

Thrace Plastics
Specialty Chemicals
Outperform
High risk
€ 2.05

Mkt cap (mn): € 93

FTSE 140: 5,655.67

Equity Research | Flashnote

April 2, 2007

| | | | |
|----------------------------|----------|------|-------|
| RIC: THRr.AT, BBG: PLAT GA | | | |
| Changes | Rating - | TP - | EPS - |
| Target price | € 2.90 | | |
| of which DPS | € 0.02 | | |
| Previous | € 2.90 | | |
| Total stock return | 41% | | |

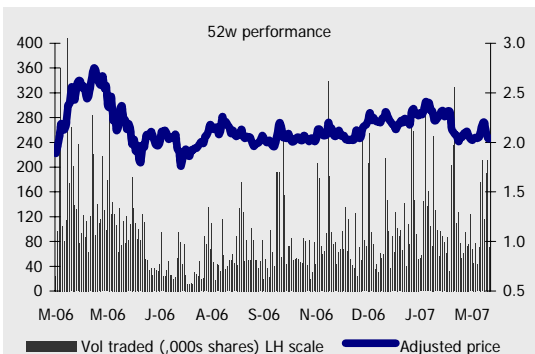
| Valuation | 2005a | 2006a | 2007e | 2008e |
|----------------|-------|-------|-------|-------|
| P/E | 9.0x | 10.7x | 7.7x | 6.9x |
| P/BV | 1.2x | 1.0x | 0.9x | 0.9x |
| EV/Sales | 1.0x | 0.9x | 0.8x | 0.7x |
| EV/EBITDA | 6.7x | 7.4x | 6.2x | 5.5x |
| EV/EBIT | 11.6x | 13.8x | 8.9x | 7.9x |
| Dividend yield | 2.4% | 1.1% | 3.0% | 3.3% |
| FCF yield | -0.6% | -3.8% | 3.1% | 7.3% |

| Per share | 2005a | 2006a | 2007e | 2008e |
|-----------|-------|-------|-------|-------|
| EPS | 0.23 | 0.19 | 0.27 | 0.30 |
| DPS | 0.05 | 0.02 | 0.06 | 0.07 |

| BS data (€m) | 2005a | 2006a | 2007e | 2008e |
|--------------|-------|-------|-------|-------|
| Sh. Equity | 77 | 90 | 99 | 109 |
| Net debt | 80 | 88 | 85 | 75 |

| P&L data (€m) | 2005a | 2006a | 2007e | 2008e |
|---------------|-------|-------|-------|-------|
| Revenues | 186 | 208 | 230 | 245 |
| EBITDA | 27 | 25 | 29 | 31 |
| EBIT | 16 | 13 | 20 | 22 |
| Net income | 10 | 9 | 12 | 13 |

| Trading data | 1m | 3m | 6m | 12m |
|--|---------------|--------|--------|-------|
| Rel. Performance | -5.9% | -14.1% | -13.5% | -8.3% |
| Abs. Performance | -2.8% | -8.5% | 4.6% | 4.6% |
| H L 52w | € 2.8 € 1.8 | | | |
| Market cap. (mn) | € 93 | | | |
| Shares outstanding (m): | | 45.3 | | |
| Free float (% , mn) | 36% | € 34 | | |
| Avg. vol. Traded (52w): | 97.5k | | | |
| Index constituent & weight: | | | | |
| ASE (0.00%), FTSE 80 (1.27%), FTSE 140 (0.04%) | | | | |


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Clearly Undervalued; Remains Outperform
FY06 Normalised Results Above Our Estimates; Remains Outperform

Thrace Plastics released full year results, which were below our estimates on a reported basis. However, normalising the figures in order to account for various non-recurring items, specifically c. €2mn in the gross profit line as the group incurred various costs from the merger of operations which resulted in a €1mn loss in the woven segment (vs. expectations of €1mn profit), c. €3mn gain from the sale of fixed assets booked in the other operating income account and finally c. €1mn booked in the other operating expenses account referring to a claim from a client vs. Thrace Plastics for the sale of inferior- to the agreed standards- quality products, the results came above our estimates. Moreover, apart from the non-recurring items, it should also be kept in mind that polypropylene prices were at high levels throughout the year -courtesy of high crude prices- and remained high in Q4 as well, thus having a negative effect on profitability.

FY06 Results

Turnover came in at €208mn (+11.8% yoy/+ 1.8% vs. AFe/+1.5% vs. management guidance). Gross profit stood at €38mn (-1.6% yoy/-2.2% vs. our estimates) with the related margin reaching 18.2% vs. 20.6% last year and 18.9% which was our estimate. On a normalised basis, however, "clean" gross profit reached €40mn or +3.0% vs. our estimates and +3.6% yoy, with the margin reaching 19.1%. Reported Ebitda reached €25mn (-9.5% yoy/-5.6% vs. AFe). "Clean" Ebitda reached €24mn (-7.6% yoy/+6.0% vs. AFe), while the margin dropped 240bps to 11.8% (AFe: 11.3%). "Clean" pre-tax profit stood at €11mn (-14.4% yoy/+31% vs. AFe), while "clean" net profit after minorities reached €8mn (-16.9%yoy/+41.6% vs. AFe) as net finance costs were down 13.4% to c. €1mn (our estimate: c. €3mn) due to a c. €1.3mn financial gain from the pension plans of the Don & Low and Synthetic Holdings subsidiaries, while also the effective tax rate stood at 26.8% vs. our estimate of 28.0%. Finally, the management will propose a dividend of €1mn (-56% yoy/-34% vs. AFe) for FY06, as it has decided to proceed with its investment plans on a self-financing basis.

No Change in Estimates; EPS CAGR06/09e 27%

Following the release of FY06 results, we do not proceed with any changes in our initial estimates. Specifically, we forecast turnover to reach c. €260mn (CAGR06/09e +8%), gross profit at €59mn (CAGR06/09e +16%) with the margin reaching c. 23%, Ebitda at €36mn (CAGR06/09e +13%) with the related margin at c. 14% and net profit (after minorities) at €18mn (CAGR06/09e +27%) with the margin at c. 7%.

Valuation

We reiterate our €2.90 target price and outperform rating, applying a DCF model with a WACC of 6.8% (post tax cost of debt 4.1%, cost of equity 9.5%) and a terminal growth rate of 0.0%. The shares are trading at a 7.6x PE07e (peers 13.8x) and EV/Ebitda07e 6.1x (peers 7.4x). We believe that the shares are clearly undervalued. The main risk remains the limited visibility regarding PP prices as well as the cyclicality of the sector.

Thrace Plastics specializes in the production and distribution of polypropylene products. Its operations are broadly divided in four segments: woven products, non-woven products, rigid packaging and industrial bags & FIBCs. The company conducts 75% of its

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Please refer to important disclosures in the Disclosure Appendix

| Rating: Outperform High Risk | Share price performance | | | | |
|--------------------------------|-------------------------|-------------|------|------|-----|
| Target price: | € 2.90 | (%) | 1m | 6m | 12m |
| of which DPS: | € 0.02 | Rel | -6% | -14% | -8% |
| Total stock return: | 41% | Abs | -3% | 5% | 5% |
| Mkt cap (mn): | € 93 | Free Float: | 36% | | |
| Enterprise value | € 184 | H L 52w | 2.75 | 1.76 | |

Figures, growth rates and valuation

| P&L items (€mn) | 2004a | 2005a | 2006a | 2007e | 2008e |
|-------------------------|-------|-------|-------|-------|-------|
| Revenues | 174 | 186 | 208 | 230 | 245 |
| Ebitda | 25 | 27 | 25 | 29 | 31 |
| Ebit | 13 | 16 | 13 | 20 | 22 |
| Pre tax income | 10 | 14 | 12 | 16 | 18 |
| Minorities | 1 | 0 | 0 | 0 | 0 |
| Net income | 7 | 10 | 9 | 12 | 13 |
| EPS (€) | 0.15 | 0.23 | 0.19 | 0.27 | 0.30 |
| DPS (€) | 0.02 | 0.05 | 0.02 | 0.06 | 0.07 |
| No. of shares, weighted | 45 | 44 | 45 | 45 | 45 |

Balance sheet items (€mn)

| | | | | | |
|----------------------|-----|-----|-----|-----|-----|
| Fixed assets, net | 91 | 89 | 101 | 101 | 98 |
| Cash & equivalents | 13 | 12 | 11 | 10 | 7 |
| Current assets | 94 | 106 | 115 | 121 | 124 |
| Total assets | 202 | 212 | 234 | 241 | 242 |
| Equity | 65 | 77 | 90 | 99 | 109 |
| Minorities | 16 | 3 | 3 | 3 | 3 |
| Long term debt | 22 | 19 | 16 | 16 | 16 |
| Long term liabs | 55 | 51 | 47 | 47 | 47 |
| Short term debt | 39 | 46 | 57 | 52 | 40 |
| Current liabilities | 67 | 81 | 95 | 92 | 83 |
| Equity & liabilities | 202 | 212 | 234 | 241 | 242 |

Cash flow items (€mn)

| | | | | | |
|---------------------|----|----|----|----|-----|
| Gross cash flow | 21 | 22 | 17 | 21 | 23 |
| Δ Working capital | 6 | 3 | 8 | 5 | 3 |
| Operating cash flow | 15 | 19 | 10 | 16 | 20 |
| Capex | 9 | 20 | 17 | 11 | 7 |
| Free cash flow | 6 | -1 | -7 | 6 | 12 |
| Δdebt | -9 | 3 | 5 | -5 | -12 |
| Δequity | 4 | 0 | 3 | 0 | 0 |
| Dividends | 2 | 1 | 2 | 3 | 3 |
| Dividends to mins | 0 | 0 | 0 | 0 | 0 |
| (Net Debt)/cash | 13 | 12 | 11 | 10 | 7 |

Y -o - Y change (%)

| | | | | | |
|----------------|------|-----|------|-----|-----|
| Revenues | n.a. | 7% | 12% | 10% | 7% |
| Ebitda | n.a. | 9% | -10% | 18% | 6% |
| Ebit | n.a. | 26% | -16% | 53% | 7% |
| Pre tax income | n.a. | 41% | -18% | 40% | 11% |
| Net income | n.a. | 49% | -14% | 40% | 11% |
| EPS | n.a. | 53% | -17% | 40% | 11% |

Margins (%)

| | | | | | |
|----------------|-----|-----|-----|-----|-----|
| Ebitda | 14% | 15% | 12% | 13% | 13% |
| Ebit | 7% | 9% | 6% | 9% | 9% |
| Pre tax income | 6% | 8% | 6% | 7% | 7% |
| Net income | 4% | 5% | 4% | 5% | 5% |

Ratios & valuation

| | | | | | |
|------------------|-------|-------|-------|------|------|
| P/E | 13.7x | 9.0x | 10.7x | 7.7x | 6.9x |
| P/BV | 1.4x | 1.2x | 1.0x | 0.9x | 0.9x |
| EV/Sales | 1.1x | 1.0x | 0.9x | 0.8x | 0.7x |
| EV/EBITDA | 7.3x | 6.7x | 7.4x | 6.2x | 5.5x |
| EV/EBIT | 14.6x | 11.6x | 13.8x | 8.9x | 7.9x |
| FCF Yield | 3.1% | -0.6% | -3.8% | 3.1% | 7.3% |
| Dividend Yield | 0.8% | 2.4% | 1.1% | 3.0% | 3.3% |
| Payout ratio | 11% | 23% | 12% | 23% | 23% |
| Debt/equity | 1.0x | 0.9x | 0.9x | 0.8x | 0.6x |
| Net debt/ebitda | 3.0x | 2.9x | 3.5x | 2.9x | 2.4x |
| Interest covered | 10.0x | 16.1x | 16.8x | 7.6x | 9.0x |
| RoE | 10% | 13% | 10% | 12% | 12% |
| RoIC | 7% | 8% | 5% | 9% | 9% |

source: company data & Alpha Finance Research Estimates

Thrace Plastics S.A.

Current Price € 2.05
Sector: Specialty Chemicals

Thrace Plastics specializes in the production and distribution of polypropylene products. Its operations are divided in four segments: woven products, nonwoven products, rigid packaging and industrial bags & FIBCs. website: www.thraceplastics.gr

all prices as of Mar 30th**Research analyst**

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Investment summary

First Read of Reported Results Seems Worrying...

On a first read, Thrace Plastics reported a rather disappointing set of FY06 results. Specifically:

- Revenues reached €208mn (+11.8% yoy, +1.8% vs. AFe, +1.6% vs. guidance).
- Gross Profit reached €37.8mn (-1.6% yoy, -2.2% vs. AFe). The margin dropped 240bps yoy (down 70bps vs. our estimates).
- Ebitda came in at €24.8mn (-9.5% yoy, -5.6% vs. AFe, -12.9% vs. management guidance). The margin deteriorated 280bps yoy (down 100bps vs. our estimates and down 200bps vs. management guidance). Selling & distribution expenses as well as administrative expenses were broadly in line with our estimates.
- Pre-tax profit reached €11.7mn (-17.6% yoy, +4.1% vs. AFe). The reported figure was somehow improved as net interest expenses were significantly lower both on a y-o-y basis and vs. AFe (-13.4% and -47.9% respectively), as the group booked a €1.3mn financial gain from the pension plans of the Don & Low and Synthetic Holdings subsidiaries.
- Net profit after minorities stood at €8.6mn (-13.7% yoy, +8.8% vs. AFe). The margin reached 4.2%, down 120bps yoy and +30bps vs. our estimates. Note that the effective tax rate for the group in FY06 was 26.8% vs. our estimate of 28%.
- The group will propose a dividend of €1mn (-56% yoy, -34% vs. AFe), as it has decided to proceed with its investment/expansion plans on a self-financing basis.

...But Clarifications By The Management Are Reassuring

Following the release of the results, we communicated with the management in order to further clarify the factors that affected the group's profitability. They informed us that various non-recurring items – totalling c. €3mn – burdened the group's operations in Q4. Specifically:

- There was a c. €1mn expense booked Q4 in the "other operating expenses" account, which refers to a provision for a claim from a client for the sale of "non woven" goods which were inferior to the agreed quality standards.
- The strikes of workers in the Greek ports in Q4 increased the transportation costs of the group, which had to ship its goods via trucks, instead of seaborne transportation.
- There was a non-recurring –as they informed us– shift in the sales mix i.e. there was a decrease in the sales of high margin products coupled with an increase in the sales of low margin products.
- In the last quarter in the woven as well as in the rigid packaging segments, the management decided to merge some operations resulting to a partial halt in production while also incurring some costs for relocation etc. Additionally, in the woven segment the group booked a €1mn loss vs. an estimated profit of €1mn.
- Note that PP prices remained at high levels in Q4, as well.

The aforementioned non-recurring incidents distorted the results. However, should one accounts for these items and normalises the results, the picture is reassuring. Hence:

- "Clean" gross profit reached €40mn (+3.6%yoy/+3.0% vs. our estimates).
- "Clean" Ebitda reached €24mn (-10.8%yoy/+2.4% vs. AFe/-7.9% vs. management guidance).
- "Clean" operating profit stood at €12mn (-19.2% yoy/+11.4% vs. AFe).
- "Clean" pre tax profit stood at €10mn (-20.8% yoy/+31% vs. AFe).
- "Clean" net profit (after minorities) stood at €8mn (-16.9% yoy/+31.4% vs. AFe).

Hence, we keep our initial forecasts unchanged and we reiterate our "outperform" rating and €2.90 target price, implying c. 41% upside from current price levels.

Quarterly Results

By normalising the accounts for the c. €3mn non-recurring items (specifically c. €2mn in the gross profit and c. €1mn in other operating income/(expenses) that were booked in Q4, it is evident that Q4 and FY06 results were positive, and above our estimates.

Quarterly P&L Accounts

| € mn | 9M:05a | Q4:05a | FY05a | 9M:06a | Q4:06a | FY06a | FY06e | vs. AFe |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Revenues | 138 | 49 | 186 | 157 | 51 | 208 | 205 | 1.8% |
| % chng | 5.5% | 12.8% | 7.3% | 14.0% | 5.4% | 11.8% | 9.8% | |
| Cost of sales | 110 | 38 | 148 | 127 | 44 | 170 | 166 | |
| % chng | 5.4% | 10.6% | 6.7% | 15.3% | 15.1% | 15.2% | 12.2% | |
| Gross Profit | 28 | 11 | 38 | 30 | 8 | 38 | 39 | -2.2% |
| % chng | 5.9% | 21.6% | 9.9% | 9.0% | -28.7% | -1.6% | 0.6% | |
| % margin | 20.1% | 22.1% | 20.6% | 19.2% | 15.0% | 18.2% | 18.9% | |
| Gross Profit (clean)* | 28 | 11 | 38 | 30 | 10 | 40 | 39 | 3.0% |
| % chng | | | | 9.0% | -10.1% | 3.6% | 0.6% | |
| % margin | 20.1% | 22.1% | 20.6% | 19.2% | 18.9% | 19.1% | 18.9% | |
| Other operating income | 4 | 2 | 5 | 6 | 1 | 7 | 6 | |
| -o/w gain from sale of fixed assets | 1 | 0 | 1 | 3 | 0 | 3 | 3 | |
| Selling & distribution expenses | 14 | 5 | 18 | 14 | 5 | 19 | 20 | |
| % chng | 5.3% | 14.4% | 7.5% | 4.2% | 2.0% | 3.6% | 8.8% | |
| % of revenues | 10.0% | 9.5% | 9.9% | 9.2% | 9.2% | 9.2% | 9.8% | |
| Administrative expenses | 5 | 2 | 7 | 6 | 3 | 8 | 7 | |
| % chng | -10.3% | -16.4% | -12.5% | 16.2% | 5.2% | 12.5% | 1.8% | |
| % of revenues | 3.5% | 5.0% | 3.9% | 3.6% | 5.0% | 3.9% | 3.6% | |
| Other operating expenses | 2 | 0 | 2 | 3 | 2 | 4 | 3 | |
| EBITDA | 20 | 8 | 27 | 22 | 3 | 25 | 26 | -5.6% |
| % chng | 2.5% | 32.5% | 9.4% | 10.6% | -61.3% | -9.5% | -4.2% | |
| % margin | 14.4% | 15.8% | 14.7% | 13.9% | 5.8% | 11.9% | 12.9% | |
| EBITDA (clean)* | 19 | 7 | 27 | 19 | 5 | 24 | 23 | 6.0% |
| % chng | | | | -0.9% | -25.3% | -7.6% | -12.9% | |
| % margin | 14.0% | 15.0% | 14.2% | 12.1% | 10.6% | 11.8% | 11.3% | |
| Depreciation | 9 | 3 | 12 | 9 | 3 | 12 | 12 | |
| EBIT | 11 | 5 | 16 | 13 | 0 | 13 | 14 | -5.6% |
| % chng | 14.0% | 69.5% | 26.4% | 18.0% | -96.6% | -16.5% | -11.5% | |
| % margin | 8.1% | 9.8% | 8.5% | 8.4% | 0.3% | 6.4% | 6.9% | |
| EBIT (clean)* | 11 | 4 | 15 | 10 | 3 | 13 | 11 | 19.2% |
| % chng | | | | -2.7% | -39.8% | -13.5% | -27.4% | |
| % margin | 7.7% | 9.0% | 8.0% | 6.5% | 5.1% | 6.2% | 5.3% | |
| minus: net finance cost | 1 | 1 | 2 | 2 | (1) | 1 | 3 | |
| % chng | -37% | -18% | -32.0% | 69.3% | -202.5% | -13.4% | 66.4% | |
| Income from Associated Companies | 0 | 0 | 0 | (0) | 0 | (0) | 0 | |
| EBT | 10 | 4 | 14 | 11 | 1 | 12 | 11 | 4.1% |
| % chng | 26.1% | 94.8% | 41.0% | 10.7% | -83.7% | -17.6% | -20.9% | |
| % margin | 7.2% | 8.8% | 7.6% | 7.0% | 1.4% | 5.6% | 5.5% | |
| EBT (clean)* | 9 | 4 | 13 | 8 | 3 | 11 | 8 | 41.6% |
| % chng | | | | -13.0% | -17.8% | -14.4% | -39.6% | |
| % margin | 6.8% | 7.9% | 7.1% | 5.2% | 6.2% | 5.4% | 3.9% | |
| Tax | 2 | 2 | 4 | 3 | 0 | 3 | 3 | |
| Tax rate | 22.8% | 40.7% | 28.2% | 26.6% | 29.9% | 26.8% | 28.0% | |
| Net income | 8 | 3 | 10 | 8 | 0 | 9 | 8 | 5.8% |
| % chng | 26.9% | 19.5% | 25.0% | 5.3% | -80.8% | -16.0% | -20.7% | |
| % margin | 5.6% | 5.2% | 5.5% | 5.1% | 0.9% | 4.1% | 3.9% | |
| Net income (clean)* | 7 | 2 | 9 | 6 | 2 | 8 | 6 | 37.2% |
| % chng | | | | -17.3% | 1.7% | -12.8% | -36.4% | |
| % margin | 5.2% | 4.7% | 5.1% | 3.8% | 4.5% | 4.0% | 2.9% | |
| minorities | 1 | (1) | 0 | 0 | 0 | (0) | 0 | |
| Net income (after minorities) | 7 | 3 | 10 | 8 | 1 | 9 | 8 | 8.8% |
| % chng | 38.6% | 74.5% | 48.6% | 17.8% | -79.1% | -13.7% | -20.7% | |
| % margin | 4.9% | 6.7% | 5.4% | 5.1% | 1.3% | 4.2% | 3.9% | |
| Net income (clean a/m)* | 6 | 3 | 9 | 6 | 2 | 8 | 6 | 41.9% |
| % chng | | | | -7.0% | -17.2% | -10.3% | -36.8% | |
| % margin | 4.6% | 6.2% | 5.0% | 3.7% | 4.9% | 4.0% | 2.9% | |
| # shares | 46 | 44 | 44 | 45 | 45 | 45 | 45 | |
| EPS | 0.15 | 0.07 | 0.23 | 0.18 | 0.02 | 0.19 | 0.18 | 8.6% |
| EPS (clean) | 0.14 | 0.07 | 0.21 | 0.13 | 0.06 | 0.18 | 0.13 | 41.7% |

source: company data | Alpha Finance Research

*refer to adjusted figures under our estimates

Financial Statements

| Consolidated P&L account (€mn) | 2004a | 2005a | 2006a | 2007e | 2008e | 2009e |
|----------------------------------|-------|-------|-------|-------|-------|-------|
| Revenues | 174 | 186 | 208 | 230 | 245 | 260 |
| % chng | | 7% | 12% | 12% | 7% | 6% |
| Cost of sales | 139 | 148 | 170 | 184 | 196 | 205 |
| % chng | | 7% | 15% | 11% | 7% | 4% |
| Gross Profit | 35 | 38 | 38 | 46 | 49 | 55 |
| % chng | | 10% | -2% | 20% | 7% | 12% |
| mgn | 20% | 21% | 18.2% | 20% | 20% | 21% |
| Other operating income | 5 | 5 | 7 | 3 | 4 | 4 |
| % of revenues | 3% | 3% | 3% | 2% | 1% | 1% |
| Selling & Distribution expenses | 17 | 18 | 19 | 22 | 23 | 24 |
| % chng | | 7% | 4% | 8% | 7% | 4% |
| % of revenues | 10% | 10% | 9% | 9% | 9% | 9% |
| Administrative expenses | 8 | 7 | 8 | 8 | 8 | 8 |
| % chng | | -12% | 12% | 4% | 4% | 4% |
| % of revenues | 5% | 4% | 4% | 3% | 3% | 3% |
| Other operating expenses | 2 | 2 | 4 | 4 | 4 | 4 |
| % of revenues | 1% | 1% | 2% | 2% | 2% | 2% |
| EBITDA | 25 | 27 | 25 | 30 | 31 | 36 |
| % chng | | 9% | -10% | 12% | 6% | 15% |
| mgn | 14% | 15% | 12% | 13% | 13% | 14% |
| EBITDA (clean) * | 24 | 27 | 24 | 30 | 31 | 36 |
| % chng | | 9% | -8% | 26% | 6% | 15% |
| mgn | 14% | 14% | 12% | 13% | 13% | 14% |
| Depreciation | 13 | 12 | 12 | 13 | 13 | 13 |
| EBIT | 13 | 16 | 10 | 17 | 18 | 23 |
| % chng | | 26% | -33% | 20% | 7% | 27% |
| mgn | 7% | 9% | 5% | 7% | 7% | 9% |
| minus: net finance cost | 3 | 2 | 1 | 3 | 2 | 2 |
| % chng | | -32% | -13% | -8% | -15% | -31% |
| Income from associated companies | 0 | 0 | (0) | 0 | 0 | 0 |
| EBT | 10 | 14 | 12 | 14 | 16 | 21 |
| % chng | | 41% | -18% | 27% | 12% | 35% |
| mgn | 6% | 8% | 6% | 6% | 6% | 8% |
| Tax | 2 | 4 | 3 | 4 | 4 | 5 |
| effective tax rate | 19% | 28% | 27% | 25% | 25% | 25% |
| minorities | 1 | 0 | (0) | 0 | 0 | 0 |
| Net income | 7 | 10 | 9 | 10 | 12 | 16 |
| % chng | | 48% | -14% | 31% | 12% | 35% |
| mgn | 4% | 5% | 4% | 5% | 5% | 6% |
| Net income (clean) * | 6 | 9 | 8 | 10 | 12 | 16 |
| % chng | | 51% | -13% | 77% | 12% | 35% |
| mgn | 4% | 5% | 4% | 5% | 5% | 6% |
| no. of shares (basic & diluted) | 45.2 | 43.8 | 45.3 | 45.3 | 45.3 | 45.3 |
| EPS | 0.15 | 0.23 | 0.19 | 0.23 | 0.26 | 0.35 |
| % chng | | 53% | -17% | 31% | 12% | 35% |
| EPS (clean) * | 0.14 | 0.21 | 0.18 | 0.23 | 0.26 | 0.35 |
| % chng | | 56% | -13% | 77% | 12% | 35% |
| Dividends | 1 | 2 | 1 | 2 | 3 | 4 |
| % chng | | 207% | -56% | 59% | 12% | 35% |
| DPS | 0.02 | 0.05 | 0.02 | 0.05 | 0.06 | 0.08 |

source: company data | Alpha Finance Research

* "clean" figures account for adjustments for extraordinary gains/(losses)

| Cash flow statement (€ mn) | 2004a | 2005a | 2006a | 2007e | 2008e | 2009e |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Net income | 7 | 10 | 9 | 10 | 12 | 16 |
| plus: non-cash items | 14 | 12 | 9 | 13 | 13 | 13 |
| D&A | 13 | 12 | 12 | 13 | 13 | 13 |
| minorities | 1 | 0 | (0) | 0 | 0 | 0 |
| other | 0 | 0 | (3) | 0 | 0 | 0 |
| Gross cash flow | 21 | 22 | 17 | 23 | 25 | 29 |
| Δ WC | 6 | 3 | 8 | 7 | 4 | 4 |
| Operating cash flow | 15 | 19 | 10 | 16 | 21 | 25 |
| Capex | 9 | 20 | 17 | 10 | 6 | 6 |
| Free cash flow | 6 | -1 | (7) | 6 | 15 | 19 |
| minus dividends | 2 | 1 | 2 | 2 | 3 | 4 |
| plus Δ debt | -9 | 3 | 5 | -5 | -12 | -16 |
| plus Δ equity | 4 | 0 | 3 | 0 | 0 | 0 |
| minus dividends to minorities | 0 | 0 | (0) | 0 | 0 | 0 |
| minus other | -2 | 1 | 0 | 0 | 0 | 0 |
| Δ cash | 2 | 0 | (1) | -1 | 0 | -1 |
| net cash | 13 | 12 | 11 | 10 | 10 | 10 |

source: company data | Alpha Finance Research

| Balance sheet items (€ mn) | 2004a | 2005a | 2006a | 2007e | 2008e | 2009e |
|--|-------|-------|-------|-------|-------|-------|
| Cash & Equivalents | 13 | 12 | 11 | 10 | 10 | 10 |
| Trade & other receivables | 53 | 57 | 62 | 70 | 74 | 78 |
| Inventories | 28 | 36 | 42 | 45 | 47 | 49 |
| Other S-T receivables | 1 | 0 | 1 | 0 | 0 | 0 |
| PP&E, net | 91 | 89 | 101 | 83 | 76 | 69 |
| Intangible Assets, net | 10 | 10 | 11 | 10 | 10 | 10 |
| Participation in subsidiaries & affiliates | 0 | 1 | 0 | 1 | 1 | 1 |
| Other L-T assets | 7 | 7 | 7 | 7 | 7 | 7 |
| Total Assets | 202 | 212 | 234 | 226 | 226 | 224 |
| ST debt | 39 | 46 | 57 | 36 | 24 | 9 |
| Trade & other payables | 27 | 34 | 37 | 42 | 45 | 47 |
| Other S-T Liabilities | 1 | 1 | 1 | 1 | 1 | 1 |
| LT debt | 22 | 19 | 16 | 19 | 19 | 18 |
| Deferred Income Tax Liabilities | 5 | 5 | 4 | 5 | 5 | 5 |
| Pension Liabilities | 27 | 27 | 26 | 27 | 27 | 27 |
| Other L-T Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Share capital | 20 | 23 | 23 | 23 | 23 | 23 |
| Share premium | 23 | 22 | 22 | 22 | 22 | 22 |
| Retained earnings & reserves | 22 | 32 | 45 | 47 | 56 | 68 |
| Shareholders' equity | 65 | 77 | 90 | 91 | 100 | 112 |
| Minority interests | 16 | 3 | 3 | 3 | 4 | 4 |
| Total liabilities & shareholders' equity | 202 | 212 | 234 | 226 | 226 | 224 |

source: company data | Alpha Finance Research

| Financial ratios & Multiples | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2004a | 2005a | 2006a | 2007e | 2008e |
| Multiples | | | | | |
| P/E(x) | 13.7 x | 9.0 x | 10.7 x | 7.7 x | 6.9 x |
| P/BV(x) | 1.4 x | 1.2 x | 1.0 x | 0.9 x | 0.9 x |
| P/GCF(x) | 4.4 x | 4.2 x | 5.4 x | 4.3 x | 4.0 x |
| P/FCF | 16.2 x | -94.5 x | -13.4 x | 16.6 x | 7.5 x |
| EV/Sales | 1.1 x | 1.0 x | 0.9 x | 0.8 x | 0.7 x |
| EV/EBITDA | 7.3 x | 6.7 x | 7.4 x | 6.2 x | 5.5 x |
| EV/EBIT | 7.6 x | 6.9 x | 7.5 x | 6.3 x | 5.9 x |
| EV/OpFCF | 14.6 x | 11.6 x | 13.8 x | 8.9 x | 7.9 x |
| Yields | | | | | |
| Dividend yield | 0.8% | 2.4% | 1.1% | 3.0% | 3.3% |
| FCF yield | 3.1% | -0.6% | -3.8% | 3.1% | 7.3% |
| Debt Management | | | | | |
| Leverage (total liab/equity) | 1.9 x | 1.7 x | 1.6 x | 1.4 x | 1.2 x |
| Gearing (debt/equity) | 1.0 x | 0.9 x | 0.9 x | 0.8 x | 0.6 x |
| Net Debt/(cash) | 76 | 80 | 88 | 85 | 75 |
| Net debt/EBITDA | 3.0 x | 2.9 x | 3.5 x | 2.9 x | 2.4 x |
| Interest Covered | 10.0 x | 16.1 x | 16.8 x | 7.6 x | 9.0 x |
| Debt to assets | 0.3 x | 0.3 x | 0.3 x | 0.3 x | 0.2 x |
| Profitability | | | | | |
| EBITDA margin | 14.5% | 14.7% | 11.9% | 12.8% | 12.6% |
| Pre-tax margin | 5.8% | 7.6% | 5.6% | 7.1% | 7.4% |
| Net income margin | 3.9% | 5.4% | 4.2% | 5.3% | 5.5% |
| ROE | 10.4% | 13.0% | 9.7% | 12.3% | 12.3% |
| ROIC | 7.5% | 8.1% | 5.5% | 8.8% | 9.5% |
| Asset Management | | | | | |
| Fixed assets turnover | 1.6 x | 1.7 x | 1.8 x | 1.9 x | 2.1 x |
| Total assets turnover | 0.9 x | 0.9 x | 0.9 x | 1.0 x | 1.0 x |
| Inventory turnover (days) | 73 | 90 | 89 | 88 | 86 |
| Average collection period (days) | 111 | 112 | 108 | 106 | 105 |
| Creditors' payment period (days) | 72 | 84 | 79 | 79 | 79 |
| Current ratio | 1.4 x | 1.3 x | 1.2 x | 1.3 x | 1.5 x |
| Acid (quick) ratio | 1.0 x | 0.9 x | 0.8 x | 0.8 x | 0.9 x |
| Per share data | | | | | |
| EPS | 0.15 | 0.23 | 0.19 | 0.27 | 0.30 |
| EPS (clean) | 0.14 | 0.21 | 0.18 | 0.27 | 0.30 |
| BVPS | 1.44 | 1.76 | 1.97 | 2.18 | 2.41 |
| DPS | 0.02 | 0.05 | 0.02 | 0.06 | 0.07 |
| CFPS | 0.13 | -0.02 | -0.15 | 0.12 | 0.27 |

source: company data | Alpha Finance Research

AF Calculus

AF calculus: Definitions of ratios and multiples most commonly used by Alpha Finance

| Valuation Multiples | Calculation |
|--------------------------------|---|
| p/e | share price/earnings per share diluted |
| p/bv | share price/book value per share (=equity/outstanding no. of shares) |
| ev/sales | enterprise value (=mkt cap+net debt+book value minorities)/revenues |
| ev/ebitda | enterprise value (=mkt cap+net debt+book value minorities)/ebitda |
| ev/ebit | enterprise value (=mkt cap+net debt+book value minorities)/ebit |
| free cash flow yield | free cash flow (= operating cash flow minus capex)/enterprise value |
| Dividend yield | dividend per share/share price |
| peg | price earnings ratio/ earnings per share growth |
| Debt Management Ratios | |
| Debt/equity (gearing) | total debt (=long term+short term debt)/equity |
| net debt/ebitda | net debt (total debt-cash)/ebitda |
| Interest covered | ebit (=ebitda-depreciation-amortization)/interest expenses |
| Profitability Ratios | |
| RoE | net income/equity |
| RoIC | noplat (=ebit-adjusted taxes)/invested capital (=total debt+equity+book value minorities) |
| EBITDA margin | ebitda/revenues |
| EBIT margin | ebit/revenues |
| Net margin | net income/revenues |
| EPS 3- year CAGR* | expected 3 year CAGR from latest actual |
| Asset Management Ratios | |
| Avg collection period | (receivables/revenues)*total days per year |
| Avg payment period | (payables/COGS)*total days per year |
| Current ratio | (current assets-inventories)/current liabilities |

source: Alpha Finance Equity Research

*applies to all compounded growth rates

DISCLOSURE APPENDIX

Analyst Certification

The research analyst(s) undersigned and responsible for the preparation of this report certify (-ies) that a) the views expressed in this report accurately reflect their (his/her) personal views about any and all of the securities or issuers mentioned in this report and b) no part of the analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report. Analysts receive compensation based upon various factors, including the quality and accuracy of research, productivity, experience, individual reputation, competitive factors and feedback from clients.

Company specific regulatory disclosures

Disclosure checklist for companies mentioned & other price data information

| | Reuters | Rating | Price | Price date/time | Disclosure |
|---|---------|------------|-------|-----------------------------------|------------|
| Thrace Plastic Source: Alpha Finance | THRr.AT | Outperform | €2.05 | Official close @ 30 March 2007 | none |

- Alpha Finance and/or its affiliate(s) has acted as manager/co-manager/adviser in the underwriting or placement of securities of this company within the past 12 months
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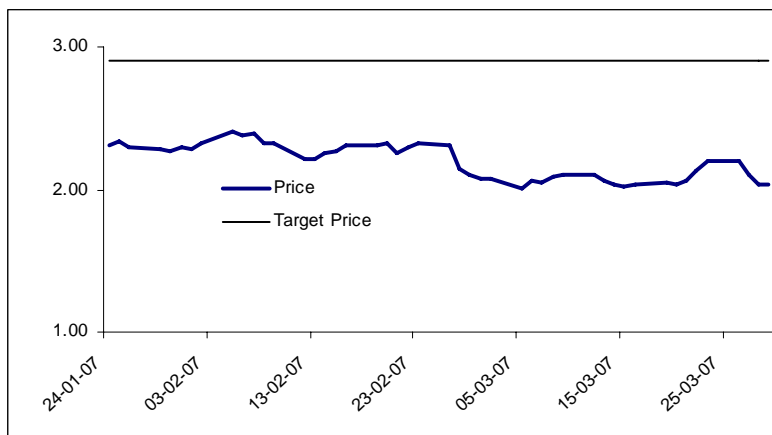
Major changes vs. previous research reports

| Date of report | Price on report date (€) | TP (€) | Rating | Forward ¹ EPS (€) |
|----------------|--------------------------|--------|--------|------------------------------|
| n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Alpha Finance | 1: next year's EPS used from December onwards

Ratings and target price history

Price chart for Thrace Plastics



Rating history for Thrace Plastics

| DATE | Rating | Share Price (€) | Price Target (€) |
|----------|------------|-----------------|------------------|
| 24-01-07 | outperform | 2.18 | 2.90 |
| 02-04-07 | outperform | 2.05 | 2.90 |

Regulatory disclosures

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Valuation method

Our valuation for Thrace Plastics is based on a DCF based model. We use a WACC rate of 6.8%, a risk free rate of 4.1%, a beta of 1.1, an equity risk premium of 5.0% and a terminal growth rate of 0.0%.

Risk rating

We rate Thrace Plastics as high risk based on the qualitative/ quantitative assessment of risk we apply on the company (see definitions of risk below). We consider the following the biggest investment risks for the shares: a) polypropylene exposure (oil by-product), b) execution risk regarding expansion/restructuring efforts, c) Euro/USD and Euro/Pound Sterling fluctuations, d) exposure in the Balkan region.

Definitions of Fundamental and Risk Ratings and Allocations

| RISK RATING | | | | | | | | | |
|--------------------|-------------------------------|--|--------------------------|-------------------------|----------------------|-----------------------|--------------------------|-------|-------|
| | Low (L) | Medium (M) | High (H) | Relative to | Horizon ² | Coverage ³ | IB services ⁴ | | |
| FUNDAMENTAL RATING | Outperform O/P | TRP ¹ > +5% | | TRP ¹ > +15% | ASE Index | Dec.'07 | 24/68 | 16.6% | |
| | Neutral N | (5%) < TRP ¹ < +5% | | | | | 14/68 | 7.1% | |
| | Underperform U/P | TRP ¹ < (5%) | TRP ¹ < (15%) | | | | 1/68 | 0.0% | |
| | Restricted (G) R(G) | Alpha Finance belongs to the same group of companies | | | | | | 1/68 | 0.0% |
| | Restricted (IB) R (IB) | Alpha Finance is currently rendering investment banking services | | | | | | 0/68 | 0.0% |
| | Under review UR/ Not rated NR | No rating currently available | | | | | | 28/68 | 14.2% |

Source: Alpha Finance | Data as of 30.11.06 | 1: Total Return Potential (=capital return + dividend yield) | 2: except otherwise stated | 3: Percentage of companies under coverage within this category as of 30.11.06 | 4: Percentage of companies within this rating category for which investment banking services were provided over the past 12 months, as of 30.11.06. In several occasions, subject to the analyst's view and/or due to volatility of the shares, the ratings applied may fall out of the brackets described in the table above.

The Alpha Finance universe consists of 68 companies accounting as of 30.11.06 for 89.7% of total market value

Risk ratings explained

We derive the overall risk rating for a stock by applying a 60% weight on quantitative and a 40% weight on qualitative factors. We use a scale from 1 to 3 to describe 'low', 'medium' and 'high' risk respectively. We compute two different quantitative risks namely liquidity and volatility. We assign equal weights to liquidity and volatility risks to arrive at a so-called trading or quantitative risk for the specific stock researched. Using a scale of 1-to-3 scale, each analyst also assigns a qualitative risk that is entirely up to his/her discretion to determine. Following this, we calculated the combined risk of the specific stock applying the weights mentioned earlier. All IPOs are classified 'high risk' for 12 months after their listing date.

Definitions of Risk Ratings

| Quant factor | Definition | Brackets | Risk rating |
|--------------|--|--|-----------------------|
| Liquidity | Number of shares traded over the last 12 months as % of total shares outstanding | If less than or equal to 33% If greater than 33% but less than or equal to 66% If greater than 66% | High Medium Low |
| Volatility | The standard deviation of daily changes during the last 12 months. Volatility is used as a statistical measure of dispersion and indicates the propensity of a specific equity to suffer large swings in price. The stock's volatility is measured against the volatility of the ASE index | If equity volatility against the market's is greater than 2 If equity volatility against the market's is greater than 1.5 but less than or equal to 2 If equity volatility against the market's is less than or equal to 1.5 | High Medium Low |

Source: Alpha Finance | Data as of 30.11.06 | The quant factors are updated at the end of each calendar quarter

General disclaimer

This report has been prepared by Alpha Finance.

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