.0%	21.0%
Intra-Group Sales	2,520	6,301	6,591	7,744	9,080	10,555	11,969
% change	21.2%	42.0%	42.0%	46.0%	49.0%	51.2%	52.7%
Mermeren Kombinat	2,071	6,151	6,167	6,440	7,068	7,695	8,509
% of company sales	18.5%	44.1%	44.0%	45.0%	46.8%	47.5%	48.9%
Cosmos Building Materials Shangai	449	150	424	1,304	2,013	2,860	3,461
% of company sales	65.7%	14.1%	25.0%	52.0%	59.0%	65.0%	65.0%
Group Sales	39,451	43,188	44,442	47,254	63,406	65,923	68,336
% change		9.5%	2.9%	6.3%	34.2%	4.0%	3.7%

Source: Company Data & VRS Projections

Cost of Sales Breakdown (historic & projected figures, including depreciation expenses)

		2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Kiriakidis ABEE		18,316	21,095	21,149	22,826	33,385	33,944	34,433
	Gross Margin	39.1%	38.8%	40.1%	40.2%	38.1%	39.3%	40.2%
Marble tiles		8,222	5,975	5,951	6,788	7,130	7,379	7,670
	% change		-27.3%	-0.4%	14.1%	5.0%	3.5%	3.9%
	Gross Margin	37.0%	42.0%	43.0%	43.8%	44.2%	45.0%	45.4%
Blocks		4,240	2,094	2,005	2,192	2,434	2,640	2,891
	% change		-50.6%	-4.3%	9.4%	11.1%	8.4%	9.5%
	Gross Margin	52.3%	56.6%	58.3%	58.8%	59.1%	59.7%	59.9%
Projects		1,801	7,913	8,076	5,749	5,594	5,659	5,569
	% change		339.3%	2.1%	-28.8%	-2.7%	1.2%	-1.6%
	Gross Margin	36.0%	36.0%	38.0%	40.0%	42.0%	43.0%	44.0%
Plasters		4,053	5,113	5,118	8,098	18,227	18,267	18,303
	% change		26.1%	0.1%	58.2%	125.1%	0.2%	0.2%
	Gross Margin	24.2%	27.0%	27.4%	27.7%	28.8%	29.7%	30.6%
Mermeren Kombinat		6,551	8,641	8,830	9,101	9,711	10,530	11,362
	Gross Margin	41.5%	38.0%	37.0%	36.4%	35.7%	35.0%	34.7%
Cosmos Building Materials Shangai		661	923	1,305	1,595	1,978	2,420	2,928
	Gross Margin	3.3%	12.8%	23.0%	36.4%	42.0%	45.0%	45.0%
Intra-group Cost of Sales		2,520	6,301	6,689	7,060	7,715	8,547	9,432
Group Cost of Sales		23,008	24,358	24,595	26,463	37,359	38,347	39,292
	Gross Margin	41.7%	43.6%	44.7%	44.0%	41.1%	41.8%	42.5%

Source: Company Data & VRS Projections

•Profit Margin Improvement

According to our forecasts, EBITDA margin will decrease by approximately 4% to 26.48% at the end of fiscal 2008 from 29.97% in fiscal 2007 and 31.05% in fiscal 2006. After that period, the EBITDA margin will follow a light upward trend reaching at the end of 2010 at 26.56%. This is due to:

1. The effect from the start up cost from new plants during fiscal 2007 and 2008.
2. The significant proportion of plasters in the Group's turnover (about 46% of total company turnover from the fiscal 2008 and on) is another reason to this margin reduction, since the operating margin of these products stands lower compared to the gross margin of the other product divisions. In particular, the plasters' gross profit margin amounts at approximately 27% - 31% compared to the average 46% - 48% of the other products.

•Key Balance Sheet Items

F.H.L. cash flow alleviates the burden of its extended cash cycle, which is due to nature of the business and the large projects. We expect lower inventory and debtors' days from the fiscal 2008 due to the increase of plasters and similar building material sales.

Bank debt will finance capital needs for investments and working capital. However, positive cash inflows should reduce bank debt to a total of 60 million by the end of fiscal 2010 from 74 million projected for the fiscal 2006 (assuming that no additional investment will realize). We have also included interest expense subsidies of 40% until the fiscal 2008.

Activity	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Stock Days	454	454	458	516	380	380
Debtors Days	348	356	298	250	250	250
Creditors Days	239	241	248	230	232	235
Operating Cycle	802	814	814	630	630	630
Cash Cycle	562	573	566	400	398	395
Capital Structure						
Total Debt/ Total Equity	2.18	2.03	2.31	2.21	2.00	1.76
Bank Loans/ Total Equity (D/E ratio)	1.70	1.63	1.72	1.54	1.37	1.16

Source: Company Accounts and VRS Estimates.

Historic & Projected Profit & Loss Account

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Turnover	39,451	43,188	44,442	47,254	63,406	65,923	68,336
y-o-y Change. %		9.47%	2.90%	6.33%	34.18%	3.97%	3.66%
Cost of Sales	23,008	24,359	24,595	26,463	37,359	38,347	39,292
% of Turnover	58.32%	56.40%	55.34%	56.00%	58.92%	58.17%	57.50%
y-o-y Change. %		5.87%	0.97%	7.59%	41.18%	2.64%	2.46%
Gross Profit	16,443	18,829	19,847	20,791	26,047	27,576	29,044
Gross Margin	41.68%	43.60%	44.66%	44.00%	41.08%	41.83%	42.50%
y-o-y Change. %		14.52%	5.41%	4.76%	25.28%	5.87%	5.32%
Other operating income / expense	1,168	1,088	1,010	1,000	1,000	1,000	1,000
Operating Expenses	8,724	11,193	11,457	12,206	14,702	15,402	16,109
% of Turnover	22.11%	25.92%	25.78%	25.83%	23.19%	23.36%	23.57%
y-o-y Change. %		28.29%	2.36%	6.53%	20.45%	4.76%	4.59%
EBIT	8,886	8,725	9,400	9,585	12,345	13,174	13,935
EBIT Margin	22.52%	20.20%	21.15%	20.28%	19.47%	19.98%	20.39%
y-o-y Change. %		-1.81%	7.73%	1.97%	28.79%	6.71%	5.77%
Depreciation	4,056	3,738	4,398	4,576	4,442	4,321	4,216
% of Turnover	10.28%	8.65%	9.90%	9.68%	7.01%	6.55%	6.17%
EBITDA	12,942	12,463	13,798	14,161	16,787	17,495	18,150
EBITDA Margin	32.81%	28.86%	31.05%	29.97%	26.48%	26.54%	26.56%
y-o-y Change. %		-3.70%	10.72%	2.63%	18.54%	4.21%	3.75%
Net Financial Results	-2,968	-2,658	-3,008	-3,008	-2,934	-3,423	-3,519
Net Results Before Taxes	5,918	6,068	6,392	6,577	9,411	9,751	10,416
EBT Margin	15.00%	14.05%	14.38%	13.92%	14.84%	14.79%	15.24%
y-o-y Change. %		2.53%	5.35%	2.90%	43.09%	3.61%	6.82%
Income Tax	1,224	2,048	1,854	1,644	2,353	2,438	2,604
Effective Tax Rate	20.68%	33.75%	29.00%	25.00%	25.00%	25.00%	25.00%
Net Results After Taxes	4,694	4,020	4,538	4,933	7,058	7,313	7,812
EAT Margin	11.90%	9.31%	10.21%	10.44%	11.13%	11.09%	11.43%
y-o-y Change. %		-14.37%	12.90%	8.69%	43.09%	3.61%	6.82%
Proportion of Minority Rights	916	784	886	963	1,378	1,427	1,525
Net Results (a.t.&m.i.)	3,778	3,235	3,653	3,970	5,681	5,886	6,287
Net Margin	9.58%	7.49%	8.22%	8.40%	8.96%	8.93%	9.20%
y-o-y Change. %		-14.37%	12.90%	8.69%	43.09%	3.61%	6.82%

Source: Company Data & VRS Projections

Historic & Projected Balance Sheet

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Assets							
Net Intangible Assets	12,327	13,217	12,046	11,382	11,172	11,030	10,951
Net Tangible Assets	43,477	48,780	48,096	48,395	46,561	44,357	42,245
Investments in Associates	3,706	612	489	489	489	489	489
Other L-term assets	2,514	0	2,044	2,032	2,720	2,822	2,925
Total Non-Current Assets	62,024	62,608	62,676	62,298	60,943	58,698	56,610
% Total Assets	47.96%	42.60%	42.46%	42.28%	39.12%	37.16%	36.03%
Inventories	27,115	33,487	30,862	37,410	38,895	39,923	40,907
Trade Receivables	32,531	41,128	43,346	38,580	43,429	45,153	46,805
Other Receivables	6,049	7,101	8,166	8,248	8,165	8,002	7,842
Cash in bank and at hand	1,611	2,658	2,562	826	4,365	6,178	4,960
Total Current Assets	67,307	84,375	84,936	85,063	94,853	99,256	100,514
% Total Assets	52.04%	57.40%	57.54%	57.72%	60.88%	62.84%	63.97%
TOTAL ASSETS	129,331	146,983	147,612	147,362	155,796	157,954	157,123
Equity & Liabilities							
Shareholder's Equity	40,424	42,915	45,107	40,608	44,187	47,895	51,856
Minority Rights	2,738	3,309	3,574	3,863	4,276	4,705	5,162
Total Equity	43,162	46,224	48,681	44,471	48,464	52,600	57,018
% Total Equity & Liabilities	33.37%	31.45%	32.98%	30.18%	31.11%	33.30%	36.29%
L-Term Bank Loans	48,405	50,732	53,691	49,095	46,927	47,143	43,297
Provisions for Staff Retirement	157	211	211	211	211	211	211
Deferred Tax Liabilities	4,078	2,302	2,256	2,211	2,167	2,124	2,081
Other long term debts	0	0	0	0	0	0	0
Total L-Term Liabilities	52,640	53,246	56,158	51,518	49,305	49,477	45,589
Suppliers	9,008	15,977	16,240	17,980	23,541	24,374	25,298
Banks	17,417	22,316	20,002	20,647	21,232	18,676	16,733
Taxes-duties	1,246	1,872	1,020	904	1,294	1,584	1,693
Other Payables	5,859	7,348	5,511	11,841	11,960	11,242	10,793
Total Current Liabilities	33,529	47,513	42,772	51,373	58,028	55,877	54,516
Total Liabilities	86,169	100,759	98,930	102,890	107,332	105,355	100,105
% Total Equity & Liabilities	66.63%	68.55%	67.02%	69.82%	68.89%	66.70%	63.71%
TOTAL EQUITY & LIABILITIES	129,331	146,983	147,612	147,362	155,796	157,954	157,123

Source: Company Data & VRS Projections

Historic & Projected Cash Flow

(in € ,000)	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Profit After Tax	4,020	4,538	4,933	7,058	7,313	7,812
Plus: Change of Depreciation	3,738	4,398	4,576	4,442	4,321	4,216
Plus: Depreciation Differences from sale/acquisition of assets	205	0	0	0	0	0
Gross Cash Flow	7,962	8,937	9,509	11,501	11,634	12,027
<u>Change in:</u>						
(-) Trade Debtors	8,598	2,218	-4,767	4,849	1,724	1,653
(-) Inventory	6,372	-2,625	6,548	1,484	1,029	984
(-) Other Receivables	1,052	1,065	82	-82	-163	-160
(+) Trade Creditors	6,969	262	1,741	5,561	833	924
(+) Liabilities for taxes	626	-853	-115	390	290	108
(+) Other Short - term liabilities	1,489	-1,837	6,331	118	-718	-450
Change in Working Capital	-6,937	-3,085	6,093	-182	-2,184	-1,894
Operating Cash Flow	1,025	5,852	15,602	11,319	9,450	10,133
<u>Change in:</u>						
(-) Intangible Assets	2,743	18	541	929	975	1,024
(-) Tangible Assets	7,392	2,526	3,670	1,470	1,000	1,000
(-) Other long - term receivables	-5,608	1,922	-12	688	101	103
(+) Other Long - term liabilities	-1,721	-46	-45	-44	-43	-42
(+) Cons. diff./ Minority Interests	571	266	289	413	428	457
Cash Flow from Investment	-5,677	-4,246	-3,955	-2,718	-1,692	-1,712
Net Cash Flow Before Financing Activities	-4,652	1,605	11,647	8,601	7,759	8,421
Increase in Share Capital	0	0	0	0	0	0
Increase in Share Premium Account	0	0	0	0	0	0
Net Change in Reserves	691	0	-7,000	0	0	0
Change in Long - Term Debt	2,327	2,959	-4,596	-2,169	216	-3,845
Change in Short - Term Debt	4,900	-2,314	645	586	-2,556	-1,943
Dividends	1,435	1,461	1,469	2,102	2,178	2,326
Minority Interests on Profit	784	886	963	1,378	1,427	1,525
Net Cash Flow from Financing	5,699	-1,702	-13,383	-5,062	-5,945	-9,640
	0	0	0	0	0	0
Cash at Beginning	1,611	2,658	2,562	826	4,365	6,178
Change in Cash and Marketable Securities	1,047	-97	-1,736	3,539	1,814	-1,219
Cash at End	2,658	2,562	826	4,365	6,178	4,960

Source: Company Data & VRS Projections

NOTES

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	80%	Expected to Outperform the Index by more than 10%
Neutral	20%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.
2/ Benchmark Index: ASE General Index.
3/ Stock Universe: 40 Companies.
4/ Current Stocks Covered: 5 Companies.

Ratings History

Company	Date	Rating	Target Price
SARANTIS	27/07/2006	Outperform	€ 9.10
INTRALOT	31/10/2006	Outperform	€ 25.55
THRACE PLASTICS	18/12/2006	Outperform	€ 2.72
OPAP	10/01/2007	Neutral	€ 29.86
F.H.L. KIRIAKIDIS	01/02/2007	Outperform	€ 2.93

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