

FOURLIS HOLDING S.A.

Sector:	Retail, non food
Issue Date	April 1, 2011
New Target Price	6.30 €
(Previous Target Price:	6€)
New Rating	Underperform
(Previous Rating:	Outperform)

Rating Underperform

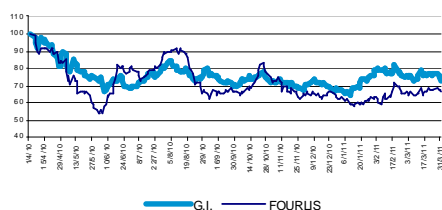
Target Price	6.30 €
Of which Expected Dividend 11e (net)	0.07 €
Last Price	6.00 €
Total Expected Return	5.0%

Stock Data

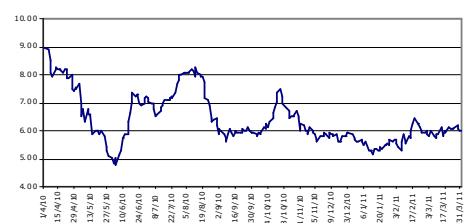
Bloomberg Code	FOYRK GA
Reuters Code	FRLr.AT
52 week high	8.97 €
52 week low	4.80 €
1m performance	1.5%
YTD performance	7.0%
Number of shares	50,992,322
Market Capitalization	305,953,932 €
Average Daily Volume (52w)	67,955
Free Float	65%

Performance	Fourlis	GI
1m performance	1.5%	0.2%
3m performance	7.0%	11.7%
6m performance	1.4%	7.4%
12m performance	-32.3%	-23.6%
YTD performance	7.0%	11.7%

Fourlis Relative Performance



Fourlis Performance - 52 week



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Upbeat performance abruptly disturbed in 2010 on deteriorating macro outlook. Still, BS is solid, roll-out plan in track and further investments are on the way.

2010 was the first year Fourlis Group reported declining growth rates in its P&L figures, due mainly to the high uncertainty caused by the government's austerity measures, which had a negative impact upon consumers' sentiment and spending. Consumers either feel uncertain regarding the future and tend to postpone certain shopping needs, such as home improvement projects or new appliances, or have seen a harsh reduction in their disposable income and can no longer afford increased spending on durable goods; unemployment rate has also seen record high levels in December (14.8%). It is worth noting that the Home Furnishing market in Greece came down from €2.5b to €1.7b or by 32% during the last 2 years from 2008 to 2010, a period during which nearly all Greek macro indicators have realized a severe downturn (e.g. GDP, Retail Sales, Consumer Confidence Indicator, Unemployment).

The main key points of fiscal year 2010 financial results are the following:

- **Group revenue** came in at €638.2m, down 15.1% y-o-y, mainly due to the discontinuation of Samsung. Excluding Samsung's revenue from both years, revenue from continued operations stood at €435m, merely 3.2% down compared to €449.5m recorded last year.
- **Gross profit margin** for 2010 improved by 79bps to 31.4% (vs 30.6% in 2009). Note that the Retail division enjoys a higher gross profit margin vs the Wholesale division, meaning that Wholesale's lower contribution to total revenue has a beneficiary effect upon group gross margin (wholesale division's revenue contribution in 2010 stood at 37.3% vs 44.7% in 2009).
- Group reported **EBITDA** stood at €47.3m compared to €72.9m in 2009 (-35.1%) while EBITDA from continued operations retreated by a milder 32.2%. Excluding the c.3m one-off gains booked in Q2 2009 results (involving mostly gain from the sale of real estate property) normalised EBITDA for 2010 soared 32.3% (-28.8% normalised EBITDA from continued operations). Normalised EBITDA margin lost 188bps and a harsher 364bps decline was spotted upon EBITDA margin from continued operations, reflecting the severely hurt margin of the Retail Division (IKEA & Intersport).
- Fourlis' reported **net profit** stood at €15.1m compared to €31.6m in 2009 (-52.3%) while adjusting for last year's one-off gains and both years' social responsibility taxes, normalised net profit saw a 41.7% decrease to €20.5m (vs €35.2m in 2009).
- After 3 quarters of net debt increases driven by the significantly increased working capital needs of the Wholesale, December 2010 **net debt** decreased to €116.4m.
- The management will propose at the company's AGM the **non-distribution of dividend** for 2010 (needs 70% of total votes to be approved), taking in mind the group's increased investment needs and arising opportunities in Greek and Cyprus.

Main changes in estimates

- We trimmed our Retail Division's I-f-I growth and EBITDA margin estimates to reflect the still negative macro environment in Greece.
- We adjusted our Intersport network to account for the acquisition of the 75% of the franchise rights in Turkey and further network expansion in the neighbouring country.
- We adjusted our model to the tax law submitted to the Greek parliament (expected to be enacted soon), which replaces the 40% tax on distributed profit with a withholding tax on dividend and reduces corporate tax to 20% in 2011 from 24% in 2010.

Our new TP stands now at 6.30 €, higher than our previous target price of 6€, as the new tax law benefit along with expanding in Turkey more than offset EPS cuts driven mostly by lower IKEA I-f-I growth assumptions. We keep our rating unchanged to Underperform, as the stock trades still near its fair value.

Fundamentals

(million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f
Sales	482.1	670.1	784.4	751.7	638.2	461.8	494.7	514.9
EBIT *	42.4	64.9	68.0	59.6	36.1	32.6	38.6	43.4
EBIT Margin *	8.8%	9.7%	8.7%	7.9%	5.7%	7.1%	7.8%	8.4%
EBITDA *	49.5	72.7	78.3	69.9	47.3	45.5	51.9	56.3
EBITDA Margin *	10.3%	10.9%	10.0%	9.3%	7.4%	9.8%	10.5%	10.9%
Net profit **	22.5	35.9	37.3	35.2	20.5	19.5	24.3	27.9
EPS (€) **	0.44	0.70	0.73	0.69	0.40	0.38	0.48	0.55
DPS (€) (gross)	0.18	0.30	0.36	0.25	0.00	0.10	0.17	0.19
DPS (€) (net)	-	-	-	0.23	0.00	0.07	0.13	0.14
Valuation Ratios								
P / E (x) **	13.6	8.5	8.2	8.7	14.9	15.7	12.6	11.0
P / BV (x)	2.7	2.0	1.5	1.4	1.4	1.3	1.2	1.1
EV / Sales (x)	0.9	0.6	0.5	0.4	0.6	0.8	0.7	0.7
EV / EBITDA (x) *	8.5	5.5	5.4	4.8	8.6	8.0	6.8	6.4

Source: Company & Prelium Research Estimates

Notes:

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

** Normalised for one-off items (the sale of 10% stake in Kotsivolos and the sale of real estate) and adjusted for one-off taxation

FINANCIAL DATA SUMMARY

(million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f
P&L								
Turnover	482.1	670.1	784.4	751.7	638.2	461.8	494.7	514.9
Gross Profit	142.1	198.9	238.1	230.3	200.6	182.8	195.5	203.7
EBITDA (reported)	60.1	83.4	101.7	72.9	47.3	45.5	51.9	56.3
EBIT (reported)	53.0	75.6	91.5	62.7	36.1	32.6	38.6	43.4
EBT (reported)	47.9	65.2	76.2	53.3	28.2	25.2	31.6	36.3
EAT&M (reported)	27.4	46.2	55.1	31.6	15.1	14.1	24.3	27.9
EBITDA (normalised)*	49.5	72.7	78.3	69.9	47.3	45.5	51.9	56.3
EBIT (normalised) *	42.4	64.9	68.0	59.6	36.1	32.6	38.6	43.4
EBT (normalised)*	37.3	54.5	52.8	50.2	28.2	25.2	31.6	36.3
EAT&M (normalised)**	22.5	35.9	37.3	35.2	20.5	19.5	24.3	27.9
Balance Sheet								
Net Fixed Assets	115.1	185.2	247.9	252.9	260.1	282.2	300.2	319.4
Non-current assets - available for sale	49.6	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Cash Equivalents	25.5	70.5	104.2	94.1	43.1	75.3	83.7	78.0
Other Current Assets	196.3	276.1	287.5	251.0	214.3	134.9	131.0	136.3
Total Assets	386.5	536.5	639.6	598.0	517.5	492.4	514.9	533.7
ST Bank Debt	37.7	41.0	158.7	59.5	120.7	120.7	120.7	120.7
LT Bank Debt	103.4	146.2	87.1	92.3	38.8	38.8	38.8	38.8
ST Liabilities	124.7	194.2	184.0	211.3	123.1	83.4	85.7	84.3
LT Liabilities	6.6	4.1	7.2	19.5	18.0	18.3	18.6	18.9
Minorities	0.1	0.5	0.9	1.0	0.5	0.7	1.0	1.5
Equity	114.1	150.6	201.8	214.4	216.4	230.5	250.0	269.5
Total Liabilities	386.5	536.5	639.6	598.0	517.5	492.4	514.9	533.7
Net Debt	115.5	116.7	141.5	57.7	116.4	84.2	75.8	81.5
Cash Flow Statement								
EBIT	53.0	75.6	91.5	62.7	36.1	32.6	38.6	43.4
Adjustments	(23.1)	(24.5)	(50.8)	46.5	(66.3)	2.2	(6.8)	(10.0)
Δ Working Capital	(11.2)	(23.5)	(21.5)	(10.7)	0.9	29.1	8.9	(2.3)
Cash Flow from Operations	18.7	27.6	19.2	98.5	(29.3)	63.8	40.7	31.0
CAPEX	(12.2)	(59.7)	(60.5)	(34.2)	(19.7)	(35.0)	(30.1)	(32.1)
Proceed from sale of assets/investments	0.0	37.9	28.2	33.3	0.6	0.0	0.0	0.0
Other	0.1	1.6	1.7	3.3	3.5	(6.7)	3.8	3.8
Cash Flow from Investing	(12.1)	(20.2)	(30.6)	2.4	(15.6)	(31.7)	(26.3)	(28.3)
Dividends paid	(7.7)	(9.2)	(15.4)	(18.3)	(12.7)	0.0	(4.9)	(8.5)
Δ Bank Debt	21.2	49.7	63.7	(35.8)	0.1	0.0	0.0	0.0
Other	(3.0)	(2.8)	(2.7)	(56.8)	6.5	0.0	(1.1)	0.1
Cash Flow from Financing	10.5	37.6	45.6	(111.0)	(6.1)	0.0	(6.0)	(8.4)
Net change in cash	17.1	44.9	33.7	(10.1)	(51.0)	32.2	8.4	(5.6)
Per Share Data								
EPS (Reported)	0.54	0.91	1.08	0.62	0.30	0.28	0.48	0.55
EPS (Normalised)**	0.44	0.70	0.73	0.69	0.40	0.38	0.48	0.55
EPS (Diluted)	-	-	-	0.62	0.29	0.28	0.47	0.54
DPS (gross)	0.18	0.30	0.36	0.25	0.00	0.10	0.17	0.19
DPS (net of tax)	-	-	-	0.23	0.00	0.07	0.13	0.14
BV per share	2.24	2.95	3.96	4.21	4.25	4.52	4.90	5.29
Year end number of shares (mil. €)	51.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0
Weighted number of shares (mil. €)	51.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0
Valuation Data								
P/E (x) (reported)	11.1	6.6	5.6	9.7	20.2	21.7	12.6	11.0
P/E (x) (normalised) **	13.6	8.5	8.2	8.7	14.9	15.7	12.6	11.0
P/BV (x)	2.7	2.0	1.5	1.4	1.4	1.3	1.2	1.1
Dividend Yield (gross) (%)	3.0	5.0	6.0	4.2	0.0	1.6	2.8	3.2
Dividend Yield (net) (%)	-	-	-	3.8	0.0	1.2	2.1	2.4
EV / Sales (x)	0.9	0.6	0.5	0.4	0.6	0.8	0.7	0.7
EV / EBITDA (x)	7.0	4.8	4.2	4.6	8.6	8.0	6.8	6.4
EV / EBITDA (x) (normalised)*	8.5	5.5	5.4	4.8	8.6	8.0	6.8	6.4
FCF Yield (%)	0.0	-5.5	-1.6	5.4	3.8	11.6	7.2	4.0
Growth Rates (%)								
Turnover	-	39.0	17.1	-4.2	-15.1	-27.6	7.1	4.1
EBITDA (reported)	-	38.8	22.0	-28.3	-35.1	-3.9	14.1	8.5
EBITDA (normalised)*	-	47.0	7.6	-10.8	-32.3	-3.9	14.1	8.5
EBIT (reported)	-	42.5	21.0	-31.5	-42.5	-9.7	18.6	12.3
EBIT (normalised)*	-	53.0	4.8	-12.4	-39.5	-9.7	18.6	12.3
EBT (reported)	-	36.2	16.9	-30.1	-47.1	-10.7	25.5	15.0
EBT (normalised)*	-	46.3	-3.2	-4.9	-43.8	-10.7	25.5	15.0
EAT&M (reported)	-	68.3	19.2	-42.6	-52.3	-6.6	72.6	14.7
EAT&M (normalised)**	-	59.2	3.8	-5.5	-41.7	-4.8	24.5	14.7
Profitability Ratios								
Gross Profit Margin (%)	29.5	29.7	30.4	30.6	31.4	39.6	39.5	39.6
EBITDA Margin (%) (reported)	12.5	12.4	13.0	9.7	7.4	9.8	10.5	10.9
Net Profit Margin (%) (reported)	5.7	6.9	7.0	4.2	2.4	3.1	4.9	5.4
ROE (%)	24.1	30.7	27.3	14.7	7.0	6.1	9.7	10.4
ROA (%)	7.1	8.6	8.6	5.3	2.9	2.9	4.7	5.2
EBITDA Margin (%) (normalised) *	10.3	10.9	10.0	9.3	7.4	9.8	10.5	10.9
Net Profit Margin (%) (normalised) **	4.7	5.4	4.7	4.7	3.2	4.2	4.9	5.4
ROE (%) (normalised)**	19.8	23.8	18.5	16.4	9.5	8.5	9.7	10.4
ROA (%) (normalised)**	5.8	6.7	5.8	5.9	4.0	4.0	4.7	5.2
Debt Ratios								
Liabilities / Assets (%)	70.5	71.8	68.3	64.0	58.1	53.0	51.2	49.2
Bank Debt / Assets (%)	36.5	34.9	38.4	25.4	30.8	32.4	31.0	29.9
Interest Coverage (x)	11.0	8.0	6.7	8.0	6.3	6.2	7.4	8.0
Asset Turnover Ratios								
Inventory Days	78	70	74	74	73	74	74	74
Trade Receivable Days	86	85	65	53	48	40	30	30
Trade Payable Days	122	135	109	133	99	90	90	90
Cash Conversion Cycle	42	20	30	-7	22	24	14	14
Liquidity Ratios								
Current Ratio (x)	1.4	1.5	1.1	1.3	1.1	1.0	1.0	1.0
Quick Ratio (x)	0.9	1.1	0.8	0.9	0.7	0.8	0.7	0.7

Source: Company & Prelium Research Estimates

Notes:

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

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FY 2010 FINANCIAL RESULTS

The company completed in December 2010 the interruption of collaboration with Samsung and disclosed financial figures from Samsung, included in 2010 and 2009 financial results, as figures from "discontinued operations" (cooperation with Samsung in Romania and mobile phones in Greece was discontinued as from July 2010 and the rest terminated end December 2010).

Looking briefly into Fourlis Group 2010 financials it is evident that reported figures saw significant pressure in 2010, due mainly to the high uncertainty caused by the government's austerity measures, which had a negative impact upon consumers' sentiment and spending. Consumers either feel uncertain regarding the future and tend to postpone certain shopping needs, such as home improvement projects or new appliances, or have seen a harsh reduction in their disposable income and can no longer afford spending on durable goods; unemployment rate has also seen record high levels in December. It is worth noting that the Home Furnishing market in Greece came down from €2.5b to €1.7b (-32%) during the last 2 years from 2008 to 2010, a period during which nearly all Greek macro indicators have realized a severe downturn (e.g. GDP, Retail Sales, Consumer Confidence Indicator, Unemployment).

Note finally the social responsibility tax levies booked both in 2009 and 2010 (€5.9m and €5.4m respectively), which proved a further burden on the bottom line results and the fact that despite the two VAT increases that took place in 2010 (from 19% to 23%), Fourlis reduced catalogue items' prices in the 2009 and 2010 catalogues by 3.5% and 4% respectively (catalogue items count roughly for 55% of total revenue).

Table 1: Quarterly Results

(million €)							12m 10a				12m 09a					
	3m 10a	y-o-y	6m 10a	y-o-y	9m 10a	y-o-y	Total	y-o-y	Continued	Discontinued*	Total	y-o-y	Continued	Discontinued*		
Sales	162.9	6.5%	316.8	0.2%	463.3	-9.5%	638.2	-15.1%	435.0	-3.2%	203.2	-32.8%	751.7	-4.2%	449.5	302.2
Gross Profit	49.5	2.0%	94.4	-4.7%	143.8	-9.8%	200.6	-12.9%	174.5	-6.5%	26.1	-40.4%	230.3	-3.3%	186.6	43.7
Gross Profit Margin	30.4%		29.8%		31.0%		31.4%		40.1%		12.8%		30.6%		41.5%	14.5%
EBIT (reported)	8.7	-20.6%	13.7	-45.3%	21.9	-45.1%	36.1	-42.5%	33.4	-40.0%	2.6	-62.3%	62.7	-31.5%	55.7	7.0
EBIT Margin (reported)	5.3%		4.3%		4.7%		5.7%		7.7%		1.3%		8.3%		12.4%	2.3%
EBIT (normalised) **	8.7	-20.4%	13.7	-37.8%	21.9	-40.6%	36.1	-39.5%	33.4	-36.5%	2.6	-62.6%	59.6	-12.4%	52.6	7.0
EBIT Margin (normalised) **	5.3%		4.3%		4.7%		5.7%		7.7%		1.3%		7.9%		11.7%	2.3%
EBITDA (reported)	11.5	-12.9%	19.5	-35.6%	30.6	-35.7%	47.3	-35.1%	44.2	-32.2%	3.1	-59.6%	72.9	-28.3%	65.1	7.8
EBITDA Margin (reported)	7.1%		6.2%		6.6%		7.4%		10.2%		1.5%		9.7%		14.5%	2.6%
EBITDA (normalised) **	11.5	-12.7%	19.5	-28.3%	30.6	-31.3%	47.3	-32.3%	44.2	-28.8%	3.1	-59.9%	69.9	-10.8%	62.0	7.8
EBITDA Margin (normalised) **	7.1%		6.2%		6.6%		7.4%		10.2%		1.5%		9.3%		13.8%	2.6%
Net profit (reported)	5.6	15.1%	2.1	-84.4%	6.8	-70.6%	15.1	-52.3%	15.8	-49.2%	-0.8	-	31.6	-42.6%	31.2	0.4
Net Profit Margin (reported)	3.5%		0.7%		1.5%		2.4%		3.6%		-		4.2%		6.9%	0.1%
Net profit (normalised) ***	5.6	15.7%	7.5	-32.1%	12.2	-41.1%	20.5	-41.7%	15.8	-54.4%	-	-	35.2	-6.5%	34.8	0.5
Net Profit Margin (normalised) ***	3.5%		2.4%		2.6%		3.2%		3.6%		-	-	4.7%		7.7%	0.1%
EPS (€) (reported)	0.1105		0.0411		0.1334		0.2964		0.3113		-0.0149		0.6206		0.6118	0.0088
EPS (€) (normalised) ***	0.1105		0.1479		0.2400		0.4033		-		-		0.6913		0.6825	0.0088

(million €)	Q1 10a	y-o-y	Q2 10a	y-o-y	Q3 10a	y-o-y	Q4 10a	y-o-y	Q4 09a	y-o-y
Sales	162.9	6.5%	153.9	-5.6%	146.5	-25.2%	174.8	-27.0%	239.6	0.6%
Gross Profit	49.5	2.0%	44.9	-11.2%	49.4	-18.3%	56.8	-19.9%	70.8	0.6%
Gross Profit Margin	30.4%		29.2%		33.7%		32.5%		29.6%	
EBIT (reported)	8.7	-20.6%	5.0	-64.4%	8.2	-44.8%	14.2	-37.8%	22.8	-35.0%
EBIT Margin (reported)	5.3%		3.3%		5.6%		8.1%		9.5%	
EBIT (normalised) **	8.7	-20.4%	5.0	-54.8%	8.2	-44.8%	14.2	-37.8%	22.8	-4.4%
EBIT Margin (normalised) **	5.3%		3.3%		5.6%		8.1%		9.5%	
EBITDA (reported)	11.5	-12.9%	8.0	-53.2%	11.1	-36.1%	16.7	-33.9%	25.3	-33.1%
EBITDA Margin (reported)	7.1%		5.2%		7.6%		9.6%		10.5%	
EBITDA (normalised) **	11.5	-12.7%	8.0	-43.1%	11.1	-36.1%	16.7	-33.9%	25.3	-5.0%
EBITDA Margin (normalised) **	7.1%		5.2%		7.6%		9.6%		10.5%	
Net profit (reported)	5.6	15.1%	-3.5	-141.6%	4.7	-51.5%	8.3	-3.1%	8.6	-59.3%
Net Profit Margin (reported)	3.5%		-2.3%		3.2%		4.8%		3.6%	
Net profit (normalised) ***	5.6	15.7%	1.9	-69.4%	4.7	-51.5%	8.3	-42.6%	14.5	12.3%
Net Profit Margin (normalised) ***	3.5%		1.2%		3.2%		4.8%		6.0%	
EPS (€) (reported)	0.1105		-0.0694		0.0923		0.1630		0.1682	
EPS (€) (normalised) ***	0.1105		0.0374		0.0921		0.1633		0.2638	

Quarterly Results by Division

(million €)							12m 10a				12m 09a					
Wholesale	3m 10a	y-o-y	6m 10a	y-o-y	9m 10a	y-o-y	Total	y-o-y	Continued	Discontinued*	Total	y-o-y	Continued	Discontinued*		
Wholesale Sales	70.7	7.5%	140.0	0.4%	180.7	-19.5%	237.8	-29.3%	34.6	1.5%	203.2	-32.8%	336.3	-10.8%	34.1	302.2
EBITDA (reported)	1.4	20.9%	2.6	-26.1%	3.5	-49.6%	5.8	-43.6%	2.6	7.5%	3.1	-59.6%	10.2	-44.4%	2.4	7.8
EBITDA Margin (reported)	1.9%		1.8%		1.9%		2.4%		7.6%		1.5%		3.0%		7.2%	2.6%
EBITDA (normalised) **	1.4	20.9%	2.6	-26.1%	3.5	-49.6%	5.8	-43.6%	2.6	9.5%	3.1	-59.9%	10.2	-44.4%	2.4	7.8
EBITDA Margin (normalised) **	1.9%		1.8%		1.9%		2.4%		7.6%		1.5%		3.0%		7.0%	2.6%
IKEA																
IKEA Sales	72.3	4.4%	139.0	0.0%	223.9	-2.6%	319.4	-4.7%					335.1	0.3%		
EBITDA (reported)	9.4	-20.0%	15.3	-33.3%	24.8	-30.8%	36.9	-32.8%					54.9	3.7%		
EBITDA Margin (reported)	13.0%		11.0%		11.1%		11.6%						16.4%			
EBITDA (normalised) **	9.4	-20.0%	15.3	-26.0%	24.8	-26.2%	36.9	-29.9%					52.7	-0.5%		
EBITDA Margin (normalised) **	13.0%		11.0%		11.1%		11.6%						15.7%			
Intersport																
Intersport Sales	19.8	10.7%	37.8	0.5%	58.8	1.7%	81.0	0.9%					80.3	9.7%		
EBITDA (reported)	1.0	10.5%	2.2	-42.0%	2.9	-49.6%	5.6	-41.0%					9.5	8.0%		
EBITDA Margin (reported)	5.3%		5.8%		5.0%		6.9%						11.8%			
EBITDA (normalised) **	1.0	10.5%	2.2	-42.0%	2.9	-49.6%	5.6	-41.0%					9.5	8.0%		
EBITDA Margin (normalised) **	5.3%		5.8%		5.0%		6.9%						11.8%			
Unallocated																
EBITDA (reported)	-0.3		-0.5		-0.6		-1.0						-1.7			
EBITDA (normalised) **	-0.3		-0.5		0.0		-1.0						-2.5			

Source: Company & Prelium Research Estimates

* Discontinued operations involve the interruption of collaboration with SAMSUNG Electronics, completed on December 31st, 2010

** Normalised for one-off items (the sale of real estate property)

*** Normalised for one-off items (the sale of real estate) and adjusted for one-off taxation

Looking more thoroughly into FY 2010 financial results:

- **Consolidated sales** came in at €638.2m, down 15.1% y-o-y, mainly due to the discontinuation of Samsung. If we exclude Samsung's revenue from both years, revenue from continued operations stood at €435m, merely 3.2% down compared to €449.5m recorded last year. Note that Samsung's division accounted for 31.8% and 40.2% of total group revenue in 2010 and 2009 respectively, its contribution however to pre-tax profit was minimal (and contributed with a net loss to net profit) due to its very low profitability margins.
- **Gross profit margin** for 2010 improved by 79bps to 31.4% (vs 30.6% in 2009). Note that the Retail division enjoys a higher gross profit margin vs the Wholesale division, meaning that Wholesale's lower contribution to total revenue has a beneficiary effect upon group gross margin (wholesale division's revenue contribution in 2010 stood at 37.3% vs 44.7% in 2009).
- Group reported **EBITDA** stood at €47.3m compared to €72.9m in 2009 (-35.1%) while EBITDA from continued operations retreated by a milder 32.2%. Excluding the c.3m one-off gains booked in Q2 2009 results (involving mostly gain from the sale of real estate property) normalised EBITDA for 2010 soared 32.3% (-28.8% normalised EBITDA from continued operations). Normalised EBITDA margin lost 188bps and a harsher 364bps decline was spotted upon EBITDA margin from continued operations, reflecting the severely hurt margin of the Retail Division (IKEA & Intersport).
- Fourlis' reported **net profit** stood at €15.1m compared to €31.6m in 2009 (-52.3%) while adjusting for last year's one-off gains and both years' social responsibility taxes (€5.4m and €5.9m in 2010 and 2009 respectively), normalised net profit saw a 41.7% decrease to €20.5m (vs €35.2m in 2009).
- After 3 consecutive quarters of net debt increases driven by the significantly increased working capital needs of the Wholesale division, December 2010 **net debt** decreased to €116.4m.
- Note that the management will propose at the company's Annual General Meeting the **non distribution of dividend** for 2010, a decision which needs 70% of total votes to be approved. This decision was driven by the group's increased investment needs along with opportunities arising in Greece and Cyprus.

Graph 1: Net Debt Evolution (€m)

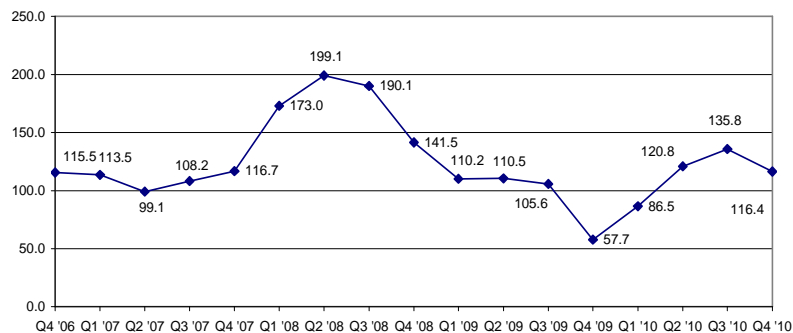


Table 2: Net Debt Evolution by Sector

(million €)	Dec-09	Dec-10	Δ
IKEA	92.1	97.1	5.0
Intersport	5.2	13.6	8.4
Wholesale	-18.2	18.7	36.9
Parent company	-21.5	-13.06	8.4
Group	57.6	116.4	58.8

Source: Company

Looking into Foullis separate business sections:

IKEA performance

IKEA saw a 4.7% y-o-y decrease in revenue, after 3 consecutive quarters of negative, and worsening towards the end of the year declines, mainly on the back of the deteriorating macro outlook in Greece. L-f-I growth in 2010 was communicated at -9% compared to a more modest c. 4% retreat in 2009, with only Cyprus running on still positive growth. Note that this decrease in same stores' sales is not attributed to decreasing visitors, actually the number of visitors in 2010 increased (by 4.4% to 7.859m, supported by visits to the 2 new IKEA stores in Larissa & Ioannina); instead, declining l-f-I growth occurred from the pressure on the average items and the average check, meaning that overall, customers continue to visit IKEA, but tend to shop the lower priced products within IKEA's portfolio, due to the lower disposable income and spending.

Gross profit margin lost 144bps and stood at 40.2% vs 41.7% in 2009, also resulting from the shoppers moving towards lower priced products, as well as from the company's decision to mostly absorb the 2 VAT increases that took place in 2010. Despite these increases, the company lowered prices in the 2009 and 2010 catalogues by 3.5% and 4% respectively (catalogue items count roughly for 55% of total revenue). EBITDA retreated by 32.8% at a reported basis or by 29.9% at a normalised basis (excluding last year's one-off gains, mainly from the sale of real estate property) and stood at €36.9m. EBITDA margin stood at 11.6%, losing 483bps and 416bps on a reported and normalised basis respectively. Finally, pre-tax profit retreated to €24.5m, down from the €43.1m reported in 2009 (-43.2%) or the €40.1m normalised figure in 2009 (-40.1%).

Intersport performance: Unlike IKEA, Intersport revenue in 2010 was marginally up (+0.9% y-o-y to €81m from €80.3m reported in 2009), on the back of solid network expansion. Foullis opened 7 new Intersport stores in 2010, raising the total number of stores to 55. L-f-I growth rate was communicated at negative high single-digit levels (-8%, -9%), mainly attributed to the decrease in the average check and shoppers preferring lower priced products, as was the case with IKEA; number of visitors increased by 5.7% y-o-y to 1.991m. Consumers' cheaper choices had a c. 160bps negative impact upon gross profit margin, which decreased to 48.6% (vs 50.2%), which along with rising SGAs (46.1% of sales in 2010 compared to 42.4% of sales in 2009) led to an EBIT, EBITDA and EBT retreat of 60.1%, 41% and 76.7% respectively.

Wholesale performance: The wholesale sector saw in 2010 a 29.3% retreat to €237.8m, as cooperation with Samsung in Romania and mobile phones in Greece was discontinued as from July 2010. Note that the rest of the cooperation with Samsung was completed on December 31st, 2010, meaning that from January 2011 onwards Foullis Group is active in the Electronics division only as an exclusive distributor of GE, Korting and Liebherr. Out of the €237.8m revenue of the wholesale division, €203.2m or 85.4% was revenue from Samsung, reported under "discontinued operations". Gross profit margin saw a 118bps erosion y-o-y (to 13.8% from 15% last year), due to the fact that Samsung TV sets, which enjoy the lowest margins, increased significantly their share in the product mix. EBITDA saw a 43.6% retreat to €5.8m and the sector posted pre-tax profit of €2.9m versus €4.7m reported in 2009.

In order to have a more clear view of Foullis performance, we should take a look at the macro environment prevailing in Greece during last year, especially in Q4 2010, when the company records traditionally its highest quarterly revenue.

- Real GDP in Greece for the last 3 months of 2010 saw a harsh 6.6% y-o-y contraction (1st estimate, EL.STAT.), while for the full year real GDP contracted by 4.5%.
- Greek retail sales saw a 5% decrease in 2010 (Greek Retail Index, excluding Fuels & Auto Lubricants), while the relevant index reported a harsher 13.5% y-o-y retreat in December 2010 (-17% excluding Fuels & Auto Lubricants). Looking into the retail categories closer to Foullis' product mix, Furniture & Appliances reported in 2010 a 12.9% y-o-y drop and Apparel & Footwear a 10.5% drop. Take in mind however that Foullis' strongest quarter is the last quarter of the year, which includes Christmas sales, and both retail categories realized much more severe declines in December (-34.50% for the Furniture & Appliances and -21.90% for the Apparel & Footwear). In order to give analysts a more clear view of the extend recession hurt the Furnishing market, the management also communicated that the Greek Home Furnishing market came down from €2.5b to €1.7b during the last 2 years from 2008 to 2010 (-32%).
- The dismal macro environment in Greece is also reflected in the Greek Consumer confidence Index, which fell to record low levels in December, before seeing some sign of relief in the first 3 months of 2011.
- Finally, December unemployment rose to record levels of 14.8%, compared to 10.20% a year ago.

Taking in mind the above, we believe Foullis Group performed rather well in an environment where most peers experienced heavy losses or had liquidity / financing problems. IKEA and Intersport negative l-f-I growth (c. -9%) is well above the double-digit declines of the relevant retail indexes, mainly on the back of gaining significant market shares; new stores' revenue backed up negative l-f-I growth and helped the group to achieve a full year decline in revenue from continued operations of 3.2% (-4.7% for IKEA, +0.9% for Intersport and +1.5% for the continued operations of the Electronics Division). Profitability figures were hurt by the 2 VAT increases that took place in 2010 along with social responsibility tax charges, measures adopted by the Greek Government in order for Greece to meet its deficit goals. Regardless however of the afflicted financial figures, the group managed to gain significant share in the markets it operates; the management communicated that both IKEA and Intersport gained approximately 2pps and 1.5pps market share each.

Finally note that although no quantitative targets could be guided for 2010, taking in mind the high uncertainty prevailing, the group successfully met so far the quality targets set by the management at the beginning of the crisis: to gain market shares in the retail sector, to improve its net debt position (without taking into account the negative impact of the Wholesale division, which could be considered seasonal), to cope with BS difficulties and to manage in the best possible manner the transformation of the wholesale business after the discontinuation of Samsung. The transition to the after Samsung period has been very smooth as previously communicated and with no negative financial impact so far.

RECENT DEVELOPMENTS - CC & ANALYSTS' MEETING HIGHLIGHTS

Acquisition of Intersport's franchise rights in Turkey

Fourlis Group announced on February 17th this year that it agreed to purchase a 75% stake in Turkey's Intersport retail network for a consideration of €10m. More specific, the agreement includes the establishment of a new company, Intersport Atletik A.S., in which Fourlis Group will participate with a 75% stake and will have management control through its subsidiary Intersport Athletics S.A. (the current owner will own the remaining 25%). Intersport Atletik A.S. will own 20 Intersport stores already operating in Turkey, with the medium-term target set to expand to over 50 stores in the next 5 to 8 years. For 2011, these 20 stores were disclosed to generate approximately €20m sales, targeting to €50m sales from the network's medium-term expansion. This agreement is of significant strategic importance to the group, due to the neighboring country's favourable demographics and strong macroeconomic conditions. According to the press release, Turkey has a population of approximately 70 million people, 60% of which are under the age of 34.

Following the release of FY 2010 financial results, Fourlis management held a meeting with the analysts as well as a conference call, the highlights of which sum up to the following:

- The management focused on the **acquisition of Intersport franchise rights in Turkey**, which will be completed in about 2 to 3 months, while business is expected to start by the end of May, 2011.
- December 2010 was more challenging for 2010 compared to the previous months, while the management does not see any material change in **Greece's outlook** for the first 2 months of 2011, although they highlighted that this year's Q1 will be negatively affected by Easter timing (last year's Easter revenue was booked in Q2, while this year's revenue will be booked in Q1)
- Regarding **new openings**, Fourlis will open 5 to 6 Intersport stores in 2011, 3 of which located in Greece. Regarding IKEA, the new Sofia store is expected to start operations in the second half of this year (probably in September or October 2011), while the management is actively looking to locate suitable places for new IKEA stores in Varna (Bulgaria), Crete and Athens, where it will operate its 3rd store.
- The **termination of the cooperation with Samsung**, which completed smoothly at the end of December, led to a much healthier BS and P&L, after the risks involved with significant wholesale account receivables ceased to exist. Wholesale activities continue at a lower scale and are now considered as non strategic to the group's operations.
- Finally, commenting on **new business development**, they disclosed that they are still considering certain different options, with some discussions in advanced level, they restrained however from providing additional information except from the fact that except from the recent developments in Turkey, they intend to make no more "acquisitions" by the end of this year.

PRELIUM RESEARCH CHANGE IN ESTIMATES

2010 group financial results stood 1.5% lower than our estimates in terms of revenue, mainly due to IKEA missing our revenue estimates by €8m or 2.4%. Reported figures stood 9.7% lower in terms of normalised net profit, on lower than expected profitability margins.

Table 3 : Fourlis Group Performance vs Prelium Estimates

(million €)	Actual Figures		Prelium Estimates		Actual figures vs Prelium Estimates	
	FY 2010	y-o-y	FY 2010	y-o-y (%)	(million €)	(%)
Sales	638.2	-15.1%	648.0	-13.8%	-9.9	-1.5%
Gross Profit	200.6	-12.9%	207.3	-10.0%	-6.8	-3.3%
Gross Profit Margin	31.4%		32.0%			
EBIT (reported)	36.1	-42.5%	40.8	-34.9%	-4.7	-11.6%
EBIT Margin (reported)	5.7%		6.3%			
EBIT (normalised)*	36.1	-39.5%	40.8	-31.6%	-4.7	-11.6%
EBIT Margin (normalised)*	5.7%		6.3%			
EBITDA (reported)	47.3	-35.1%	51.4	-29.6%	-4.0	-7.9%
EBITDA Margin (reported)	7.4%		7.9%			
EBITDA (normalised)*	47.3	-32.3%	51.4	-26.5%	-4.0	-7.9%
EBITDA Margin (normalised)*	7.4%		7.9%			
Net profit (reported)	15.1	-52.3%	17.3	-45.3%	-2.2	-12.8%
Net Profit Margin (reported)	2.4%		2.7%			
Net profit (normalised)**	20.5	-41.7%	22.7	-35.4%	-2.2	-9.7%
Net Profit Margin (normalised)**	3.2%		3.5%			
EPS (€) (reported)	0.2964		0.3396		-0.0432	
EPS (€) (normalised)**	0.4033		0.4465		-0.0431	

Divisions' quarterly performance vs Prelium Estimates

(million €)	Actual Figures		Prelium Estimates		Actual figures vs Prelium Estimates	
	FY 2010	y-o-y	FY 2010	y-o-y (%)	(million €)	(%)
IKEA						
Sales	319.4	-4.7%	327.4	-2.3%	-8.0	-2.4%
EBITDA (reported)	36.9	-32.8%	38.8	-29.3%	-1.9	-4.9%
EBITDA Margin (reported)	11.6%		11.9%			
EBITDA (normalised)*	36.9	-29.9%	38.8	-26.3%	-1.9	-4.9%
EBITDA Margin (normalised)*	11.6%		11.9%			
Intersport						
Sales	81.0	0.9%	81.8	1.8%	-0.8	-0.9%
EBITDA (reported)	5.6	-41.0%	6.6	-30.4%	-1.0	-15.3%
EBITDA Margin (reported)	6.9%		8.1%			
EBITDA (normalised)*	5.6	-41.0%	6.6	-30.4%	-1.0	-15.3%
EBITDA Margin (normalised)*	6.9%		8.1%			
Wholesale						
Sales	237.8	-29.3%	238.8	-29.0%	-1.0	-0.4%
EBITDA (reported)	5.8	-43.6%	8.6	-15.9%	-2.8	-32.9%
EBITDA Margin (reported)	2.4%		3.6%			
EBITDA (normalised)*	5.8	-43.6%	8.6	-15.9%	-2.8	-32.9%
EBITDA Margin (normalised)*	2.4%		3.6%			
Unallocated						
EBITDA (reported)	-1.0	-	-2.7	-	1.7	-63.5%
EBITDA (normalised)*	-1.0	-	-2.7	-	1.7	-63.5%

Source: Company & Prelium Research Estimates

* Normalised for one-off items (gains from the sale of real estate property)

** Normalised for one-off items (the sale of real estate) and adjusted for one-off taxation

We proceeded to the following changes to our valuation model:

- IKEA:** IKEA I-f-I growth for 2010 was communicated at -9%, harsher than the -6.4% we estimated, a miss mostly attributed to Greek operations and a worse than expected Q4. More specific, we estimated Greek IKEA I-f-I at -8%, while according to our calculations actual Greek I-f-I for 2010 stood at c. -11%. Taking in mind the management's comment that the negative trend witnessed at the end of the year continued in the first 2 months of 2011, we trimmed our 2011 Greek IKEA I-f-I assumptions to -4.1% (vs -0.9% previously estimated assuming a stabilizing macro environment in Greece). Despite high single-digit declines reported in 2010, we keep our 2011 estimates to mid single-digit levels, mainly due to the base year effect, assuming Greece hit recession bottom in Q4 2010; Greek Consumer Confidence Indicator released for January, February and March 2011 saw some relief from the record low December 2010 figure, while January Retail Sales saw a still double-digit, yet milder y-o-y retreat compared to December 2010, supporting our argument for the time being (See Appendix E). Total 2011 IKEA I-f-I stands now at -3.2% compared to our previous estimates of -0.3%. We keep Cyprus stores running at a positive 2% growth, close to the ~2.5% growth we calculate was 2010 performance. We now expect 2011 IKEA revenue at €330.4 m, 6.1% lower than our previous estimates. We also lowered our 2011 EBITDA margin assumptions to 2010 levels, as we believe the reasons behind the c.416 bps reduction in 2010 normalised EBITDA margin, mainly the consumers turn to cheaper, lower margined goods within IKEA's basket along with the negative operating leverage, will continue to pressure EBITDA margins this year.
- Intersport:** Top line results stood in line with our estimates, we slightly trimmed however our 2011 I-f-I growth assumptions to -4.0% (vs -3% previously estimated), nearly half the decline spotted in 2010. We also adjusted our revenue assumptions for the Intersport division to account for the acquisition of the franchise rights in Turkey, which despite the I-f-I trim led to a p.a. increase in revenue of 12.5% for the following 3 years. We also brought down our EBITDA margin assumptions to 2010 levels, for the same reasons we lowered IKEA division's EBITDA margin.

- **Wholesale:** top-line results nearly matched our estimates and although profitability margins saw some pressure in this sector as well, this was mainly due to the low EBITDA margin of discontinued operations, as continued operations' margin improved. Note that valuation model changes for this division's assumptions have now limited contribution to the group's top line results and only minimal results upon estimated profitability, cash-flows and our target price.
- **We adjusted our valuation model to the new tax law submitted to the Greek Parliament late February and expected to be enacted soon.** Although not voted yet, we believe the articles regarding the tax treatment of dividends will pass as is, with beneficiary effects to Fourlis' effective tax rate. The current tax bill to be replaced makes a distinction between retained profit, which is to be taxed at 23% in 2011 (at 22% in 2012, 21% in 2013 and 20% in 2014) and distributed profit, taxed at 40%. Voting the new tax law will provide for more favourable taxation of corporate profits, cancelling the above mentioned distinction. The corporate tax rate will be decreased in one move from 24% in 2010 to 20% for financial periods starting as of 1 January 2011, while the government re-initiates withholding tax on dividends, which defines at 21% for the profit reported in 2010 and 25% thereafter (note that for the fiscal year 2009 withholding tax on dividend was set at 10%).
In our previous report we assumed an effective tax rate for 2011 of 28% (excluding one-off tax), based upon the minimum dividend payout ratio required by law, the 24% corporate tax on retained earnings and the 40% tax on distributed earnings. After the management disclosed it will seek the AGM's approval for the non distribution of dividend for 2010, we plugged in zero dividend pay-out for the profit reported in 2010, meaning that profit generated in Greece will be subject to only 20% corporate tax, reducing our effective tax rate estimates for 2011 to 21.4%, with positive effects upon our EPS estimates. We think re-investing all company profit is beneficiary for its shareholders at the current situation and we believe it will get AGM approval. For the time being, we consider the management's proposal for zero dividend distribution will not be the case for the following years as well, so we assume the company will distribute from the next fiscal year the minimum rate required by law.
Regarding the social responsibility tax charges, note that the government's draft budget for 2011 incorporates for 2011 responsibility tax upon company profit reported in FY 2009 instead of FY 2010, while no other social tax charges are to be imposed for the following years, at least according to the draft budget 2011. The situation here in Greece is very vague regarding tax collecting, but until we have a more clear view of the government's intentions, we assume one-off tax for FY 2010/11 at FY 2009/10 levels (c. €5.4m) and no social levies imposed for the following years.

We now expect 2011 revenue to stand at €461.8 m, 7% lower than the €496.8 m previously estimated, as the decline in our I-f-I assumptions more than offset the revenue surge from the Intersport Turkey additions. Normalised EBITDA and net profit for 2011 are now estimated 22.7% and 30.2% lower, on significantly reduced profitability margin assumptions.

Our 2011-2013 revenue CAGR is now expected at -6.9% vs -3.0% previously estimated and our 2011-2013 EBITDA CAGR is seen at half the levels previously estimated, at positive levels however (6.0%), mostly assuming gradually improving profitability margins for the following years.

Table 4: Fourlis Forecasts Revision

	FY10a			FY11e			FY12f			FY13f		
	New	Old	new vs old	New	Old	new vs old	New	Old	new vs old	New	Old	new vs old
Sales	638.2	461.8	496.8	-7.0%	494.7	535.7	-7.7%	514.9	581.6	-11.5%		
Δ (%)	-15.1%	-27.6%	-24.4%		7.1%	7.8%		4.1%	8.6%			
IKEA	319.4	330.4	351.8	-6.1%	358.9	386.4	-7.1%	373.9	426.3	-12.3%		
Δ (%)	-4.7%	3.4%	10.1%		8.6%	9.8%		4.2%	10.3%			
Intersport	81.0	96.4	85.0	13.5%	100.8	89.3	12.8%	106.0	95.3	11.2%		
Δ (%)	0.9%	19.0%	4.9%		4.5%	5.1%		5.2%	6.7%			
Wholesale	237.8	35.0	60.0	-41.7%	35.0	60.0	-41.7%	35.0	60.0	-41.7%		
Δ (%)	-29.3%	-85.3%	-74.8%		0.0%	0.0%		0.0%	0.0%			
EBIT (normalised) *	36.1	32.6	47.2	-31.1%	38.6	50.7	-23.8%	43.4	55.2	-21.4%		
Δ (%)	-39.5%	-9.7%	31.0%		18.6%	7.3%		12.3%	8.9%			
Margin (%)	5.7%	7.1%	9.5%	-246 b.p.	7.8%	9.5%	-166 b.p.	8.4%	9.5%	-107 b.p.		
EBITDA (normalised)*	47.3	45.5	58.8	-22.7%	51.9	62.6	-17.2%	56.3	67.7	-16.9%		
Δ (%)	-32.3%	-3.9%	24.3%		14.1%	6.5%		8.5%	8.2%			
Margin (%)	7.4%	9.8%	11.8%	-199 b.p.	10.5%	11.7%	-120 b.p.	10.9%	11.6%	-71 b.p.		
IKEA	36.9	38.3	49.7	-22.9%	41.1	53.3	-22.9%	43.7	58.1	-24.8%		
Δ (%)	-29.9%	3.7%	34.6%		7.3%	7.2%		6.3%	9.0%			
Margin (%)	11.6%	11.6%	14.1%	-253 b.p.	11.4%	13.8%	-235 b.p.	11.7%	13.6%	-195 b.p.		
Intersport	5.6	6.6	10.0	-33.9%	9.4	10.3	-8.4%	10.7	10.7	-0.1%		
Δ (%)	-41.0%	17.5%	77.9%		42.6%	2.9%		14.1%	4.6%			
Margin (%)	6.9%	6.8%	11.7%	-490 b.p.	9.3%	11.5%	-217 b.p.	10.1%	11.3%	-115 b.p.		
Wholesale	5.8	2.8	2.0	38.6%	2.8	2.0	36.1%	2.8	2.1	33.4%		
Δ (%)	-29.3%	-51.8%	-65.2%		0.0%	1.8%		0.0%	2.1%			
Margin (%)	2.4%	7.9%	3.3%	459 b.p.	7.9%	3.4%	453 b.p.	7.9%	3.5%	446 b.p.		
Net Profit (normalised)**	20.5	19.5	28.0	-30.2%	24.3	30.6	-20.5%	27.9	33.9	-17.7%		
Δ (%)	-41.7%	-4.8%	-8.3%		24.5%	9.2%		14.7%	10.8%			
Margin (%)	3.2%	4.2%	5.6%	-140 b.p.	4.9%	5.7%	-79 b.p.	5.4%	5.8%	-41 b.p.		

	New	Old	new vs old
2011 - 2013 CAGR			
Group Sales CAGR	-6.9%	-3.0%	-386 bps
IKEA CAGR	5.4%	10.1%	-471 bps
Intersport CAGR	9.4%	5.6%	381 bps
Wholesale CAGR	-47.2%	-36.8%	-1039 bps
Group EBITDA CAGR (normalised) *	6.0%	12.7%	-675 bps
IKEA CAGR	5.8%	16.3%	-1055 bps
Intersport CAGR	24.1%	24.2%	-5 bps
Wholesale CAGR	-21.6%	-28.8%	718 bps

Source: Company & Prelium Research Estimates

Notes:

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

** Normalised for one-off items (the sale of 10% stake in Kotsivolos and the sale of real estate) and adjusted for one-off taxation

INVESTMENT HIGHLIGHTS

Started as a domestic wholesaler of Black & White goods and is now popular as a multinational retailer of home furnishing and athletic goods

Fourlis is currently one of the leading commercial groups in Greece. Since its initial foundation in 1950 it enriched its activities and transformed from a domestic wholesaler of B&W goods to a Homeware and Athleticware retailer with geographic presence in Greece, Cyprus, Bulgaria and Romania, while as from 2011 it expanded its presence in Turkey as well, by acquiring 75% of the Intersport franchise rights in the neighboring country.

Fourlis most lucrative productive segment is the exclusive franchise agreement with IKEA for the Greek, Cypriot and Bulgarian markets. Ikea is a relatively new and innovative concept in “value-for-money” Home Furnishing whose popularity has been growing at a fast pace during the last years. Fourlis is currently operating 6 IKEA stores (one in Thessaloniki, two in Athens, one in Cyprus, one in Larissa and one in Ioannina). The company has guided for a total of 10-12 stores by 2013, 3 of them located in Bulgaria. Note that not only does Fourlis lack any significant IKEA competitor in all the markets it operates, but is also the sole listed IKEA franchisee globally.

Except from the IKEA franchise, Fourlis holds an Intersport franchise as well for Greece, Cyprus, Bulgaria, Romania and recently for Turkey (75% of the franchise rights). Intersport figures have been growing at a fast pace as well, its contribution however to top and bottom line figures is more limited.

The Electrical appliances sector was up until 2009 the biggest contributor in terms of sales (accounted for 44.7% of group revenue), low profitability margins however resulted in slim EBIT and bottom line contribution. The management decided in April 2010 the discontinuation of the distribution of Samsung products, which accounted for c. 83% of the wholesale revenue in 2009 and c. 38% of total group revenue. The partnership in Romania and the mobile phones in Greece (Euroelectronics S.A.) were discontinued on July 1st 2010 while the rest of the partnership terminated at the end of December 2010. Fourlis will still be active in the wholesale division distributing exclusively products of General Electric, Liebherr and Korting.

Fourlis follows an ambitious rollout plan...

Fourlis operates currently 6 IKEA stores (5 in Greece and 1 in Cyprus) and 55 Intersport stores (in Greece, Cyprus, Bulgaria and Romania, excluding the one in Monastiraki that was burnt). The management's business plan calls for a total of 10-12 IKEA stores operative by 2013. Regarding the Intersport network, Fourlis targets to 73 Intersport stores in Greece, Cyprus, Romania and Bulgaria, while as for its recent acquisition in Turkey, it plans to expand its network from 20 stores this year to above 50 stores in the next 5 to 8 years.

... has enjoyed upbeat historical growth rates, up until 2009,

Fourlis financial figures have been growing at a very fast pace from 2004 to 2009, when the opening of the first IKEA store in Athens took place. The first's store success, in Thessaloniki, was repeated in Athens as well, as IKEA's brand popularity rose sharply, while a third store opened in 2007 in Cyprus, maintaining the strong momentum. Increasing visit rates and a high average basket drove Group sales compounded annual growth for this 6-year period (2004-2009) to 16.2%, while reported EBIT and EBITDA CAGR stood at 15.1% and 14.3% respectively (normalised EBIT and EBITDA CAGR stood at 32.1% and 27% respectively). 2010 was the first year to record declining growth rates, afflicted by the weak macroeconomic environment. Sales CAGR for the 2004-2010 seven year period fell to 10.2%, while normalised EBIT and EBITDA CAGR nearly split in half, to 16% and 14.4% respectively.

... but faces nowadays a challenging economic environment

Conditions in the world economies have seriously deteriorated during the last 2 years and the outlook for the Greek economy as well as for Europe remains gloomy. GDP contraction, dismal labor market prospects, higher direct and indirect taxation announced by the Greek government along with the prospect of a further fiscal tightening in Greece after the EU-IMF agreement with new measures to be taken by 2015 so that Greece can meet its deficit goal have a harsh negative impact on consumers' psychology and consumer spending. The impact on household and electrical goods was more pronounced, as durable goods are the ones more hurt during a recession. After seeing some first signs of weakness in late 2009 and significantly hurt 2010 figures, we incorporated in our valuation conservative top-line growth forecasts, as we expect volumes to decline on significantly reduced consumer spending. Furthermore, we assume that high pre-opening expenses due to two more IKEA stores opening in the next two years and negative operating leverage will curb IKEA profitability margins, although the more benign commodity cost environment and efficiencies created by the new logistics centre will partly ease that pressure.

Given the dismal macroeconomic environment, we did not expect Fourlis business to remain unaffected by the credit crisis and the recession in the Greek economy, which negatively affected the majority of non-food retailers. The recession however signaled a trend away from the highest quality goods to goods that are “good enough quality for their price”. For this reason and despite the curb in both Fourlis revenue and profitability margins, we expect it to outperform within the sector. We think that IKEA will be the key catalyst to group performance as its “value for money” concept makes it a relatively resilient consumer category. Further IKEA expansion in Greece and Bulgaria should keep engines running for the following years by counterbalancing partly or in whole negative same stores' sales in Greece. Ikea's contribution in total sales for 2010 amounted to 50.1% (versus 44.6% for 2009 and 42.6% for 2008) and we expect its share to climb to 72.6% by 2013, after the discontinuation of the partnership with Samsung, with beneficiary effects to the group's profitability as well, as IKEA enjoys the highest bottom line margins of the 3 business segments.

Valuation: Our TP is derived using a 100% DCF model with a variable WACC rate (12.1% to 12.9%) and a terminal growth of 1.5%. Our valuation model leads to an equity value of 6.23 € per share which along with the net dividend expected for 2010 implies a TP of 6.30 € (5.0% from current price levels).

Risks: The primary downside risks for Fourlis are delays in the implementation of IKEA and Intersport store rollout program, a further decrease in consumers' purchasing power due to the decline in consumer

confidence and the further deceleration of GDP growth. Other risks include Fourlis' dependence on the franchise agreement with IKEA and the possible appearance of a competitive Homeware retailer. Port strikes and rising transportation costs are some other minor adversities that may reduce margins in the short-term. Currency risks are mostly under control after the management converted recently the entire Romanian debt to local currency (natural hedging) and the smaller exposure in Romania after the end of the agreement with Samsung.

VALUATION

▪ Group Valuation

We value Fourlis Group using a 100% 3-stage DCF model. We discount the cash flows using a variable WACC on a risk free rate of 10.5% (we use the 12m average 10-year Greek Government Bond yield), an equity risk premium of 5.0% and a beta at 0.74.

Table 5: DCF Valuation (million €)	FY11e	FY12f	FY13f	FY14f	FY15f	FY16f	FY17f	FY18f	FY19f	FY20f
EBIT	32.6	38.6	43.4	56.4	64.6	68.7	71.4	73.1	74.7	76.4
Notional Taxation on EBIT	(14.1)	(8.4)	(9.6)	(12.8)	(15.0)	(15.3)	(15.7)	(16.1)	(16.4)	(16.8)
NOPAT	18.5	30.2	33.8	43.6	49.7	53.4	55.7	57.0	58.3	59.6
Depr. & Amortization	12.9	13.2	12.9	13.8	13.1	12.4	11.8	11.2	10.6	10.1
Capital Expenditure	(25.0)	(30.1)	(32.1)	(2.6)	(2.8)	(3.1)	(3.2)	(3.3)	(3.4)	(3.5)
Change in Working Capital	29.1	8.9	(2.3)	(5.8)	(4.3)	(5.5)	(3.5)	(1.9)	(1.9)	(5.1)
Free Cash Flow	35.5	22.2	12.3	49.0	55.7	57.2	60.8	63.0	63.7	61.1
WACC		12.1%	12.2%	12.3%	12.4%	12.6%	12.7%	12.8%	12.9%	12.9%
Discounted Cash Flows		19.8	9.8	34.6	34.8	31.7	29.7	27.1	24.2	20.4
PV of Cash Flows (2012f-2020f)										232.0
PV of Terminal Value										142.5
Enterprise Value (EV)										374.6
Plus: Investments & Associates (FY11e)										28.8
Minus: Net debt (FY11e)										(84.2)
Minus: Minority interests (FY11e)										(0.2)
Minus: Pension provisions (FY11e)										(1.6)
Equity value										317.3
Shares Outstanding										51.0
Equity value per share										6.23 €
Plus: Expected Dividend per share (FY11e) (net)										0.07 €
Target Price										6.30 €
Current Price										6.00 €
Total Expected Return										5.0%

Key DCF Assumptions

Risk Free rate	10.5%
Equity Risk Premium	5.0%
Beta	0.74
Cost of Equity	14.2%
WACC	12.1% - 12.9%
Growth to Perpetuity	1.50%

Source: Company & Prelium Research Estimates

Our main model assumptions are the following:

- Rollout plan: We assume a total of 9 IKEA stores operative by 2013, one store below the low end of the company's guidance range (10-12). We remain cautious regarding new openings other than the one in Sofia, already announced, and assume one more IKEA store in 2012 and one in 2013 (most probably in Crete and Bulgaria). Concerning Intersport network, we incorporate in our model a total of 98 stores operative by 2013, including 28 stores in Turkey.
- Growth forecasts: We forecast IKEA sales to grow by a 5.4% 2011-2013 CAGR (vs 21.6% from 2004 to 2010), Intersport CAGR in sales will stand at 9.4% (vs 22.9% in 2004-10) while we assume wholesale's CAGR at a negative -47.2% (versus 10.9% CAGR in sales for the 2004-10 time period) after the discontinuation of Samsung products' distribution. The above result in group sales CAGR for the 2011-2013 time period of -6.9%, versus 16.2% compounded annual growth for the previous 7-year period.
- Dividend pay-out: Except from the profit reported in 2010, for which we assume that the General Meeting of the shareholders will approve the BoD's proposal regarding the non distribution of dividend, we assume that the company will keep its one-third pay-out dividend policy intact (note that there is a 35% minimum payout on net profit by law, unless otherwise decided by the AGM, 70% of total votes required).
- Tax Rates: Our valuation model incorporates the corporate tax rates of the tax law currently submitted to the Greek Parliament. Although not voted yet, we believe the articles regarding the tax treatment of dividends will pass as is. This tax bill, assumed voted, replaces the 40% tax on distributed profit with a withholding tax on dividend (21% for profit reported in 2010 and 25% for profit reported in 2011) and lowers corporate tax rate for 2011 to 20% from 24% in 2010, a level previously expected to reach gradually by 2014.

▪ **Sensitivity Analysis**

We discount the cash flows using a risk free rate of 10.5%, the 12m average 10-year Greek Government Bond yield, which follows an extremely aggressive upward trend during the last months on debt concerns, as seen in the graph below; Greek Bond is trading at levels that discount an extreme act of default, which means that if Greece doesn't default, spreads and yields could equally aggressively retreat, with positive effects on our target price. We think special attention should be paid to our Sensitivity Analysis.

Graph 2: Greek Government 10Yr Bond Yield (%)

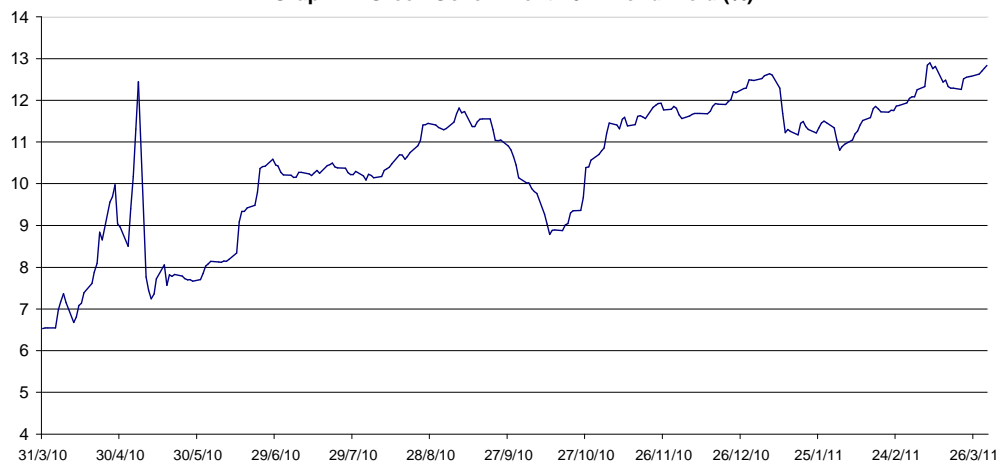


Table 6: Sensitivity Analysis (RF, WACC, g)

Risk Free Rate	8.0%			9.0%			10.5%			11.0%		
WACC	10.6%			11.5%			12.9%			13.4%		
Terminal Growth	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%
PV of cash flow (FY 2012f - 2020f)	254.5	254.5	254.5	244.0	244.0	244.0	228.9	228.9	228.9	223.7	223.7	223.7
plus: PV of terminal value	203.0	215.2	228.8	172.5	182.1	192.6	136.2	142.9	150.2	125.5	131.4	137.8
Enterprise value	457.5	469.7	483.3	416.5	426.0	436.6	365.1	371.8	379.1	349.2	355.1	361.6
Plus: Investments & Associates (FY11e)	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
Minus: Minority interests (FY11e)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Minus: Pension provisions (FY11e)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Minus: Net debt (FY11e)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)	(84.2)
Equity value	400.2	412.4	426.0	359.2	368.7	379.3	307.8	314.5	321.8	291.9	297.8	304.3
Equity value per share	7.85	8.09	8.36	7.05	7.24	7.44	6.04	6.17	6.32	5.73	5.85	5.97
DPS (FY11e) (net)	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Target Price	7.93	8.17	8.43	7.12	7.31	7.52	6.11	6.25	6.39	5.80	5.92	6.04

Source: Prelium Research Estimates

■ INVESTMENT RISKS

The main risks evolved are the following:

- **A further than expected decrease in consumers' purchasing power**
The recent deterioration of the economic outlook in Greece, the austerity measures taken by the Greek government in order to decrease its public debt, decelerating GDP and rising unemployment might have a more severe than assumed negative impact on Fourlis revenues, due to a sharper than expected deceleration of the disposable income and personal consumption.
- **Delays in the implementation of IKEA and Intersport store rollout program**, due to economic and political reasons or regulatory issues.
- **Currency and Translation Risks**
The company is subject to currency risks due to its transactions in foreign currencies (USD, SEK). In order to minimize that risk, the company in certain cases pre-purchases foreign currencies. Furthermore, due to its operations in Romania, the company is also subject to translation risk. Note however that the management announced recently that it converted almost all Romanian debt to local currency, so translation risk is for the time being under control while the end of 2010 the agreement with Samsung will come to an end which will reduce exposure in Romania.
- **Heavily dependent on the franchise agreement with IKEA**
There is always the risk that the franchise agreement with mother IKEA will be terminated, as there is a minimum exclusivity agreement for each store for 15 years after opening. We believe however that this prospect is rather unlikely to occur if we take into account Fourlis long presence and good know-how as well as the recent agreement between Fourlis and IKEA in Bulgaria, which we translate into a vote of confidence to Fourlis. There is also the risk of a renegotiation of the agreement that could result in less favorable terms for Fourlis (increased royalties on sales).
- **The appearance of a competitive Homeware retailer**
Fourlis lacks currently a competitive to IKEA Homeware retailer in all the markets it operates. The appearance of competition in value-for-money furnishing might curb revenue and profitability margins.
- **Political, economical and social uncertainties associated with Southeastern Europe**
- **Port strikes and rising transportation costs**
Other minor adversities such as port strikes, the increase in transportation costs may reduce margins in the short-term and keep the stock from reaching its target price.

APPENDIX A

Full Financial Statements

(million €)

P&L	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f
Turnover	482.1	670.1	784.4	751.7	638.2	461.8	494.7	514.9
Cost of Sales	(339.9)	(471.2)	(546.3)	(521.4)	(437.6)	(279.0)	(299.2)	(311.2)
Gross Profit	142.1	198.9	238.1	230.3	200.6	182.8	195.5	203.7
Other operating income	20.4	26.7	42.4	25.0	19.4	3.0	3.0	3.0
Total SGAs	(109.5)	(150.0)	(189.0)	(192.6)	(183.9)	(153.2)	(159.9)	(163.4)
EBITDA (reported)	60.1	83.4	101.7	72.9	47.3	45.5	51.9	56.3
Normalised EBITDA *	49.5	72.7	78.3	69.9	47.3	45.5	51.9	56.3
Depreciation	(7.1)	(7.8)	(10.2)	(10.2)	(11.2)	(12.9)	(13.2)	(12.9)
EBIT (reported)	53.0	75.6	91.5	62.7	36.1	32.6	38.6	43.4
Normalised EBIT *	42.4	64.9	68.0	59.6	36.1	32.6	38.6	43.4
Net interest	(5.5)	(10.4)	(15.3)	(9.1)	(7.6)	(7.4)	(7.0)	(7.0)
EBT (reported)	47.9	65.2	76.2	53.3	28.2	25.2	31.6	36.3
Normalised EBT *	37.3	54.5	52.8	50.2	28.2	25.2	31.6	36.3
Income Tax	(20.6)	(18.6)	(20.6)	(21.1)	(13.3)	(10.9)	(6.9)	(8.0)
Of which one-off taxation	0.0	0.0	0.0	(5.9)	(5.4)	(5.4)	0.0	0.0
EAT&M (reported)	27.4	46.2	55.1	31.6	15.1	14.1	24.3	27.9
Normalised EAT&M **	22.5	35.9	37.3	35.2	20.5	19.5	24.3	27.9
Balance Sheet								
Total Assets	386.5	536.5	639.6	598.0	517.5	492.4	514.9	533.7
Total Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Total Fixed Assets	115.1	185.2	247.9	252.9	260.1	282.2	300.2	319.4
Tangible assets	101.9	148.2	212.5	193.3	211.8	223.9	240.8	260.0
Investments / Associates	1.1	23.9	23.9	30.1	18.8	28.8	28.8	28.8
Other assets	6.8	6.9	5.1	14.5	13.3	13.3	14.5	14.5
Total current assets	221.8	346.6	391.7	345.1	257.4	210.2	214.7	214.3
Inventories	73.0	90.3	110.7	105.6	87.6	56.6	60.7	63.1
Accounts receivables	113.1	155.9	139.6	108.5	83.7	50.6	40.7	42.3
Other receivables	10.2	29.6	37.3	36.8	43.0	27.7	29.7	30.9
Other ST Assets	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Cash Equivalents	25.5	70.5	104.2	94.1	43.1	75.3	83.7	78.0
Non current assets / available for sale	49.6	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Total equity and liabilities	386.5	536.5	639.6	598.0	517.5	492.4	514.9	533.7
Total equity	114.2	151.0	202.7	215.5	216.9	231.2	251.0	271.0
Share capital & premium	62.8	62.8	62.8	62.8	62.9	63.1	63.2	63.3
Retained earnings & reserves	51.2	87.7	138.9	151.6	153.5	167.6	186.9	206.3
Treasury stock	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.1)
Minorities	0.1	0.5	0.9	1.0	0.5	0.7	1.0	1.5
Total long term liabilities	110.0	150.2	94.3	111.8	56.8	57.1	57.4	57.7
Retirement benefits / similar commitments	1.1	1.5	1.9	2.3	1.3	1.6	1.9	2.3
Long term bank debt	103.4	146.2	87.1	92.3	38.8	38.8	38.8	38.8
Deferred tax liabilities	5.2	2.2	4.9	5.7	5.7	5.7	5.7	5.7
Other long term liabilities	0.2	0.2	0.2	11.2	10.9	10.9	10.9	10.9
Total short term liabilities	162.3	235.2	342.7	270.8	243.8	204.1	206.4	205.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payables	113.6	173.9	163.4	190.6	119.1	68.8	73.8	76.7
Tax payable	11.0	20.3	20.6	20.7	4.0	14.6	12.0	7.6
Short term bank debt	34.9	37.9	67.1	49.7	67.0	120.7	120.7	120.7
Short term portion of LT bank debt	2.8	3.1	91.6	9.8	53.7	0.0	0.0	0.0
Other ST liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Statement								
EBIT	53.0	75.6	91.5	62.7	36.1	32.6	38.6	43.4
Depreciation and amortisation	7.1	7.8	10.2	9.4	10.7	12.9	13.2	12.9
Changes in retirement benefits	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3
Changes in other provisions	(5.7)	6.5	2.4	0.6	0.1	0.0	0.0	0.0
Results from investing activity	(0.7)	(13.0)	(24.8)	(4.6)	(1.0)	0.0	0.0	0.0
Changes in net working capital	(11.2)	(23.5)	(21.5)	(10.7)	0.9	29.1	8.9	(2.3)
Income taxes paid	(16.9)	(15.1)	(23.6)	(20.4)	(27.1)	(10.9)	(6.9)	(8.0)
Interest paid	(7.3)	(8.4)	(14.2)	(5.9)	(7.0)	(10.7)	(10.8)	(10.9)
Changes in deferred tax assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in prepayments and deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Forex effects	(1.9)	(0.5)	0.1	(0.0)	(0.1)	0.0	0.0	0.0
Other non-cash items	2.2	(1.8)	(1.0)	67.4	(42.0)	10.6	(2.6)	(4.4)
Cash Flow from Operations	18.7	27.6	19.2	98.5	(29.3)	63.8	40.7	31.0
CAPEX	(12.2)	(55.1)	(60.5)	(20.2)	(19.1)	(25.0)	(30.1)	(32.1)
Purchase of subsidiaries, related companies & other investments	0.0	(4.6)	(0.0)	(14.0)	(0.5)	(10.0)	0.0	0.0
Proceeds from the sale of assets & other investments	0.0	37.9	28.2	33.3	0.6	0.0	0.0	0.0
Interest received	0.2	1.2	1.7	2.0	1.3	3.3	3.8	3.8
Other	(0.1)	0.4	0.0	1.2	2.2	0.0	0.0	0.0
Cash Flow from Investing	(12.1)	(20.2)	(30.6)	2.4	(15.6)	(31.7)	(26.3)	(28.3)
Dividends paid	(7.7)	(9.2)	(15.4)	(18.3)	(12.7)	0.0	(4.9)	(8.5)
Equity issued	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
Δ Bank Debt	21.2	49.7	63.7	(35.8)	0.1	0.0	0.0	0.0
Other financial items	(3.0)	(2.8)	(2.7)	(56.8)	6.5	0.0	(1.2)	0.0
Cash Flow from Financing	10.5	37.6	45.6	(111.0)	(6.1)	0.0	(6.0)	(8.4)
Net change in cash	17.1	44.9	33.7	(10.1)	(51.0)	32.2	8.4	(5.6)

Source: Company & Prelium Research Estimates

Notes:

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

** Normalised for one-off items (the sale of 10% stake in Kotsivolos and the sale of real estate) and adjusted for one-off taxation

APPENDIX B

IKEA (million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f	CAGR ('11e-'13f)
Revenue	200.8	252.5	334.2	335.1	319.4	330.4	358.9	373.9	5.4%
yoy	-	25.7%	32.4%	0.3%	-4.7%	3.4%	8.6%	4.2%	
% of total	41.7%	37.7%	42.6%	44.6%	50.1%	71.5%	72.6%	72.6%	
Gross Profit	84.9	110.5	139.3	139.6	128.5	129.5	140.2	145.8	4.3%
yoy	-	30.2%	26.1%	0.2%	-8.0%	0.8%	8.3%	4.0%	
% of total	59.7%	55.5%	58.5%	60.6%	64.1%	70.8%	71.7%	71.6%	
Gross Profit Margin	42.3%	43.7%	41.7%	41.7%	40.2%	39.2%	39.1%	39.0%	
EBITDA (reported)	39.5	49.1	52.9	54.9	36.9	38.3	41.1	43.7	5.8%
yoy	-	24.1%	7.9%	3.7%	-32.8%	3.7%	7.3%	6.3%	
% of total	65.8%	58.8%	52.1%	75.3%	78.0%	84.3%	79.2%	77.6%	
EBITDA Margin (reported)	19.7%	19.4%	15.8%	16.4%	11.6%	11.6%	11.4%	11.7%	
Normalised EBITDA *	39.5	49.1	52.9	52.7	36.9	38.3	41.1	43.7	5.8%
yoy	-	24.1%	7.9%	-0.5%	-29.9%	3.7%	7.3%	6.3%	
% of total	79.9%	67.5%	67.6%	75.4%	78.0%	84.3%	79.2%	77.6%	
Normalised EBITDA Margin *	19.7%	19.4%	15.8%	15.7%	11.6%	11.6%	11.4%	11.7%	
EBIT (reported)	35.1	43.9	45.4	48.0	29.2	29.1	32.7	35.7	6.9%
yoy	-	25.2%	3.4%	5.6%	-39.1%	-0.5%	12.5%	9.1%	
% of total	66.1%	58.1%	49.6%	76.5%	81.0%	89.3%	84.7%	82.2%	
EBIT Margin (reported)	17.5%	17.4%	13.6%	14.3%	9.1%	8.8%	9.1%	9.5%	
Normalised EBIT *	35.1	43.9	45.4	48.0	29.2	29.1	32.7	35.7	6.9%
yoy	-	25.2%	3.4%	5.6%	-39.1%	-0.5%	12.5%	9.1%	
% of total	82.6%	67.6%	66.7%	80.4%	81.0%	89.3%	84.7%	82.2%	
Normalised EBIT Margin *	17.5%	17.4%	13.6%	14.3%	9.1%	8.8%	9.1%	9.5%	
Intersport (million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f	CAGR ('11e-'13f)
Revenue	45.5	58.8	73.2	80.3	81.0	96.4	100.8	106.0	9.4%
yoy	-	29.3%	24.5%	9.7%	0.9%	19.0%	4.5%	5.2%	
% of total	9.4%	8.8%	9.3%	10.7%	12.7%	20.9%	20.4%	20.6%	
Gross Profit	22.0	28.4	35.5	40.3	39.4	46.3	48.4	50.9	8.9%
yoy	-	29.1%	25.2%	13.5%	-2.4%	17.5%	4.5%	5.2%	
% of total	15.5%	14.3%	14.9%	17.5%	19.6%	25.3%	24.7%	25.0%	
Gross Profit Margin	48.3%	48.3%	48.5%	50.2%	48.6%	48.0%	48.0%	48.0%	
EBITDA (reported)	5.0	7.6	8.8	9.5	5.6	6.6	9.4	10.7	24.1%
yoy	-	54.4%	15.1%	8.0%	-41.0%	17.5%	42.6%	14.1%	
% of total	8.2%	9.2%	8.7%	13.0%	11.8%	14.5%	18.1%	19.0%	
EBITDA Margin (reported)	10.9%	13.0%	12.0%	11.8%	6.9%	6.8%	9.3%	10.1%	
Normalised EBITDA *	5.0	7.6	8.8	9.5	5.6	6.6	9.4	10.7	24.1%
yoy	-	54.4%	15.1%	8.0%	-41.0%	17.5%	42.6%	14.1%	
% of total	10.0%	10.5%	11.2%	13.6%	11.8%	14.5%	18.1%	19.0%	
Normalised EBITDA Margin *	10.9%	13.0%	12.0%	11.8%	6.9%	6.8%	9.3%	10.1%	
EBIT (reported)	3.9	6.4	7.2	7.3	2.9	3.4	5.1	6.3	29.5%
yoy	-	64.0%	12.7%	2.0%	-60.1%	18.0%	47.0%	25.1%	
% of total	7.3%	8.4%	7.8%	11.7%	8.1%	10.6%	13.1%	14.6%	
EBIT Margin (reported)	8.5%	10.8%	9.8%	9.1%	3.6%	3.6%	5.0%	6.0%	
Normalised EBIT *	3.9	6.4	7.2	7.3	2.9	3.4	5.1	6.3	29.5%
yoy	-	64.0%	12.7%	2.0%	-60.1%	18.0%	47.0%	25.1%	
% of total	9.2%	9.8%	10.5%	12.3%	8.1%	10.6%	13.1%	14.6%	
Normalised EBIT Margin *	8.5%	10.8%	9.8%	9.1%	3.6%	3.6%	5.0%	6.0%	
Wholesale (million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f	CAGR ('11e-'13f)
Revenue	235.7	358.8	377.0	336.3	237.8	35.0	35.0	35.0	-47.2%
yoy	-	52.2%	5.1%	-10.8%	-29.3%	-85.3%	0.0%	0.0%	
% of total	48.9%	53.5%	48.1%	44.7%	37.3%	7.6%	7.1%	6.8%	
Gross Profit	35.3	60.0	63.3	50.4	32.8	7.0	7.0	7.0	-40.3%
yoy	-	70.1%	5.4%	-20.4%	-34.8%	-78.7%	0.0%	0.0%	
% of total	24.8%	30.2%	26.6%	21.9%	16.4%	3.8%	3.6%	3.4%	
Gross Profit Margin	15.0%	16.7%	16.8%	15.0%	13.8%	20.0%	20.0%	20.0%	
EBITDA (reported)	6.2	18.7	18.4	10.2	5.8	2.8	2.8	2.8	-21.6%
yoy	-	201.1%	-1.6%	-44.4%	-43.6%	-51.8%	0.0%	0.0%	
% of total	10.3%	22.4%	18.1%	14.0%	12.2%	6.1%	5.4%	4.9%	
EBITDA Margin (reported)	2.6%	5.2%	4.9%	3.0%	2.4%	7.9%	7.9%	7.9%	
Normalised EBITDA *	6.2	18.7	18.4	10.2	5.8	2.8	2.8	2.8	-21.6%
yoy	-	201.1%	-1.6%	-44.4%	-43.6%	-51.8%	0.0%	0.0%	
% of total	12.5%	25.7%	23.5%	14.6%	12.2%	6.1%	5.4%	4.9%	
Normalised EBITDA Margin *	2.6%	5.2%	4.9%	3.0%	2.4%	7.9%	7.9%	7.9%	
EBIT (reported)	4.7	17.3	17.3	9.1	5.0	2.3	2.3	2.3	-23.1%
yoy	-	266.8%	0.0%	-47.2%	-45.2%	-54.5%	0.0%	0.0%	
% of total	8.9%	22.9%	18.9%	14.6%	13.9%	7.0%	5.9%	5.2%	
EBIT Margin (reported)	2.0%	4.8%	4.6%	2.7%	2.1%	6.5%	6.5%	6.5%	
Normalised EBIT *	4.7	17.3	17.3	9.1	5.0	2.3	2.3	2.3	-23.1%
yoy	-	266.8%	0.0%	-47.2%	-45.2%	-54.5%	0.0%	0.0%	
% of total	11.1%	26.7%	25.4%	15.3%	13.9%	7.0%	5.9%	5.2%	
Normalised EBIT Margin *	2.0%	4.8%	4.6%	2.7%	2.1%	6.5%	6.5%	6.5%	
Other	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f	CAGR ('11e-'13f)
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	
EBITDA	9.4	8.1	21.6	(1.7)	(1.0)	(2.2)	(1.4)	(0.9)	
yoy	-	-14.5%	168.3%	-	-	-	-	-	
% of total	15.7%	9.7%	21.2%	-	-	-	-	-	
Normalised EBITDA	(1.2)	(2.6)	(1.8)	(2.5)	(1.0)	(2.2)	(1.4)	(0.9)	
yoy	-	-	-	-	-	-	-	-	
% of total	-	-	-	-	-	-	-	-	

Source: Company & Prelium Research Estimates

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

APPENDIX C

Group Profitability Margins

Group Results (million €)	FY06a	FY07a	FY08a	FY09a	FY10a	FY11e	FY12f	FY13f	CAGR ('11e-'13f)
Revenue	482.1	670.1	784.4	751.7	638.2	461.8	494.7	514.9	-6.9%
yoy	-	39.0%	17.1%	-4.2%	-15.1%	-27.6%	7.1%	4.1%	
Cost of Sales	(339.9)	(471.2)	(546.3)	(521.4)	(437.6)	(279.0)	(299.2)	(311.2)	
Gross Profit	142.1	198.9	238.1	230.3	200.6	182.8	195.5	203.7	0.5%
yoy	-	39.9%	19.7%	-3.3%	-12.9%	-8.9%	7.0%	4.2%	
Gross Profit Margin	29.5%	29.7%	30.4%	30.6%	31.4%	39.6%	39.5%	39.6%	
Other operating income	20.4	26.7	42.4	25.0	19.4	3.0	3.0	3.0	
Total SGAs	(109.5)	(150.0)	(189.0)	(192.6)	(183.9)	(153.2)	(159.9)	(163.4)	
EBITDA (reported)	60.1	83.4	101.7	72.9	47.3	45.5	51.9	56.3	6.0%
yoy	-	38.8%	22.0%	-28.3%	-35.1%	-3.9%	14.1%	8.5%	
EBITDA Margin (reported)	12.5%	12.4%	13.0%	9.7%	7.4%	9.8%	10.5%	10.9%	
Normalised EBITDA *	49.5	72.7	78.3	69.9	47.3	45.5	51.9	56.3	6.0%
yoy	-	47.0%	7.6%	-10.8%	-32.3%	-3.9%	14.1%	8.5%	
Normalised EBITDA Margin *	10.3%	10.9%	10.0%	9.3%	7.4%	9.8%	10.5%	10.9%	
Depreciation	(7.1)	(7.8)	(10.2)	(10.2)	(11.2)	(12.9)	(13.2)	(12.9)	
EBIT (reported)	53.0	75.6	91.5	62.7	36.1	32.6	38.6	43.4	6.3%
yoy	-	42.5%	21.0%	-31.5%	-42.5%	-9.7%	18.6%	12.3%	
EBIT Margin (reported)	11.0%	11.3%	11.7%	8.3%	5.7%	7.1%	7.8%	8.4%	
Normalised EBIT *	42.4	64.9	68.0	59.6	36.1	32.6	38.6	43.4	6.3%
yoy	-	53.0%	4.8%	-12.4%	-39.5%	-9.7%	18.6%	12.3%	
Normalised EBIT Margin *	8.8%	9.7%	8.7%	7.9%	5.7%	7.1%	7.8%	8.4%	
Net interest	(5.5)	(10.4)	(15.3)	(9.1)	(7.6)	(7.4)	(7.0)	(7.0)	
EBT (reported)	47.9	65.2	76.2	53.3	28.2	25.2	31.6	36.3	8.8%
yoy	-	36.2%	16.9%	-30.1%	-47.1%	-10.7%	25.5%	15.0%	
EBT Margin (reported)	9.9%	9.7%	9.7%	7.1%	4.4%	5.5%	6.4%	7.1%	
Normalised EBT *	37.3	54.5	52.8	50.2	28.2	25.2	31.6	36.3	8.8%
yoy	-	46.3%	-3.2%	-4.9%	-43.8%	-10.7%	25.5%	15.0%	
Normalised EBT Margin *	7.7%	8.1%	6.7%	6.7%	4.4%	5.5%	6.4%	7.1%	
Income tax	(20.6)	(18.6)	(20.6)	(15.2)	(7.8)	(5.4)	(6.9)	(8.0)	
EAT&M (reported)	27.4	46.2	55.1	31.6	15.1	14.1	24.3	27.9	22.7%
yoy	-	68.3%	19.2%	-42.6%	-52.3%	-6.6%	72.6%	14.7%	
EAT&M Margin (reported)	5.7%	6.9%	7.0%	4.2%	2.4%	3.1%	4.9%	5.4%	
Normalised EAT&M **	22.5	35.9	37.3	35.2	20.5	19.5	24.3	27.9	10.8%
yoy	-	59.2%	3.8%	-5.5%	-41.7%	-4.8%	24.5%	14.7%	
Normalised EAT&M Margin **	4.7%	5.4%	4.7%	4.7%	3.2%	4.2%	4.9%	5.4%	

Source: Company & Prelium Research Estimates

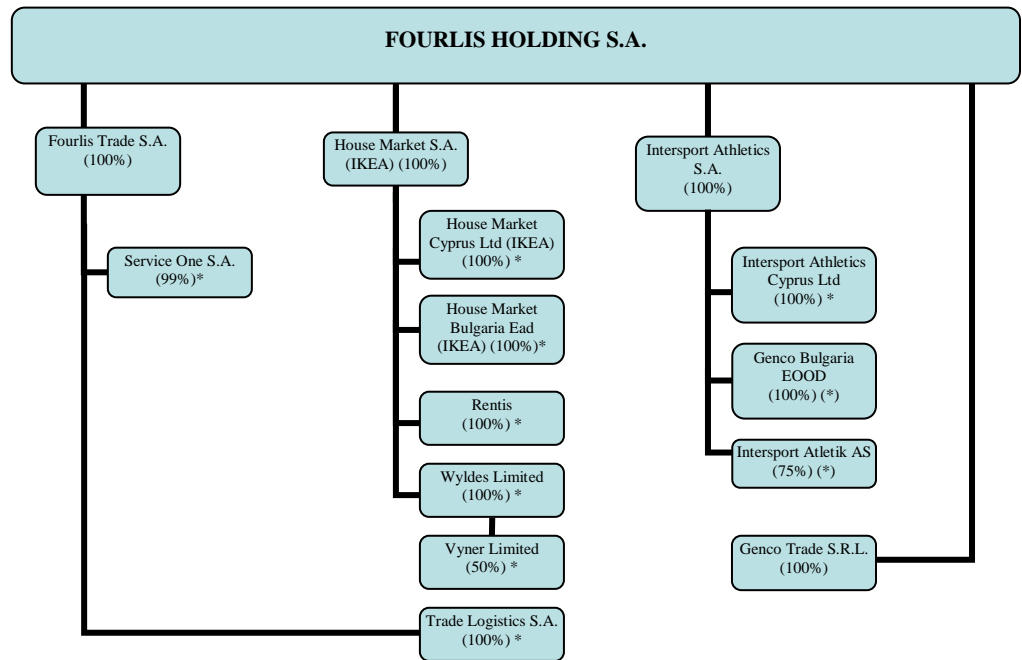
Notes:

* Normalised for one-off items (the sale of 10% stake in Kotsivolos to Dixons and the sale of real estate property)

** Normalised for one-off items (the sale of 10% stake in Kotsivolos and the sale of real estate) and adjusted for one-off taxation

APPENDIX D

Group Structure



Retail of Household appliances and furniture (IKEA stores):

- Greece:
 - House Market S.A. (100%) (Greece)
 - Rentis Real Estate Investments S.A. (100%) (*)
 - Trade Logistics S.A. (100%) (*)
- Cyprus:
 - House Market Cyprus Ltd (100%) (*) (Cyprus)
 - Wyldes Limited (100%) (*) (Cyprus)
- Bulgaria:
 - House Market Bulgaria EAD (100%) (*)

Retail of athletics goods (Intersport stores):

- Greece:
 - Intersport Athletics S.A. (100%)
- Cyprus:
 - Intersport Athletic Cyprus Ltd (100%) (*)
- Romania:
 - Genco Trade SRL (100%) (operates both in athletic goods and electrical / electronic appliances)
- Bulgaria:
 - Genco Bulgaria EOOD (100%) (*)

Wholesale of electrical and electronic appliances:

- Greece:
 - Fourlis Trade S.A. (100%)
It operates in Greece and is the exclusive distributor of Samsung, GE, Korting and Liebherr Consumer Electronics and Home Appliances.
 - Service One S.A. (99.94%) (*)
It operates in Greece and is the largest Service Unit for Consumer Electronics and Home Appliances.
- Bulgaria:
 - Genco Trade SRL (100%)
It operates in Romania both in athletic goods and electrical / electronic appliances.

Affiliated companies:

(Affiliated companies are consolidated via the net equity method)
 Greece: Speedex S.A. (49.55%)
 Cyprus: Vyner Ltd. (50%) 50% subsidiary of Wylde Limited

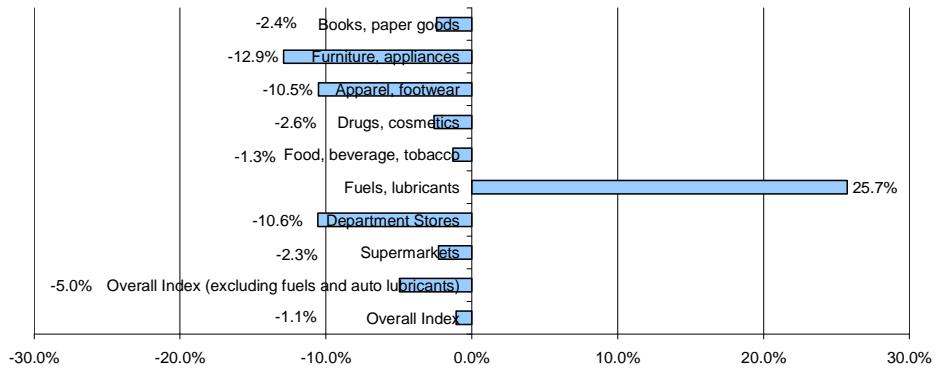
Note that Euroelectronics S.A. and Prime Telecom S.A. ceased operations after the discontinuation of the distribution of Samsung products.

* Indirect participations
 Company Data as of 31.12.2010

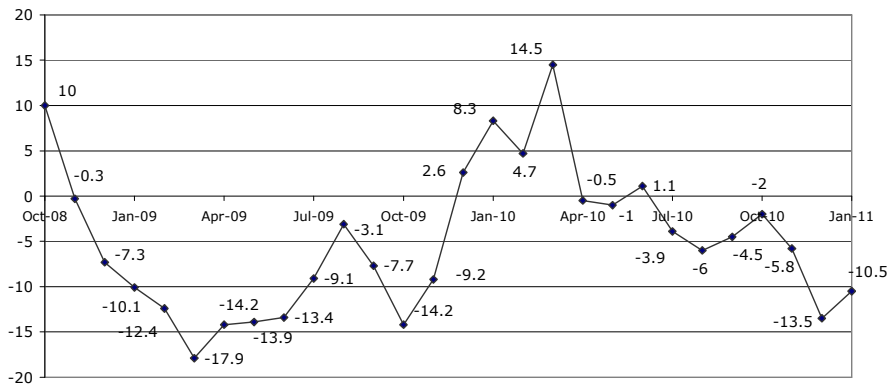
APPENDIX E

Greek Macro Indicators

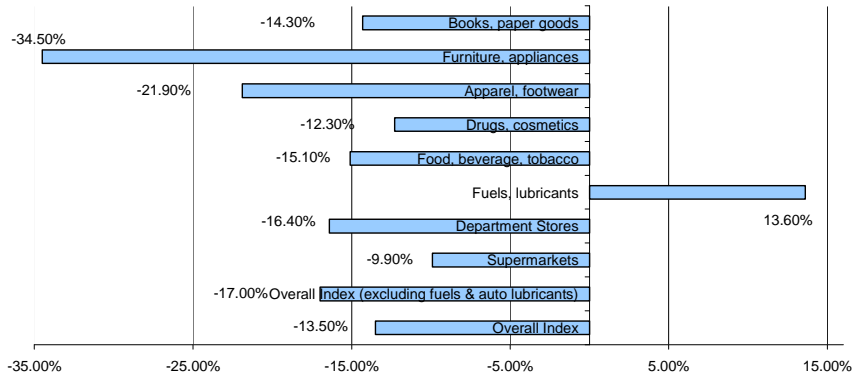
Greek Retail Sales 2010* (turnover Index change, y-o-y)



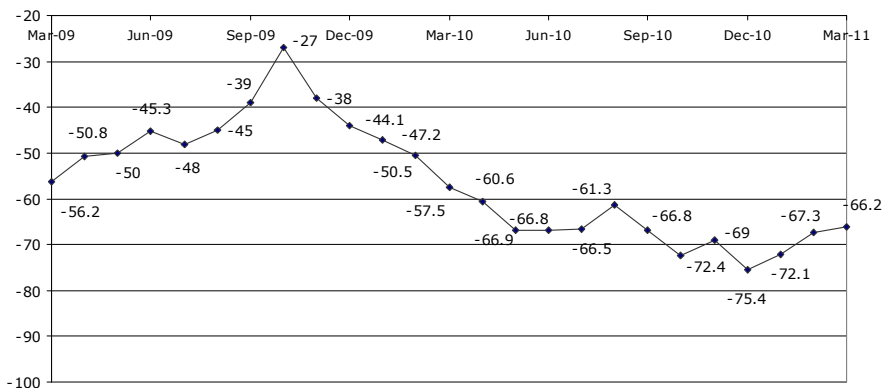
Greek Monthly Turnover Index change, y-o-y



Greek Retail Sales - December 2010 (turnover Index change, y-o-y)



Greek Consumer Confidence Indicator, y-o-y



* Temporary Data,
Source: EL.STAT. (Hellenic Statistical Authority)

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Neutral: Total expected return (*) is between +/- 10% the required market return (**) over the next 12 months.
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(*) Total expected return: Price Appreciation plus Dividend
(**) Required market return: Risk Free Rate plus Equity Risk Premium

RATINGS HISTORY

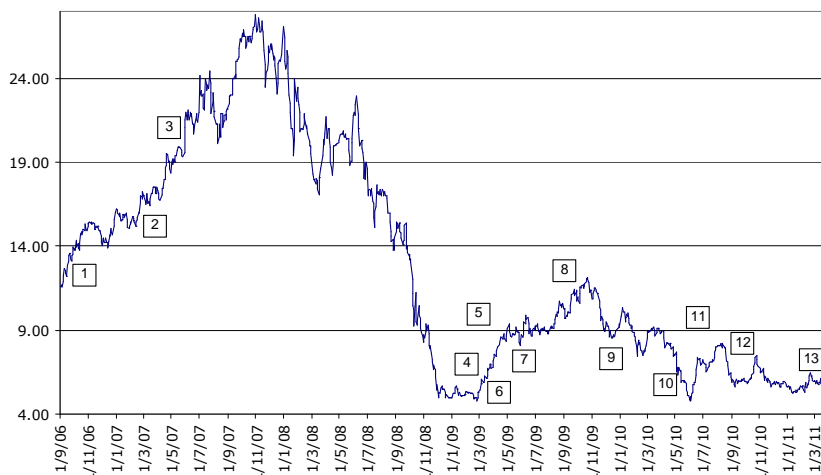
Ratings	Date of Report	Rating	Target Price	Share Price on date of issue
1	7/11/2006	Initiation - Neutral (*)	17.56€	15.42€
2	13/3/2007	Review - Neutral (*)	19.03€	16.70€
3	31/5/2007	Suspension of coverage	-	21.52€
4	2/2/2009	Resume of coverage – Outperform	11.40€	5.34€
5	25/2/2009	Flash Report - Outperform	11.40€	4.76€
6	10/3/2009	Review - Outperform	9.40€	5.88€
7	12/6/2009	Review - Neutral	10.70€	9.72€
8	2/9/2009	Review - Neutral	11.40€	10.27€
9	1/12/2009	Review - Outperform	10.30€	8.90€
10	13/4/2010	Review - Outperform	9.80€	8.20€
11	8/6/2010	Review - Outperform	6.30€	5.20€
12	3/9/2010	Review - Underperform	6€	6.05€
13	1/4/2011	Review - Underperform	6.30€	6.00€

(*) Previous Stock Rating Definitions

Outperform: Relative out-performance compared to the ATHEX General Index of 10% or more over a 12-month period.

Neutral: Relative performance compared to the ATHEX General Index between -10% and 10% over a 12-month period.

Underperform: Relative underperformance compared to the ATHEX General Index of -10% or more over a 12-month period.



PROCESS OF VALUATION

Our valuation is based on a DCF model. We discount the cash flows with a variable WACC from 12.1% - 12.9%. We use a risk free rate of 10.5% (10Yr Greek Government Bond Yield – 12m average), an equity risk premium of 5.0% and a beta of 0.74.

RISKS TO OUR VALUATION

- A sharper than expected decrease in consumers' purchasing power
- Delays in the implementation of the store roll-out plan
- Currency and translation risks
- Dependence on the franchise agreement with IKEA
- The appearance of a competitive Homeware retailer
- Political, economical and social uncertainties associated with Southeastern Europe

DISCLOSURE CHECKLIST FOR COMPANIES MENTIONED AND OTHER PRICE DATA INFORMATION

Company name	Bloomberg	Rating	Target Price	Price / Date	Valid Disclosure
Fourlis S.A.	FOYRK GA	Underperform	6.30 €	6.00€/31.3.2011	None

Source: Prelium Investment Services

1. Prelium Investment Services has acted as manager/co-manager/adviser in the underwriting or placement of financial instruments of the company mentioned in this report within the past 12 months.
2. Prelium Investment Services had a contractual relationship or has received compensation for investment banking from the company mentioned in this report within the past 12 months.
3. Prelium Investment Services acts as a market maker for the company mentioned in this report.
4. Prelium Investment Services owns five percent or more of the total share capital of the company mentioned in this report at the date of issuance of this report.
5. The company mentioned in this report owns five percent or more of the total share capital of Prelium Investment Services at the date of issuance of this report.
6. Prelium Investment Services SA has other financial interests related to the company mentioned in this report at the date of issuance of the latter.
7. The following research analysts who participate in the preparation of this report have the following financial interests related to the company covered by this report.....

PRELIUM INVESTMENT SERVICES S.A. RATING DISTRIBUTION

As of April 1, 2011	Outperform	Neutral	Underperform	Under Review / Not Rated	Restricted
% distribution breakdown	20%	0%	40%	40%	0%

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