

PETROS PETROPOULOS S.A.

Reuters: PTRr.AT Bloomberg: PETRO GA

Sector: Industrial Goods and Services

Ownership Structure:

I. P. Petropoulos	32.26%
Tetrastar Distribution	19.45%
K. P. Petropoulos	17.50%
Free Float	30.79%

Stock Data

Price (25/10/2007)	€ 6.80
Shares (in mn)	7.07
Mkt Cap (in mn)	48.08

Stock Ratios

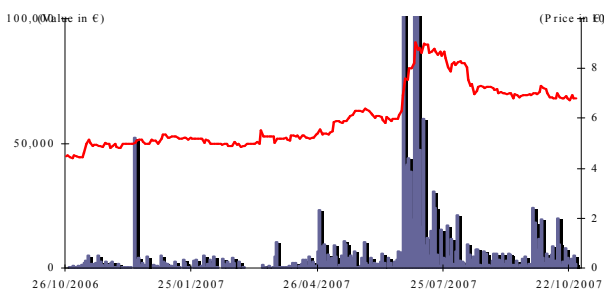
	2005	2006	2007 E	2008 E
P / E	16.5x	15.24x	13.07x	9.87x
P / BV	1.75x	1.67x	1.61x	1.51x
EV / EBITDA	10.33x	10.85x	10.25x	8.64x
Div. Yield	4.61%	4.89%	5.35%	6.08%
ROE	10.63%	11.22%	12.54%	15.78%
ROIC	5.90%	6.14%	6.79%	8.68%
Net Debt/Equity	0.70	0.74	0.74	0.73

Summary Financials

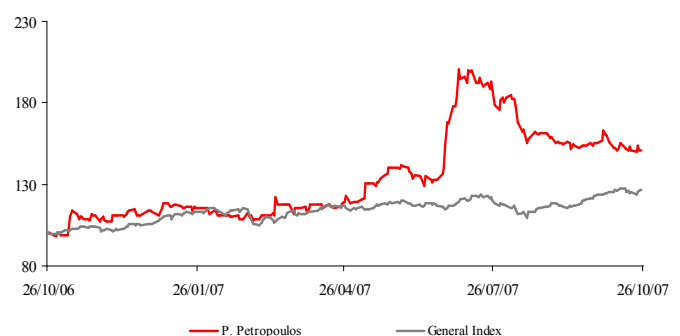
P&L (in € '000)	2005	2006	2007 E	2008 E
Turnover	81,946	91,818	107,977	125,077
Gross Profit	15,921	16,776	19,316	22,337
OPEX	10,204	11,207	13,177	14,715
EBITDA	6,534	6,388	6,854	8,238
Fin. Results	-1,051	-1,053	-1,380	-1,305
Depreciation	614	608	410	439
EBT	4,869	4,726	5,064	6,493
EAT & Minor.	2,921	3,155	3,678	4,870

Source: Company Data & VRS Projections

Stock Graph (52 weeks)
Min: € 4.40 Max: € 9.04



Relative Performance with G.I. (52 weeks)
Stock Return: 51.11% - G.I. Return: 26.66%



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KEY INVESTMENT POINTS

- Petros Petropoulos S.A. deals with the supply of trucks and buses, agricultural tractors, pick-up trucks, boats, engines, generators and other automotive components and accessories, via a **distribution network of about 200 points in Greece.**
- The Company is a recognised brand name and the exclusive distributor of well-known international products (**i.e. Scania, Isuzu, Ingersoll-Rand, Perkins etc.**) being market leader in most of its business units. In the truck & bus and Isuzu business units, that represent more than 60% of Company's turnover, it holds about **13% and 11% market share** (in volume) respectively in the Greek market of professional trucks and tourist buses. The Isuzu products represent about 29% share of midi buses, 8% share of medium-duty trucks and 12% share of the light trucks sectors in Greece.
- The Company maintains **long-term collaboration agreements** for the representation and distribution of world-wide leading companies' products. Petropoulos is continuously seeking to establish new agreements utilising on its responsible adoption of corporate governance principles that ensures the successful maintenance of the agreements.
- **The most significant drivers for future growth are:** a) geographic expansion in Balkans; b) increased market share for existing products; c) further enrichment of product portfolio; d) utilisation of real estate property.
- **By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of € 8.10 per share,** implying an outperform rating in a 12-month time horizon.

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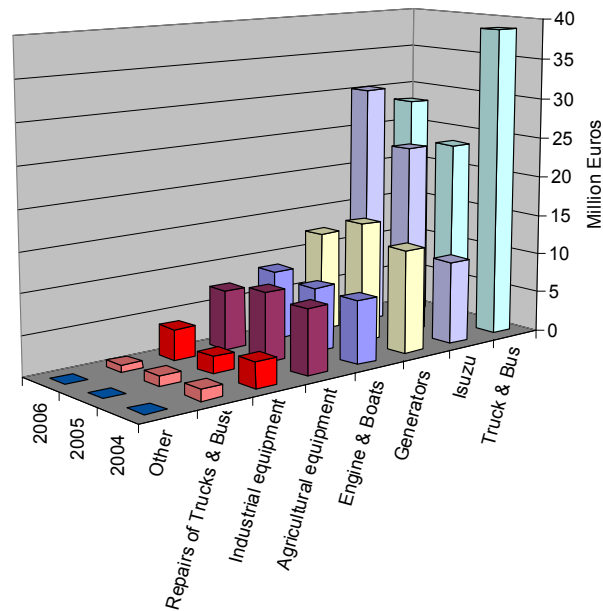
INVESTMENT CASE

Petros Petropoulos AEBE (S.A.) is a well established brand name in the distribution of buses & trucks, engines and boats, generators and industrial and agricultural equipment in Greece, holding significant market share in most of its business units. The Group has a strong presence all over Greece, maintaining a wide network of approximately 200 points of sale. The Group's strategy is to expand its product range and its presence in the Balkans.

The Group offers a broad range of branded products maintaining long term agreements with large corporations producing high-quality products. The strategy of the management focuses on choosing business partners that offer high quality and innovation by developing value added products. On the other hand, well-known brand names choose to distribute their products through P. Petropoulos because of the Groups' reputation and long presence in the Greek market. The Group targets to expand its market share by forming new collaboration agreements, by increasing the points of sales through expansion in the Balkans and by capitalizing on the demand for products that operate under the new ecological prerequisites.

At the end of 2006, total turnover of the Group reached € 91.8 million, up by 12% compared to 2005, reporting significant increase in the Isuzu and truck & bus business units, and increasing its market share even in sectors that reported a general slowdown. The management expects similar growth rates in the following years, which is estimated to remain significantly higher compared to the average growth rate of the main sectors in which the Group is active. This would be achieved by the greater penetration of the Company's products in Greece and abroad, the distribution of new products, the maintenance of the cost-disciplined policy and the management of the hidden-value incorporated in the Groups' real estate property.

Turnover Breakdown



☛ Growth Drivers

By the end of the fiscal 2006, the Company further improved its successful expansion, utilizing approximately 200 points of sale, all of them located in Greece. The Management targets to increase its presence in the Greek market and carefully expand in the Balkans through organized distribution networks.

In the coming years, the Group is expected to adopt a well-contemplated expansion strategy in order to gain advantage of new market opportunities.

This strategy would be based on a) maintaining the successful diversification of activities by offering a broad range of products, b) distributing new products, c) international expansion through strategic alliances, d) capitalizing on strong management and fundamentals.

- **Range of products.** The management has achieved to establish profitable and reputable strategic agreements with well-known international companies, being the exclusive distributor of their products in Greece. The prudent and consistent management is the main asset of the Group as the success or failure in the Group's line of business is mainly determined by the choice of strategic alliances. The Group offers a wide range of third-party products in different business

units such as trucks and buses (i.e. Scania), including the successful agreement to distribute the Isuzu products, engines and boats (i.e. Perkins, Lombardini, Zodiac, Bombardier), generators (i.e. Petrogen, F.G. Wilson), agricultural machinery (i.e. McCormick) and industrial equipment products (i.e. Ingersoll-Rand and Hyster). In order to improve the distribution and service of its existing products, mainly the truck and busses products that contribute the largest part of turnover, the Group is about to complete a € 3 million investment plan in the area of Thessalonica, enriching its presence in Northern Greece. This would also result to cost reduction.

- **Distribution of new products.** The successful collaboration with Isuzu continues with the launching of new pick-up trucks that offer greater performance, fuel economy, safety and comfort. Also, the Group expects to increase its market share by distributing trucks and buses operating with the new ecological engines. The acquisition of Pisimisis company would result in higher sales in the batteries market. In addition, the Company is continuously monitoring the international markets in order to establish collaborations for the distribution of new products in the automotive market. In this respect, the Group is preparing to distribute the newly developed Chinese luxury cars (Brilliance cars). Similar agreements are under examination in the Indian market.

Petros Petropoulos Product Range and Alliances	
1) Truck and Bus	<ul style="list-style-type: none"> - Scania (large trucks and buses) - Isuzu (medium trucks and buses) - Koegel (axle and breaking systems) - Allison (transmissions equipment) - Brilliance (luxury cars)
2) Isuzu	<ul style="list-style-type: none"> - Isuzu (pick ups)
3) Engines and Boats	<ul style="list-style-type: none"> a) Engines <ul style="list-style-type: none"> - Briggs & Stratton - Evinrude - Johnson - Lombardini - Perkins - Ruggerini - Scania - Isuzu b) Boats <ul style="list-style-type: none"> - Zodiac - Avon - Bombard - Northstar c) Other <ul style="list-style-type: none"> - Seadoo (Bombardier – Jet ski) - Can-Am (Sport ATV)
4) Industrial Equipment	<ul style="list-style-type: none"> - Ingersoll-Rand (air compressors) - Tennant (cleaning machines) - Hyster (fork-lift trucks)
5) Agricultural equipment	<ul style="list-style-type: none"> - McCormick (tractors)
6) Generators	<ul style="list-style-type: none"> - F.G. Wilson - Petrogen - Lombardini
7) Batteries	<ul style="list-style-type: none"> - Exide - Hankook

Source: The Company.

- **International Expansion.** International activities are expected to form a significant part of future growth. Currently, the Group has no revenues from markets outside Greece. However, plans are under way to facilitate the expansion in the neighboring Balkan countries, especially in F.Y.R.O.M., Bulgaria and Romania, and later on in Serbia. The Group aims to penetrate these markets primarily by offering the Isuzu trucks, and secondarily by distributing all other automotive products. According to the Group's strategy, expansion is expected to create value within the first 2-3 years since inception.

- **Management and Fundamentals.** The Group has put in place a successful management structure for more than 15 years now. To support this, corporate governance principles are seriously adopted with 4 out of 6 current BoD members being well-known and experienced independent executives. The adopted structure allows the business units to operate as small independent companies under a centralized administration system. This results to an optimized cost control by achieving economies of scale from the common use of all supportive facilities, such as Information Technology systems and accounting, and the better management of each unit. Also, the Management has set a pioneering, for the Greek standards, method for evaluating its business units and expansion plans as it constantly monitors their economic value added. This puts additional cost-control devices ensuring that the managers of all business units apply value creation practices. The successful application of such practices has created a strong fundamental position for the Group that enjoys high liquidity and capital adequacy. In addition, the Group enjoys a hidden real-estate value that is soon expected to be realized. The Group owns 30,000 sq.m. land in the area of Elaionas in the center of Athens that has already attracted a major real estate interest.

Assuming a successful implementation of the corporate strategy and vision by the management, we expect total turnover to exceed € 168 million by the end of the fiscal 2011, with CAGR for the next 5-years standing at 12.87%.

SECTOR'S OUTLOOK AND COMPANY'S POSITIONING

Petros Petropoulos Group is active and well positioned in a wide market range (trucks and buses, engines & boats, generators, agricultural and industrial equipment) holding major market shares in most of its activities. The Groups' major segment of activity is the commercial vehicles segment (truck & bus and Isuzu business units) that accounts for the 3/5 of turnover. The € 70 billion commercial vehicle industry is vital to Europe's economic and social functioning, both as an enabler of business, commerce and social life and as a direct source of economic activity and employment in its own right. Adding to this the fact that freight transport and distribution is a € 250 billion business, with commercial vehicles carrying 72.5% of all inland freight transported in Europe (while coaches and buses carry 8.5 % of all passengers annually), we understand the significance of the sector. Greece, as member of the European Union, follows the trends, at an accelerating pace compared to the rest of EU, with the demand for such vehicles steadily increasing. Also, the changing lifestyle, and the state grants to the industrial and agricultural sectors have improved the demand for all products offered by the Group. Under these developments, the positioning of the Groups' business units in the respective sectors is as follows:

Truck & Bus. Petros Petropoulos is a market leader in distributing mid-size and heavy trucks as well as medium and large size buses in the Greek market, capitalizing on the growth of the sector, in contrast to stagnation observed in other European markets. Currently, it holds 16% market share in professional trucks business capitalizing on the well known Scania brand name that reported increased sales by 26% in 2006 compared to 2005. P. Petropoulos is expected to increase its share in this € 75 million market by offering a new series of trucks that operate under the improved Euro 4 and Euro 5 engines that are very environmental friendly. Environmental cautiousness has already become a major issue in Europe as all trucks being used for international carriage have to operate under the new 'clean' requirements. The Greek market is characterized by the extended presence of second-hand trucks and therefore, the gradual replacements of the older fleet will significantly benefit Group's turnover. Similarly for the buses, the Groups' focus to distribute only new vehicles has also paid off in the tourist bus and midi-bus markets. The government subsidization program to

support the renewal of the relevant fleets has helped the Group to acquire a 6% and a 29% market share respectively in those market segments.

Isuzu. The € 250 million pick-up market has shown a considerable increase over the past few years as a result of the new versatile models available in the market that cover many needs especially in the agricultural sector. Petros Petropoulos is active in this market by distributing the well-known Isuzu pick-ups and has managed to capture a 12% market share already. It is important to note that the Group has increased its market share in 2006 despite the slowdown of the sector as the new D-max models, operating under the new Euro 4 engines, featuring lower fuel consumption and emissions, higher performance, more comfort, greater safety and improved reliability, dominated the market. This resulted to a 22% increase of turnover and approximately 2% increase in the market share, with the Group aiming to reach 25% within the coming years. Additionally, the lightweight Isuzu trucks have proved particularly successful in covering the needs for medium-scale freight and the Group has managed to acquire an 8% market share in a € 22 million market. The Group has also made a dynamic entrance in the midi-buses (up to 26 seats) segment that covers transportation needs of school children, company personnel and tourists in cities and islands. This segment is still at its infancy with 62 new buses appearing in the market last year, with the Group having captured the 29% market share already.

Engines and Boats. The market for leisure boats has presented significant growth over the past few years, supported by tax and other bureaucratic relaxations. The average growth rate approached 15% as consumers have shown an increased interest in sea tourism. The new parking spaces for leisure boats have also positively contributed to this. The inflatable boat market, in which Petros Petropoulos is active for a number of years, covers nearly the 40% of total demand amounting to 2,300 boats at the end of 2006, with Petros Petropoulos Group holding a 17% market share. This share is not expected to increase significantly as this market is expected to grow at a moderate 5% in contrast to the polyester boats market, in which the Group started operations in the past year, that is expected to grow at 15%. On the other hand, the Company generates a substantial part of its turnover from this sector by selling engines for boats, and therefore the demand for either inflatable or polyester boats will increase the demand for engines, with the Group currently maintaining a 8.4% market share.

The disproportionate, for the small size of the Greek market, number of companies that either produce or distribute leisure boats hinders the acquisition of additional market share by the existing players or the entrance of new players. However, the introduction of new engines that enjoy lightweight design, higher torque, low emissions and reliability, and the availability of a wide range of engines covering many needs helped the Group to increase its sales and profits from this business unit.

Generators (Petrogen). The generating set market in Greece decreased in volume and profit terms as the price competition, and the base effect from the increased sales in 2005, due to a large order that took place then and the activities in Nigeria in which the Group is no longer active, put a downward pressure. On the other hand, the leading position of the Group in the market, as its share exceeds 40%, and the development of an authorised business partners network that provided technical support throughout Greece helped towards the marginal sales increase (in value terms) in 2006. The increased number of new products offered and the brand name the Group maintains in the Greek market will help it to hold its leading position.

Agricultural Equipment (McCormick). The € 120 million agricultural automotive machinery market in Greece is well diversified and the many distributors being active in the market face fierce competition. The demand was increased during the last months of 2006 due to the fact that state grants were given for the purchase of equipment. The Group, that holds a 5% market share in the sector that accounted 3,520 items, reported declined figures in 2006 as a result of reduced margins due to competition in the low-horsepower market and the inability of McCormick to provide high horsepower machines. The Group has undertaken a significant restructuring in this unit in order to acquire larger market share as the expectations for the sector are positive mainly because of the effect of the new grants.

Industrial Equipment. The Group is active in this € 30 million sector by mainly distributing compressed air systems and fork-lift trucks. The contribution from these activities account for the smaller part of total turnover as the Group maintains a small market share of around 2%. However, in both products the Group managed to increase its figures despite the stagnation that was observed in

the specific market. This was attributed to the introduction of new specialised products in the compressed air systems that were used in the oil and electricity industry, and to the increased number of choices in the fork-lift range of products.

Historic & Projected Newly Registered Commercial Vehicles in Greece

(in volume)	2004	2005	2006	2007 E
Light commercial vehicles (up to 3.5T)	22,543	23,026	23,730	24,442
y-o-y change %		2.1%	3.1%	3.0%
EU y-o-y change %		3.2%	-2.4%	4.0%
Commercial vehicles (over 3.5T)	2,232	1,852	2,187	2,515
y-o-y change %		-17.0%	18.1%	15.0%
EU y-o-y change %		6.0%	1.7%	1.0%
Buses and coaches (over to 3.5T)	85	45	44	50
y-o-y change %		-47.1%	-2.2%	13.0%
EU y-o-y change %		-5.1%	-1.2%	7.0%
Buses and coaches (up to 3.5T)	2747	1139	738	996
y-o-y change %		-58.5%	-35.2%	35.0%
EU y-o-y change %		3.1%	0.8%	-2.0%
Heavy commercial vehicles (over 16T)	944	829	1,014	1,217
y-o-y change %		-12.2%	22.3%	20%
EU y-o-y change %		7.0%	4.1%	1%
Market share				
- in light commercial vehicles (up to 3.5T)	6%	10%	11%	13.5%
- in commercial vehicles (over 3.5T)	6%	5.5%	5%	12%
- in buses and coaches (tourist)	13.2	3.5	6.7%	4.3
- in buses and coaches (polis)	10.7%	45.2%	29%	28%
- in heavy commercial vehicles (over 16T)	12%	15%	16%	15%

Source: Company Data, European Automotive Manufacturers Association, IOBE, VRS estimates.

CORPORATE PROFILE

Petros Petropoulos S.A. was established in 1922 in Thessalonica specializing in the assembly of Willys overland and Ford automobiles, Diamond T and international trucks and buses. In 1930, it expanded activities being the first company in Greece active in the reconditioning of internal combustion motors, and in 1948 commenced operations in Athens as well. Its pioneering activities continued with the introduction of the first diesel engine in Greece, establishing the long-term relationship with Perkins, and later on it became involved in the manufacture of tractors and generating sets. In 1976, was the first company in Greece that designed and constructed the 4X4 Polytrak agricultural and military vehicle.

During the 1990's the Company enhanced its services by offering a wide range of products such as the Evinrude outboard motors, the Zodiac boats and the Isuzu 4x4 passenger vehicles, resulting in the significant improvement of its financial performance. In 1999, the company listed its shares on the Athens Exchange, and these are currently traded in the Small and Medium capitalization market.

During the current decade, the Group continued to form new strategic alliances (i.e. Briggs & Stratton, Northstar, Bombardier) expanding also in the sector of batteries for automobiles by acquiring Exide and Pisimisis AEBE.

To facilitate operations, the Company employs 180 employees and owns a land of 20,000 sq.m. in Athens at the Iera Odos area. The building site includes the headquarters, the relevant warehouses, production areas and a museum. The Group distributes its products through approximately 200 points of sales in Greece and its main characteristic is the maintenance of long-lasting alliances with worldwide leading companies and distribution channels. Currently, Group's activities are held only in Greece, however the expansion in the neighboring Balkan countries is already planned and expected to occur in the coming two years.

The main strength of Petros Petropoulos derives from its well-planned and implemented corporate governance principles that ensure the quality of both the BoD members (it currently numbers six well-experienced individuals, four of them being independent non-executive members having a wide spectrum of professional expertise), and the executive management and employees. It is noted that P. Petropoulos puts special focus on the area of human resource management, constantly improving the working conditions and offering the opportunities to its own employees to develop their skills and to be promoted to higher level positions. In this context, the Company also participates in the European contest “Best Places to Work”. In addition, the Company constantly monitors all its activities using as benchmark the principles of the Economic Value Added technique. Therefore, it engages in businesses that actually create value for the shareholders and not just turnover.

TURNOVER FORECASTS

The continuation of successful expansion in Greece, the entrance into new markets in the Balkans and the distribution of new products would be the major drivers behind the Group's revenue and earnings growth over the next five years. Although competitive conditions are expected to keep pricing growth at low single digit numbers, the leading position of the Group, the quality of the diversified products offered and its strong management, that is carefully involved in new projects that create value within the first few years of operation, ensure not only the turnover but also the profitability growth.

•Turnover Growth Assumptions

For the period under consideration, 2007-2011, we expect Group's turnover CAGR of 12.87%, making the following key assumptions:

- The increased demand observed in the past two years for new trucks & buses that provide more power having less fuel emissions would continue. The consensus estimates reveal positive signals in this direction. The new infrastructure in Thessalonica would help sales in Northern Greece as it will also support a truck repair unit, while the expansion in Balkans is expected to boost turnover significantly. The contribution from the expected distribution of the new 'Brilliance' luxury cars can not be currently estimated, however, their impact in total turnover during the next five years is expected to be marginal.
- The medium-duty Isuzu trucks, characterized by versatility and reliability are considered to be the appropriate vehicle for the expansion in Balkans. The Group is currently under negotiations to become the sole distributor of these products in the area. Additional turnover growth is expected from the successful Isuzu pick-ups especially considering the fact that the Group increased its sales in 2006 despite the small downturn observed in this particular market segment.
- For the remaining sectors of activity, we expect a moderate growth in the generator and engine & boats in line with the average sector growth. A slightly higher growth is expected for the agricultural equipment

taken into consideration potential state grants towards the purchase of new equipment together with the distribution of new more powerful tractors by the Group. The industrial equipment market will base its growth on the distribution of fully integrated compressed air-systems characterized by energy saving benefits, and the increased lifting power of the fork-lift trucks, a market that mainly attracts the interest for the purchase of second-hand trucks. The Group will distribute a new range of fork-lift trucks that deliver increased productivity along with reduced annual operating costs in terms of fuel consumption, tires and maintenance, attempting to increase the interest for the purchase of new vehicles by the enterprises.

In particular, as far as truck & bus business unit is concerned, **we forecast a turnover CAGR₂₀₀₆₋₂₀₁₁ of 14.3%** assuming the increased demand for new trucks and buses that operate under the new environmental requirements.

The Isuzu unit is expected to **produce an 18.2% CAGR₂₀₀₆₋₂₀₁₁**. The potential turnover in Balkans, both in trucks and pick-ups, is expected to support the sustainability of growth in Isuzu sales as a slowdown may be observed in the Greek market in the coming years. We expect that the Isuzu business unit will produce more than 40% of total Group's turnover by the end of 2011.

The generators turnover category is expected to **produce a 5.4% CAGR₂₀₀₆₋₂₀₁₁** while the agricultural equipment is expected to **deliver a 5.6% CAGR₂₀₀₆₋₂₀₁₁** supported by the turnover growth in the first years due to state grants.

Smaller growth is expected for the engines & boats unit, with a **4.2% CAGR₂₀₀₆₋₂₀₁₁**, while the successful distribution of the new fork-lift trucks is expected to **support a 5.6% CAGR₂₀₀₆₋₂₀₁₁** for the industrial business unit although its contribution to total turnover is not expected to deviate considerably from 3%.

The table below presents our projections regarding the breakdown of Group's turnover. All projections for domestic operations are directly linked with the assumption of increasing market share in all product categories.

Activity Turnover Breakdown (historic & projected figures)

(in € ,000)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Truck & Bus	23,308	28,263	33,916	39,682	45,634	51,110	55,199
y-o-y Change %	-40.0%	21.3%	20.0%	17.0%	15.0%	12.0%	8.0%
% of Total	28.4%	30.8%	31.4%	31.7%	32.0%	32.6%	32.8%
Isuzu	23,684	30,374	38,879	48,210	57,852	64,794	69,978
y-o-y Change %	129.4%	28.3%	28.0%	24.0%	20.0%	12.0%	8.0%
% of Total	28.9%	33.1%	36.0%	38.5%	40.6%	41.3%	41.6%
Generators	14,945	12,447	13,194	13,986	14,685	15,419	16,190
y-o-y Change %	15.8%	-16.7%	6.0%	6.0%	5.0%	5.0%	5.0%
% of Total	18.2%	13.6%	12.2%	11.2%	10.3%	9.8%	9.6%
Engine & Boats	7,982	8,682	9,116	9,572	10,051	10,553	11,081
y-o-y Change %	1.6%	8.8%	5.0%	5.0%	5.0%	5.0%	5.0%
% of Total	9.7%	9.5%	8.4%	7.7%	7.1%	6.7%	6.6%
Agricultural Equipment	8,694	7,435	7,956	8,433	8,854	9,297	9,762
y-o-y Change %	6.7%	-14.5%	7.0%	6.0%	5.0%	5.0%	5.0%
% of Total	10.6%	8.1%	7.4%	6.7%	6.2%	5.9%	5.8%
Industrial equipment	2,153	3,837	4,106	4,352	4,569	4,798	5,038
y-o-y Change %	-32.9%	78.2%	7.0%	6.0%	5.0%	5.0%	5.0%
% of Total	2.6%	4.2%	3.8%	3.5%	3.2%	3.1%	3.0%
Repairs of Trucks & Buses	1,179	779	810	842	876	911	947
y-o-y Change %	-15.5%	-34.0%	4.0%	4.0%	4.0%	4.0%	4.0%
% of Total	1.4%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%
Other	0.87	1.02	1.06	1.10	1.15	1.19	1.24
y-o-y Change %	-65.9%	17.0%	4.0%	4.0%	4.0%	4.0%	4.0%
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	81,946	91,818	107,977	125,077	142,522	156,884	168,196
y-o-y Change %	-0.9%	12.0%	17.6%	15.8%	13.9%	10.1%	7.2%

Source: Company Data & VRS Estimates

GROSS PROFIT MARGIN EVOLUTION

Profit margins are generally expected to improve marginally, despite the strong competition, as the Group adopts strict cost control procedures and also distributes well-known and quality products which demand is relatively inelastic. Gross profit margin is expected to show only a moderate decline. The declining growth of EBITDA margin observed in the past few years is expected to present a slowdown reaching 6.45% by the end of 2011 compared to 6.96% at the end of 2006, with the net profit margin exceeding gradually the level of 4% over the coming years.

The following factors are expected to drive the aforementioned performance:

1. The selling points expansion into new regions and the new products offered by the Group, together with improved marketing that should strengthen Company's purchasing power, increasing its volumes.
2. Although the expansion would be accompanied by increased distribution and advertising costs, close monitoring of Company's logistics capacity and volume growth would maintain margins.
3. The management's focus to link productivity and employees reward with cost efficiency and economic value added principles.
4. Healthy balance sheet structure.

	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Profit Margin Ratios						
Gross Margin	18.27%	17.89%	17.86%	17.84%	17.83%	17.82%
EBITDA Margin	6.96%	6.35%	6.59%	6.71%	6.65%	6.45%
EBIT Margin	6.29%	5.97%	6.23%	6.38%	6.34%	6.14%
Pre-tax profit margin	5.15%	4.69%	5.19%	5.52%	5.60%	5.49%
Net Profit margin	3.44%	3.41%	3.89%	4.14%	4.20%	4.12%

Source: Historic Data & VRS Estimates

BALANCE SHEET ANALYSIS

Petros Petropoulos is characterized by a healthy balance sheet highlighted by high liquidity. The close monitoring of demand, the expansion in new markets and the excellent business relations between the Group, its clients and its suppliers are expected to improve inventory turnover, debtors' and creditor's days, leading to shorter cash cycle. Improvement is also expected in the Group's capital structure.

	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Activity						
Stock Days	62	58	56	55	54	53
Debtors Days	93	89	87	86	85	85
Creditors Days	56	63	64	64	64	64
Operating Cycle	155	147	143	141	139	138
Cash Cycle	99	84	79	77	75	74
Capital Structure						
Total Liab. / Total Equity	1.54	1.65	1.64	1.64	1.60	1.53
Debt / Equity Ratio	0.85	0.84	0.79	0.78	0.75	0.71

Source: Company Accounts and VRS Estimates

VALUATION & SENSITIVITY ANALYSIS

Based on our forecasts for the next 5-years (explicit period) and the long-term assumptions (terminal value), the application of the discounted free cash flow methodology leads to a fair price of € 8.10 for Petros Petropoulos stock (implying a total value of € 57.26 million).

	2007 E	2008 E	2009 E	2010 E	2011 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	17.6%	15.8%	13.9%	10.1%	7.2%	1.0%
EBIT Margin	6.0%	6.2%	6.4%	6.3%	6.1%	6.2%
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Working Capital (% of sales)	0.1%	1.7%	2.0%	1.3%	1.1%	1.0%
Capex (% of sales)	2.1%	0.9%	0.8%	0.7%	0.6%	0.4%
Cost of Capital	7.0%	7.1%	7.1%	7.2%	7.3%	7.6%
Depreciation (% of sales)	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%
CASH FLOW STATEMENT						
Turnover	107,977	125,077	142,522	156,884	168,196	169,878
EBIT	6,444	7,798	9,094	9,944	10,334	10,532
Less: Adjusted Tax	1,611	1,950	2,273	2,486	2,584	2,633
Adjusted Operating Profit	4,833	5,849	6,820	7,458	7,751	7,899
Plus: Depreciation	410	439	463	486	509	595
Operating Cash Flow	5,243	6,288	7,283	7,944	8,259	8,494
Less: Change in Working Capital	111	2,168	2,841	2,084	1,843	1,699
Less: Capex	2,280	1,080	1,080	1,080	1,080	680
Cash Flow to the Firm (FCFF)	2,852	3,040	3,362	4,780	5,337	6,116
Discount Factor	0.93	0.87	0.81	0.76	0.70	0.69
Present Value of Cash Flows	2,665	2,650	2,733	3,620	3,756	
Accumulated Present Value	2,665	5,314	8,048	11,667	15,423	
Residual Value						92,398
Present Value of Residual Value						64,006

VALUATION	
Enterprise Value	79,430
% Residual Value of Total	80.6%
Less: Net Debt	22,174
Value of firm	57,256
Outstanding # of shares (000)	7,070,400
Value of share	8.10

WACC CALCULATION	
Risk Free Rate	4.5%
Beta Factor	1.00
Market risk Premium	5.0%
Cost of Equity	9.5%
Debt / Debt + Equity	35.0%
Cost of Debt	5.5%
Tax Rate	25.0%
Weighted Average Cost of Capital	7.6%

Source: VRS Estimates

We have applied the following major assumptions in our model:

- Weighted average cost of capital at 7.6%.
- We have estimated sustained growth in all activities during the examined period and infinity turnover growth of 1%.

- Infinite EBIT margin of 6.2%.

The realization of the aforementioned growth and valuation scenarios requires:

- The successful realization of expansion plans and improvement in the management of inventory, debtors and suppliers.
- The higher market share in Greece especially in the business units of truck & bus and Isuzu, that account for more than 60% of total Group's turnover, and the launching of new products.
- The increased demand for environmental cautiousness products.
- The maintenance of profit and cost margins.

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

		WACC				
		5.6%	6.6%	7.6%	8.6%	9.6%
GROWTH	0.25%	10.12	8.83	7.12	5.83	4.83
	0.75%	11.59	9.72	7.75	6.30	5.19
	1.00%	13.29	10.22	8.10	6.55	5.39
	1.50%	15.10	11.37	8.89	7.12	5.81
	2.00%	17.41	12.77	9.81	7.77	6.29

Source: VRS Estimates

STOCK DATA & VALUATION RATIOS

Stock Data & Valuation Ratios (historic & projected figures)

(Prices as of 25 October 2007)

	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Price (in €)	€ 6.80					
Shares Outstanding	7,070,400					
Market Capitalization (in €)	48,078,720					
EPS (in €)	0.45	0.52	0.69	0.83	0.93	0.98
Book Value / Share (x)	4.1	4.2	4.5	4.9	5.3	5.7
EV (in € million)	69,279	70,253	71,197	72,074	71,850	71,197
P/E (a.t. & m.i.)	15.24x	13.07x	9.87x	8.16x	7.30x	6.94x
P/BV	1.67x	1.61x	1.51x	1.39x	1.28x	1.19x
EV/EBITDA	10.85x	10.25x	8.64x	7.54x	6.89x	6.57x
EV/Sales	0.75x	0.65x	0.57x	0.51x	0.46x	0.42x
Dividend / Share (in €)	0.33	0.36	0.41	0.46	0.51	0.54
Dividend Yield	4.9%	5.4%	6.1%	6.7%	7.5%	7.9%

Source: Company Data & VRS Projections

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Strong competition creating pricing pressure.	The Group benefits from the distribution of a broad portfolio of well-known products and maintains a good brand name. It also enjoys a higher profit margin compared to other distributors and it focuses on volume expansion.
2	The demand for auto products may be less than anticipated.	The Group enjoys the benefit of distributing vehicles that operate under the new environmental requirements. Also, it is active in a market that is characterized by the presence of many aged vehicles that have to be replaced because of the aforementioned requirements. Also, the expansion in the Balkans is under way.
3	The Group distributes third-party products running the risk that some of them may be proven faulty.	The Company distributes products carrying well-known brand names, signing and maintaining long-term contracts with producers known for their strict quality production controls.

Source: Company Data, VRS Research Department.

Historic & Projected Profit & Loss Account

(in € million)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Turnover	81,946	91,818	107,977	125,077	142,522	156,884	168,196
y-o-y Change. %		12.05%	17.60%	15.84%	13.95%	10.08%	7.21%
Cost of Sales	66,025	75,043	88,661	102,740	117,097	128,913	138,226
% of Turnover	80.57%	81.73%	82.11%	82.14%	82.16%	82.17%	82.18%
y-o-y Change. %		13.66%	18.15%	15.88%	13.97%	10.09%	7.22%
Other operating income / expense	1,671	1,665	1,665	1,665	1,665	1,665	1,665
Operating Expenses	10,204	11,207	13,177	14,715	16,333	17,756	19,092
% of Turnover	12.45%	12.21%	12.20%	11.76%	11.46%	11.32%	11.35%
y-o-y Change. %		9.83%	17.57%	11.67%	11.00%	8.71%	7.52%
EBITDA	6,534	6,388	6,854	8,238	9,557	10,430	10,843
EBITDA Margin	7.97%	6.96%	6.35%	6.59%	6.71%	6.65%	6.45%
y-o-y Change. %		-2.24%	7.30%	20.19%	16.01%	9.14%	3.96%
Depreciation	614	608	410	439	463	486	509
% of Turnover	0.75%	0.66%	0.38%	0.35%	0.32%	0.31%	0.30%
EBIT	5,920	5,780	6,444	7,798	9,094	9,944	10,334
% of Turnover	7.22%	6.29%	5.97%	6.23%	6.38%	6.34%	6.14%
y-o-y Change. %		-2.37%	11.49%	21.02%	16.62%	9.35%	3.92%
Net Financial Results	-1,051	-1,053	-1,380	-1,305	-1,234	-1,166	-1,102
Net Results Before Taxes	4,869	4,726	5,064	6,493	7,860	8,778	9,232
EBT Margin	5.94%	5.15%	4.69%	5.19%	5.52%	5.60%	5.49%
y-o-y Change. %		-2.92%	7.13%	28.23%	21.06%	11.68%	5.17%
Income Tax & Deferred Taxes	1,948	1,572	1,386	1,623	1,965	2,195	2,308
Effective Tax Rate	40.01%	33.25%	27.37%	25.00%	25.00%	25.00%	25.00%
Net Results After Taxes	2,921	3,155	3,678	4,870	5,895	6,584	6,924
EAT Margin	3.56%	3.44%	3.41%	3.89%	4.14%	4.20%	4.12%
y-o-y Change. %		8.01%	16.57%	32.42%	21.06%	11.68%	5.17%
Proportion of Minority rights	0	0	0	0	0	0	0
Net Results (a.t.&m.i.)	2,921	3,155	3,678	4,870	5,895	6,584	6,924
Net Margin	3.56%	3.44%	3.41%	3.89%	4.14%	4.20%	4.12%
y-o-y Change. %		8%	16.57%	32.42%	21.06%	11.68%	5.17%

Source: Company Data & VRS Projections

Historic & Projected Balance Sheet

(in € million)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Assets							
Net Intangible Assets	391	402	466	529	590	649	707
Net Tangible Assets	10,377	17,992	19,797	20,375	20,931	21,466	21,980
Investment in Property	10,514	10,737	10,737	10,737	10,737	10,737	10,737
Other L-term assets	2,626	3,311	3,311	3,311	3,311	3,311	3,311
Total Non-Current Assets	23,908	32,442	34,312	34,952	35,570	36,164	36,735
% Total Assets	32.11%	44.37%	43.39%	41.61%	39.08%	37.15%	35.73%
Inventories	18,582	12,762	14,089	15,763	17,645	19,072	20,071
Trade Receivables	26,805	23,323	26,329	29,813	33,581	36,535	39,169
Other Receivables	2,387	1,360	1,333	1,306	1,332	1,359	1,386
Cash in bank and at hand	2,765	3,227	3,022	2,174	2,893	4,215	5,465
Total Current Assets	50,540	40,672	44,772	49,056	55,451	61,180	66,091
% Total Assets	67.89%	55.63%	56.61%	58.39%	60.92%	62.85%	64.27%
Total Assets	74,448	73,114	79,084	84,008	91,021	97,344	102,826
Equity & Liabilities							
Shareholder's Equity	27,473	28,782	29,885	31,833	34,486	37,449	40,565
Total Equity	27,473	28,782	29,885	31,833	34,486	37,449	40,565
% Total Equity & Liabilities	36.90%	39.37%	37.79%	37.89%	37.89%	38.47%	39.45%
L-Term Bank Loans	12,100	20,100	20,201	20,302	20,403	20,505	20,608
Provisions for Staff Retirement	536	445	470	495	523	551	582
Deferred Tax Liabilities	463	1,219	1,097	987	888	800	720
Other long term debts	596	728	729	729	729	729	729
Total L-Term Liabilities	13,695	22,491	22,496	22,513	22,543	22,585	22,638
Suppliers	15,625	11,465	15,303	18,015	20,532	22,604	24,237
Banks	9,943	4,328	5,000	5,000	6,500	7,500	8,000
Taxes-duties	747	362	832	974	1,179	1,317	1,385
Other Payables	6,965	5,685	5,568	5,673	5,780	5,890	6,002
Total Current Liabilities	33,280	21,840	26,703	29,662	33,991	37,311	39,624
Total Liabilities	46,975	44,332	49,198	52,175	56,535	59,895	62,261
% Total Equity & Liabilities	63.10%	60.63%	62.21%	62.11%	62.11%	61.53%	60.55%
Total Equity & Liabilities	74,448	73,114	79,084	84,008	91,021	97,344	102,826

Source: Company Data & VRS Projections

Historic & Projected Cash Flow

(in € million)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Profit After Tax	2,921	3,155	3,678	4,870	5,895	6,584	6,924
Plus: Change of Depreciation	1,134	608	410	439	463	486	509
Gross Cash Flow	4,055	3,763	4,088	5,309	6,358	7,069	7,433
<u>Change in:</u>							
(-) Trade Debtors	5,322	-3,482	3,006	3,484	3,768	2,954	2,634
(-) Inventory	4,004	-5,821	1,327	1,674	1,882	1,427	999
(-) Other Receivables	1,116	-1,027	-27	-27	26	27	27
(+) Trade Creditors	297	-4,160	3,838	2,712	2,517	2,072	1,633
(+) Liabilities for taxes	-176	-384	469	142	205	138	68
(+) Other Short - term liabilities	-1,069	-1,280	-112	110	112	115	117
Change in Working Capital	-11,390	4,506	-111	-2,168	-2,841	-2,084	-1,843
Operating Cash Flow	-7,335	8,269	3,977	3,142	3,517	4,986	5,590
<u>Change in:</u>							
(-) Intangible Assets	309	84	80	80	80	80	80
(-) Tangible Assets	703	8,373	2,200	1,000	1,000	1,000	1,000
(-) Other long - term receivables	677	685	0	0	0	0	0
(+) Other Long - term liabilities	-394	796	-96	-84	-71	-60	-50
(+) Cons. diff./ Minority Interests	0	0	0	0	0	0	0
Cash Flow from Investment	-2,084	-8,346	-2,376	-1,164	-1,151	-1,140	-1,130
Net Cash Flow Before Financing Activities	-9,419	-77	1,601	1,978	2,365	3,846	4,461
Increase in Share Capital	0	1,096	0	0	0	0	0
Increase in Share Premium Account	0	0	0	0	0	0	0
Net Change in Reserves	-1,648	-593	0	0	0	0	0
Change in Long - Term Debt	9,819	7,999	95	96	97	97	98
Change in Short - Term Debt	-554	-5,615	672	0	1,500	1,000	500
Dividends	1,845	2,349	2,574	2,922	3,242	3,621	3,808
Minority Interests on Profit	0	0	0	0	0	0	0
Net Cash Flow from Financing	5,771	539	-1,807	-2,826	-1,646	-2,524	-3,211
Cash at Beginning	6,413	2,765	3,227	3,022	2,174	2,893	4,215
Change in Cash and Marketable Securities	-3,648	462	-205	-848	720	1,321	1,250
Cash at End	2,765	3,227	3,022	2,174	2,893	4,215	5,465

Source: Company Data & VRS Projections

NOTES

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	66.67%	Expected to Outperform the Index by more than 10%
Neutral	33.33%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

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

Ratings History (1 year)

Company	Date	Rating	Target Price
INTRALOT	31/10/2006	Outperform	€ 25.55
THRACE PLASTICS	18/12/2006	Outperform	€ 2.72
OPAP	10/01/2007	Neutral	€ 29.86
F.H.L. KIRIAKIDIS	01/02/2007	Outperform	€ 2.93
KRI KRI	28/03/2007	Outperform	€ 4.47
NIREUS GROUP	18/05/2007	Outperform	€ 5.91
AGRICULTURAL SPIROU	06/06/2007	Outperform	€ 3.64
SPIDER	13/06/2007	Neutral	€ 1.44
ATTICA BANK	27/07/2007	Neutral	€ 4.80
KREKA	25/09/2007	Neutral	€ 2.27
FORTHNET	28/09/2007	Outperform	€ 14.19
PETROS PETROPOULOS	25/10/2007	Outperform	€ 8.10

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