Operations – Business Activities

- The company is involved in **three main fields of business**:

A) It is an **assembler** of computers and **retailer** of computer hardware, software & peripherals. In desktops, it only assembles built-to-order computers under the brand name Turbo-X. During 2002 it sold around 28,000 units. In contrast to most of its competitors, it does not sell desktop systems other than its own. The company retails laptops of well-known international brands as well as Turbo-X laptops. Moreover, it sells peripherals and software of most major international brands. Sales of this category account for approximately 50% of total.
B) It sells computer and **office supplies** to companies & individuals, office machines, accessories and furniture as well as specialty supplies to professionals like designers, architects and drawing as a hobby. Sales of all these items account for 40% of total.
C) It sells **mobile phones**, being one of the major distributors of Cosmote (83,000 total subscribers or 4% of Cosmote's new subscriber base) and internet connections of all the major Greek ISPs and satellite internet. Telecommunication sales account to 10% of total sales.

- In terms of **distribution channels** Plaisio can be characterized by its **multi-channel** marketing approach. Its stores amount to 15, out of which 11 are located in the Athens metropolitan area and the remaining 4 in other major Greek cities. In the last few years, emphasis has been given in opening large size stores of at least 500 m^2. The reason is to create one-stop-shops for IT, office supplies and telecommunications. In three of its large stores in Athens area the company also offers IT equipment service and system upgrade in just 4-hours. The majority of stores (9) opened after the listing of the company on ASE in early 1999. In-store sales account for approximately 2/3 of total. Out of store sales are performed through catalogue, internet, sales force visits to client premises (for corporate clients with over 30 white collar employees only) and telemarketing for small-medium businesses of 7-30 white collar employees. The total business clientele amounts to 100.000 companies (including professionals and small businesses of less than 7 employees). Out of store sales account for approximately 1/3 of total. Overall, Plaisio can be characterized as a **multi product** (IT equipment, office supplies, telecommunications), **multi channel** (stores, mega stores, internet, catalogue, business to business), **single brand** (Plaisio) retailer.

- It should be noted that **business clients** account for slightly above half of total sales. It is obvious that many business clients are making a significant part of their purchases through visits to Plaisio stores, rather than the other distribution channels. Using any distribution channel they choose, though, they are guaranteed the same sales terms. We should note that there are no sales to small computer stores. This is a major difference with other large listed Greek companies like Pouliadis, Altec & Info-Quest that are mostly wholesalers of hardware & software. Plaisio, on the contrary, is specializing on direct sales, cutting down the supply line.

- The company is very cautious on cost control. Its headquarters & stores, are not in prime locations although they cover many business, commercial and residential areas in contrast to its competitors which have opened many small stores in prime locations with expensive rents and have spend large amounts for promotion and advertising.

- Plaisio has maintained a high dividend payout ratio exceeding 50% since 2000. However, the dividend yield is still not very impressive, being at the level of 1,8% based on the current stock price.

- The two companies in which the firm is participating (Plaisio Real Estate Management & Elnous) are of negligible size.

Fiscal Year 2002 Results

- Fiscal year 2002 was another exceptional year for the company both in terms of sales and in terms of profits. **Sales** increased by 35,9% reaching 146,1 million €, while net profits after taxes posted a very large increase of 78,4% compared to 2001 reaching 5,8 million €. The sales of fiscal year 2002 have been affected by the maturing of operations of 3 stores that opened during 2001 and most probably to a smaller degree by the increase of store space in one of its old stores (January 2002) and the opening of a new large store in July 2002. Same store sales account for the bulk of total sales. According to management, new stores break even during the first year, however they start contributing significant amounts in total turnover only in the second or third year.

- **Cost of sales** remained at the level of 79,2% of sales. It is very interesting to note that cost of sales have remained at the same level for the last 3 years (79,2% of sales). During fiscal year 2002 the company has achieved to keep the rate of increase of general/**administrative and selling expenses** lower than the rate of increase in sales. As a result of this, administrative expenses dropped from 2,37% of sales in 2001 to 2,13% of sales in 2002. Selling expenses dropped from 13,3% of sales in 2001 to 11,7% of sales in 2002. This improvement can be attributed to economies of scale achieved through the increase of the size of the company and the continuous efforts of management for strict cost control and increased efficiency. The result of the improved efficiency for the company is the significant improvement of the **EBIT margin** from 5,4% to 7,6%. We should note, that this margin is very satisfactory for a company concentrating in retailing, although at first it does not seem very attractive. Actually, comparing to a wide group of computer retailers, assemblers, wholesalers and retailers of electric appliances selling also some computers, office supplies retailers, and mobile telephony retailers we notice that Plaisio has one of the highest EBIT (operating) margins.

OPERATING MARGIN FOR FISCAL YEAR 2002 (Selected Companies)									
IT Retailers		Other IT		Electric Appliances		Office Supplies		Peer Group - Other	
Microland	-13,7%	Altec	6,0%	Ikona-Ihos	-7,0%	Samaras	3,7%	Germanos	7,9%
Multirama	-17,5%	Info-Quest	-2,3%	Ilektr. Athinon	7,9%	Pallis	-3,9%	Dixons	5,8%
One Way	-20,9%	Pouliadis	4,4%	Rad. Korassidi	2,1%	Max Stores	3,4%	Office Depot	4,4%
Big City	-12,3%	Despec	4,4%	Kotsovolos	-3,7%			Intertech	7,9%

- The **EBITDA** margin also rose significantly from 7,3% to 9,5% of sales (from 7,8 mil. € in 2001 to 17,9 mil. €) affected positively from the EBIT margin increase, while depreciation charges as a percentage of sales did not change materially (from 1,92% in 2001 to 1,86% in 2002). Net expenses from participations, securities & interest rose to 1,4 million €, compared to 0,5 millions in 2001. Interest expenses increased in 2002 as the company was repaying the short-term bank liabilities it had assumed progressively from Q2 2001 to Q2 2002 as in the following table.

SHORT TERM BANK LIABILITIES (In thousand €)							
3/2001	6/2001	9/2001	12/2001	3/2002	6/2002	9/2002	12/2002
0	2.644	6.456	7.581	9.600	11.450	10.327	0

➢ Despite the increase of interest expenses, the realization of extraordinary expenses of 0,7 mil. € (which were much higher than year 2001), profitability still increased impressively. **Earnings before taxes** and minority interest increased by 74,5% reaching 9 mil. €. Finally, **net income after taxes** increased by 78% compared to year 2001. As a result, the pre tax margin increased from 4,8% to 6,2% and the net profit margin from 3% to 4%. These margins are considered adequate for a Greek retail firm.

Financial Ratios for Fiscal Year 2002

➢ Plaisio managed to improve considerably its **efficiency ratios** (ROE, ROA) during fiscal year 2002, due to the significant increase of its profitability. At their current level, both ROE and ROA are considered high. It is also important to note that this performance has been achieved without any financial gearing from long-term debt. Thus, Plaisio has achieved high returns on capital employed with low financial risk. The company does not have short-term bank debt either, however it has utilized factoring during 2002 to reduce receivables from credit card installments. The use of factoring has helped it to reduce the total receivables turnover significantly. At the current level, (42 days) receivables turnover is considered very fast for the Greek market. Also, the company managed in 2002 to improve substantially its inventory turnover from 87 to 69 days. The accounts payable turnover has been slightly reduced in 2002 to 65 days. The result of the above developments, is the impressive reduction of **working capital** needs, as can be manifested from the improved working capital cycle, which dropped from 79 days in 2001 to only 46 days in 2002. During the first half of 2003, the company has managed to further reduce its inventory turnover. Total inventory amounted to 15,1 mil. € at 30/6/2003, compared to 21,3 mil. at year end and 18,9 at 30/6/2002.

MAIN FINANCIAL RATIOS					
	1998	**1999**	**2000**	**2001**	**2002**
Return on Equity (Based on Earnings Before Taxes)	-	48,7%	24,7%	20,6%	33,8%
Return on Equity (Based on Earnings After Taxes)	-	38,8%	14,9%	13,2%	21,8%
Return on Capital Employed (EBIT/(Shareh. Equity+Long Term Debt))	-	27,5%	28,1%	22,1%	38,3%
Return on Assets (Based on Earnings Before Taxes)	-	19,5%	12,5%	10,0%	15,0%
Return on Assets (Based on Earnings After Taxes)	-	15,6%	7,5%	6,4%	9,7%
Debt / Equity (Total Liabilities / Shareholders' Equity)	1,84	1,33	0,76	1,10	0,99
Gearing (Long term Debt/ (Shareholders' Equity + Long Term Debt))	0,00	0,00	0,00	0,00	0,00
Financial Leverage Index (ROE / ROA)	-	2,49	1,98	2,06	2,25
Financial Leverage Ratio (Total Assets / Shareholders' Equity)	2,75	2,31	1,75	2,10	1,97
Acid-Test (Quick) Ratio ((Current Assets - Inventory)/ Current Liabilities)	0,51	0,75	0,89	0,73	0,84
Current Ratio (Current Assets / Current Liabilities)	1,16	1,35	1,76	1,37	1,54
Inventory Turnover (in days)	87	83	96	87	69
Receivable Turnover (in days)	36	39	60	60	42
Accounts Payable Turnover (in days)	88	114	77	68	65
Working Capital Cycle (in days)	35	8	79	79	46

➢ Despite the significant reduction of the working capital cycle, the **current ratio** of the company in 2002 increased to the quite high level of 1,54 from 1,37 in 2001. This is due to the increase of cash by 84%, much faster than the growth of turnover or the cost of sales, from 4,7 mil. € in 2001 to 8,6 mil. €. It is interesting to note that in the last five years the company has been keeping significant amounts in highly liquid assets. At 30/6/2003 the group's cash increased further compared to 31/12/2002 and reached 12,2 mil. €.

- The **quick ratio** with a value of 0,84 at year-end was standing at a satisfactory level. Finally, the company's debt to equity ratio with a value of around 1, was close to the ideal level after large fluctuations in the previous years (between 0,76 and 1,84).

Growth in the Period 1998-2002

- The company has achieved a substantial growth over the period 1998-2002. During this five year period, assets have been increasing at an average annual rate of 47,2%, turnover with a rate of 48,6%, net profits by 41,8% and equity by 61%. As a result of the high growth rates, most of these accounts have increased by 3-7 times since 1998. A landmark year for the company was 1999 when it was listed on the ASE. It used the funds it received from its listing in a very successful way achieving not only to increase spectacularly in terms of size, but also to increase significantly its operating margin (from 4,3% to 7,6%) & EBITDA margin (from 5,9% to 9,5%) through the attainment of significant economies of scale. We should note that Plaisio has been one of the most successful cases we have seen with regard to exploiting the funds raised from ASE during the period 1998-2000.

First Half 2003 Results

- During 1H 2003 the company **continued to expand** at a fast rate. More specifically, turnover increased by 27,8% reaching 82,9 mil. € from 62,9 million during 1H 2002. The rate of increase is lower than the rate of increase for fiscal year 2002 (+ 35,9%) however, given the cautiousness among consumers and businesses during Q1 2003 due to the war in Iraq and the prolonged crisis in the Greek IT sector (as evidenced by turnover growth slower than the nominal growth rate of the economy in many listed IT companies during Q1 2003), this performance is considered exceptional. We should note that there is significant **seasonality in Plaisio's sales**, mainly due to the seasonality of sales of IT hardware & software, with roughly 33% of its sales generated during the fourth quarter of the year and sales in the first three quarters being almost equally spread (around 22% of total in each quarter). Cost of sales increased a little bit slower than sales, resulting in a small improvement of the gross margin from 18,4% in 1H 2002 to 19,4%. There is some - albeit slight - seasonality in the gross margin with a better margin during the fourth quarter.

- A slightly negative development during 1H 2003 was the increase of **administrative and selling expenses** as a percentage of turnover from 2,22% and 12,8% in 1H 2002 to 2,44% and 13% in 1H 2003 respectively. We should emphasize though the very low general & administrative expenses as a percentage of turnover (2,44% - which is by far better than any of Plaisio's competitors in the IT, office supplies, mobile phone retailing and Plaisio's international peer group). As a result of all the above developments, the **operating earnings** of the company increased by 43,2% compared to 1H 2002 and the operating margin from 3,8% to 4,3%. We should note that the seasonality of the EBIT margin was so extreme during 2002 that more than 60% of annual operating earnings were generated in the 4th quarter. Given the seasonality in sales, a stronger seasonality in earnings is expected because during quarters with slower sales most expenses are still running at levels similar to the faster 4th quarter. Therefore, the predictive power of first half operating results for the full fiscal year operating results is quite low. The same is true for net profits.

➢ **Depreciation expenses** grew by 16,7% compared to 1H 2002, much slower than the turnover increase. As a percentage of sales, depreciation expenses dropped to 1,81% from 1,99%. Depreciation charges for the full year though will be affected by the capital expenditures program of the group. Extraordinary expenses and minority rights are negligible, while interest & similar charges are small and close to the 1H 2002 level. Finally, **net income** after minority rights before taxes rose by an impressive 46,4% climbing to 3,14 mil. € from 2,07 mil. in 1H 2002.

Competitive Analysis

➢ The company, as we have already mentioned, is involved in retailing three different lines of products:

A) In **computers and peripherals** Plasio is one of the larger **retail chains**. Most of the other IT retail chains (Microland, One-Way, Multirama, Big City) were either loss making or facing a decline in turnover (see APPENDIX II for details). The chains Zachs and E-motion have discontinued operations. One Way Technostores is now operating mostly shops in shop inside the Kotsovolos electric appliances retail chain. There are various reasons why these chains have failed while Plaisio has been increasing sales at a fast rate. One reason is their overoptimistic expectations about increase in demand which led these chains to expand too fast, open too many stores at prime locations with high operating expenses, have an untrained sales force and spend too much money on advertising. Moreover, their overoptimistic expectations about demand led them to assume high levels of bank debt. Logistics support was poor, there was no cost control and some managements lacked the know-how either in technology or in retailing. Finally, they had very similar business models with all of them targeting the same retail clientele, while ignoring B2B. Most stores were small, with insufficient product lines, especially in supplies. When demand for PCs dropped in 2001 and even further so in 2002, they were slow to cut costs and in general respond to the crisis by taking corrective measures, while interest expenses worsened their financial position.

Another group of competitors of Plaisio in the computer and IT segment are the **companies concentrating on large government MIS projects and B2B** (wholesale & retail). These were mostly the large listed groups Altec, Pouliadis & Ass., Info-Quest and others. They also faced serious problems in 2001-2002, although none discontinued operations or is currently threatened to do so. In the period 1999-2000 they acquired too many small IT companies at very high prices thus weakening their financial position and cannibalizing sales. These acquisitions increased operating costs and diverted the efforts of management away from competition in the market because they were concentrated on consolidating new acquisitions into the group. After sales service was not up to the level Plaisio was offering. Finally, a lot of effort was spent to bid for large MIS projects in the public sector, which were delayed for long periods of time.

Plaisio on the other hand, expanded cautiously, with few large stores located in key areas, multiple channels of distribution, maintained a strict cost control, invested on logistics, targeted small and medium businesses as well as individual clients, avoided expanding to the large IT government projects sector, thus keeping an adequate and more stable cash flow, avoided bank debt, and concentrated on strong after sales service, training employees and in general having a well run and profitable company instead of trying to become the leader in the market at any cost. In summary, its success is based on trying to be **different and innovative**, rather than following the trend.

The size of retail sales for computers, peripherals and other office equipment (fax, photocopy machines) in Greece is estimated to be around 2,5 billion € annually. The market share of Plaisio therefore in this large sector is around 3%. We should note though, that the computer market is quite different than the office equipment market and that Plaisio is not active in all the subsectors. Unfortunately, we have not found data on the size of the computer market alone.

Source: (ICAP)

B) In **office supplies** Plaisio is the largest company in Greece in terms of turnover, with a significant difference from its largest competitor. Its turnover amounts to about 55-60 mil. € (according to data provided by the management of the company), while the next competitor's about 10 mil. €. Its most important competitor is **Samaras**, which offers a wide range of computer supplies & accessories, office supplies & office machines, mainly to businesses through various channels like catalogue and e-shop like Plaisio. Its retail sales though are very limited (1 store). **Max-Stores** on the other side is purely a retailer with large stores like Plaisio. Its product line includes office & computer supplies, supplies for drawing and unlike Plaisio books and some toys. Its target clientele is mostly students. **Pallis** is a traditional office supply retail store & bookstore with strong brand name and a member of the ASE listed NOTOS COM retail Group. It is in a troubled financial position though. We believe that these competitors are weaker than Plaisio given that none is offering their products through all the channels that Plaisio does, and their smaller size does not allow them to reduce significantly cost such as logistics. The market looks promising for big players as is evident from the high increases in turnover during 2002. The reason is that the office supplies – stationery products market is highly fragmented with around 1.500 stores in Athens area and 3.000 throughout the country. Many of these stores are also carrying a second product line such as books or gifts. We believe there are many opportunities for consolidation in this market, which will benefit large players. Although the growth rate of this market has not been very fast (7,9% annual nominal growth rate since 1995), there are many opportunities for growth arising from market consolidation. We consider possible the entrance of a large international chain (ICH) in this market given the high degree of fragmentation and the significant size of the market estimated to exceed 500 mil. €. Plaisio could benefit if the ICH enters the market in cooperation with it. However, if ICH enters the market alone, it would be a negative development for Plaisio because it would face stiff competition from a company much larger than itself.

Gross margins (see APPENDIX I for details) are very good in this market as we can see from Max Stores and Pallis. However, administrative expenses stand at levels much higher than Plaisio (6-8%) for all three companies and selling expenses are extremely high for Pallis and Max, while Samaras selling expenses are quite low (because it sells mostly through catalogue). The higher administrative & selling expenses than Plaisio can be explained by the higher efficiency of Plaisio in administration and logistics and the fact that Plaisio is also generating 50% of income from IT equipment. In office supplies, in contrast to IT, administrative & selling expenses are usually quite high because of the large cost of handling many items with small value.

Source: (ICAP, Hellenic National Statistical Agency, competitors)

C) In **mobile telephony** retailing, Plaisio is the fifth largest company in turnover after Germanos and the retail chains of the three large providers Cosmote, Panafon-Vodafone and Telestet. There are also around 350 independent dealers most of them with very few points of sale. Germanos dominates this market since it is the only chain offering connections with all three major providers and its market share is such that its purchasing power with all three of them is significant. The growth of mobile telephony sets market is still significant. In Europe for example in Q1 2003, the market grew by 14% (y-o-y) in volume. Sales growth is most probably slightly lower than that both in Europe and in Greece.

SWOT Analysis

Strengths:

i) Very careful in cost controls.

ii) One-stop-shop, offering clients from small value items like staples to higher value products like notebooks. In this way it can achieve

iii) Low capital expenditure requirements. For the fiscal year 2002 for example, investments in fixed assets did not exceed 3,4 million €, or approximately 2% of turnover.

iv) Mail-order business & the calling center customer support has helped the company attract & maintain tens of thousands of business clients, mainly for the office supplies products.

Weaknesses:

i) The company appears to be understaffed. It is noteworthy that among the 12 members of the management team only 1 has been hired since 2000, despite the increase in sales by 2,7 times since 1999. The personnel of the company is of average academic qualifications and rather underpaid compared to the market.

ii) Has not yet expanded in South-East Europe or Cyprus and has little presence in Greece outside the Athens & Thessaloniki metropolitan areas (presence in two other Greek cities only).

Opportunities:

i) Further expansion in Greece in the computer sectors, especially since competitors have closed down many points of sale (Multirama, One-Way, E-motion have closed, Microland, Big City & shops in shop of Radio Korasidis, Ilektroniki Athinon, Kotsovolos have been reduced in number)

ii) Consolidation of the office supplies market, giving a lot of opportunities for expansion to larger companies to increase their market share.

Threats:

i) Competitors in disarray may catch up and create pressure to margins. Even in this case though, the company is well positioned to survive due to the lack of bank debt.

ii) An international chain entering the Greek market in the office supplies sector.

iii) The possibility that current top managers leave the management team. In this case we have strong doubts that the managers replacing them would be as effective as the current ones.

Peer Group

- We faced significant difficulties to establish a peer group with which meaningful comparisons can be made. Although there are many listed companies globally selling similar product lines (computers, office supplies, mobile phones) or distributing one or all of those lines through different channels (B2B, retail stores, catalogue, internet, calling center), we did not find the product & channel mix of Plaisio (multi product – multi channel – under one brand name) in any other listed company. Obviously every company is unique and there are no two identical companies, however for some companies establishing a robust peer group is not difficult since there are many companies operating in their market which carry similar product lines, distribute through similar channels of distribution and follow a similar business model. This is not the case with Plaisio, however we believe we have chosen a peer group with which some meaningful comparison can be made. The companies in the peer group have some major similarities with Plaisio either in their product line or in the channels of distribution they use.

- As far as the **Greek market** is concerned, there are many listed companies involved in the distribution of either office & computer supplies, computers or mobile telephony. In mobile telephony retailing we believe that **Germanos** should be included in the peer group of Plaisio as it is the largest and most successful retailer. There are many companies involved in computers & IT equipment, we believe though that it will not be very meaningful to include them in the peer group for various reasons. Some of them are mainly distributors of IT equipment to retail computer stores and system integrators at the same time – areas where Plaisio is not active in – like Pouliadis, Info-Quest and Altec. There are other companies which are mainly integrators like Space Hellas or distributors of IT peripherals & supplies like Despec, which is not involved though in retailing at all. Microland & Multirama which are retailers of computers, peripherals & computer supplies and therefore could be ideal candidates for the peer group are loss making and in serious financial trouble, so a comparison with their financial ratios would not be meaningful.

- Outside the Greek market, within the retailing sector we found quite a few retailing companies involved in office supplies. However, they are listed in the USA with operations mainly in the USA and some stores in Europe. We have included **Office Depot** in the peer group of Plaisio because it sells both computers & accessories and office supplies through multiple channels such as stores, contract B2B, e-commerce and catalogue – direct mail through its subsidiary Viking. It is operating in Europe through stores in France & Spain and in other countries through joint ventures or through catalogue/direct mail and e-commerce sales. The only significant problem of including Office Depot in the peer group is that most of its sales are generated in North America and the stock is listed on NYSE and traded in USD. However, taking into account that it is the largest retailer in the world selling office supplies & computers, we think there is significant value to compare Plaisio to it. Other companies carrying similar product lines selling them through similar channels as Plaisio are OfficeMax and Staples. Office Max does not have any operations in Europe. Staples has significant operations in Germany and UK, however we prefer to include Office Depot in the peer group because its international operations account for 14% of sales (and 21% of profits) versus 12% for Staples. Another possible US candidate for Plaisio's peer group is School Specialty, a retail chain using distribution channels similar to Plaisio selling mostly office & school supplies. Our decision not to include it in the peer group was based on the fact that it is concentrating on catering to a more limited clientele, namely school-kids, teachers & schools.

- **Dixons Group Plc** is among the largest European retailers of computers & peripherals, mobile phones and audio – video home electronics. Unlike Plaisio, Dixons is carrying a very limited range of office supplies mostly related to computing. It is based in UK but has significant presence in South Europe (Italy & Spain). Its distribution channels include a wide chain of stores in 12 European countries plus business to business and e-shop. Thus we see significant value to include it in the peer group.

(The income statements of Germanos, Office Depot & Dixons are presented in APPENDIX III).

Estimates - Predictions – Assumptions for fiscal year 2003 Results

- For fiscal year 2003 we are expecting a significant growth in profits mainly driven by the continuing fast increase in turnover. We are expecting **turnover** to exceed 180 mil. € posting an increase of 24-26% compared to fiscal year 2002. The management of the company estimates for the current year that turnover will increase by 20%, reaching 175 mil. €. We should note that for year 2002 the management of Plaisio had predicted an increase in turnover by 15% and in pre tax profits by 12%. These predictions proved too conservative, as turnover increased by 36% and pre-tax profits by an impressive 75%. We believe that this year also, the predictions of management regarding turnover will prove too conservative. Although a continuation of turnover increase by 35-36% annually - as over the last two years - would be difficult to be achieved, we think that a decceleration of the increase in sales of the magnitude of 15% annually (from 35% to 20%) would also be rather improbable, given that during the first half of 2003 turnover increased by 27,8% y-o-y even though the retail sector faced a slowdown in Q1 2003.

- Despite the increase by 1% of the **gross margin** during the first half 2003 we consider more probable that the gross margin increases by less than 1% during the whole fiscal year 2003. The gross margin of the company (around 21%) is considered very satisfactory and thus it would be difficult to improve significantly. Plaisio's Greek competitor's margin in the computer retail sector ranges from 11% to 13,5%, Germanos gross margin is higher than Plaisio's (25%) but we should note that Germanos is the undisputed leader in the mobile telephony sector and therefore has enormous purchasing power which Plaisio does not have. In addition it is roughly 4 times larger than Plaisio. The competitors of Plaisio in the office supplies sector have margins ranging from 20% to 41%, however we should note that the nature of the sector permits them to have high gross margins but they incur high costs in selling & administrative expenses. Office Depot has a gross margin of 29% but we should take into account that it can achieve huge economies of scale due to its size (75 times larger than Plaisio in terms of sales). So overall we think that taking into account its size, the gross margin of Plaisio is very good. It is interesting to notice that despite the very tight cost control for which the company is known it has not achieved to improve its gross margin in the last three years. So even if it manages to increase its gross margin by 1% or more during 2003 we think it would be extremely difficult to further increase it later on.

- **Selling expenses** would grow by 25% or slightly higher in 2003 – according to our estimates - and as a percentage of sales we expect them to remain at a level similar to 2002 or to slightly increase following the trend set in 1H 2003. For **general & administrative** expenses our estimate is a little bit more pessimistic, based on their very fast increase during 1H 2003 (+40,5%). As we have already mentioned Plaisio's cost structure is already very favorable compared to its competitors and peer group. Therefore, further improvements in cost containment would prove very difficult to achieve. Net expenses for **interest & similar charges** could decrease in 2003, however, given the small size of these accounts the final result to the bottom line will not be significant. **Depreciation** charges could increase by 600 to 800 thousand Euro, as the capex program could reach up to 6 mil. € until year end. They may increase by a smaller amount though if there capex is smaller. During the last years annual depreciation charges have increased from 6,9% of total gross depreciable assets (establishment expenses and fixed assets) to 14,7%. A high increase took place in 2002 (from 10,3% to 14,7%). This is due to the fact that lately more investments involve assets that are depreciated faster according to the provisions of the Greek Chart of Accounts, such as software and computers. Management's efforts lately have shifted more on data mining and CRM systems, rather than aggressively increasing the points of sale.

➢ As a result of the above we are expecting the **operating** and the **EBITDA** margins to remain relatively stable compared to 2002. The EBT margin though could increase significantly, if as we expect, there will be no extraordinary losses this year. The degree of certainty of this prediction is quite low, though. In euro terms, we are expecting EBITDA to reach 17,3 mil. € compared to 13,9 in 2002 (+ 25%) and EBT to reach 13,06 mil. € compared to 9,04 mil. in 2002 (+ 44%). Management is expecting EBITDA to reach 17 mil. € and EBT 12,5 mil. € but again we believe that management's estimates will prove too conservative as will also be the case with their sales estimates. We estimate that **profits after taxes and minorities** will reach 8,5 million Euro and **EPS 0,38 Euro**. Consequently, it is very probable that dividend per share will also increase substantially. Based on our projections about profitability it could range from 0,18 € to 0,24 €, from 0,14 € for fiscal year 2002.

➢ We have also made certain **assumptions about the working capital cycle** for fiscal year 2003. At 30/6/2003 2003 there has been a significant reduction of total inventory compared to 30/6/2002, despite the increase in turnover. If this trend continues at the same magnitude, it could lead to a dramatic reduction of the inventory turnover from 69 days in 2002 to less than 50 days in 2003. We believe that it would be extremely difficult for such a reduction to be achieved, although a similar magnitude one has been achieved in 2002 (from 88 days to 69 days). Guided by the principle of conservatism, we have assumed an inventory turnover of 58 days, which still implies a significant improvement in logistics. We would like to point out that the inventory turnover of Plaisio's competitors and members of its peer group are mostly similar or worse: Samaras 63 days, Office Depot 59 days, and Germanos 47 days. Some other weaker competitors of Plaisio have higher inventory turnovers. We think that comparing to Office Depot is more relevant than comparing to Germanos. As far as receivables turnover is concerned, we are expecting a drop to 39 days from 42 days in 2002 due to the fact that, as we believe, receivables will grow slower than cost of sales. In our valuation models we have also assumed that the company will reduce its payables turnover, since it has a strong cash flow, a lot of cash, zero bank debt, is not keen on making acquisitions and does not need significant amounts of cash for its capex program. Therefore, there is a high probability it will try to increase its purchasing power by paying back earlier its suppliers and asking them to give it discounts.

Estimates - Predictions – Assumptions for years 2004-2006 & Beyond

➢ In our valuation model we have assumed a gradual slowing down of the growth of Plaisio after year 2003. We believe that despite its very strong position compared to competition in the two main sectors it is active, it would be very difficult for the company to continue increasing its **sales** by rates of 25% annually (as we estimate for year 2003). As far as sales of IT equipment is concerned, after around two years of flat or lower sales and significant consolidation of points of sale, the problems of some competitors seem to be coming to an end. Therefore, some potential new customers could be directed to competitor's stores. In the office supplies sector, there is significant room for consolidation since there are hundreds of small stores and significant economies of scale could be achieved through consolidation. However, even office supplies sales would be difficult to continue growing by a rate of 25% annually, when the average growth rate in Greece for this sector has been around 8% for the last few years. Given that Plaisio is already serving 100,000 companies, it would be difficult to expand in this segment of the market with very fast rates. In the telecommunications market, Plaisio does not have the prospects to increase its sales very fast, since it cannot easily compete in price with much larger Germanos, it faces the competition from the retail stores of the providers and it currently offering connections with only one provider. In addition it has a small number of points of sale. The total sales of Plaisio though will continue to grow at rates much faster than the two main markets in which it operates for a couple of years, until competitors could reach similar levels of capability in terms of cost control, logistics etc. In our valuation model we have assumed that sales will increase by 20% in 2004, and then further decelerate to 16% in 2005 and 12% in 2006.

- The considerable, albeit at a declining rate, increase in turnover will help Plaisio continue increasing its profitability in the years to come. For the period 2004-2006 we have estimated a CAGR of net profits of around 18%. We believe that a further slight improvement of operating & EBT margins (by 0,2% - 0,4%) is possible until the end of 2006. If such a development materializes, it would most probably be the result of an improved gross margin, rather than the reduction of selling & administrative expenses as a percentage of turnover or depreciation as a percentage of turnover.

- For the years 2007-2010 we have assumed a further gradual slowdown in both profits and free cash flow to the firm in order to smooth out the difference between the growth rate in year 2006 and the constant slow terminal growth rate we have assumed for after 2010.

Valuation

- We have applied two methods of valuation in order to estimate the Fair Value of the stock of Plaisio.
  - A) The **Dividend Discount Model** in which we estimated the fair value of cash flows of dividends in the period 2003-2006 according to our detailed predictions explained in previous sections. For the estimation of the value to shareholders after 2006 we used two different methodologies: 1) P/E multiple based on year 2006 estimated net profits 2) Discounting of the value of terminal dividend payments according to the Gordon Growth Model based on a constant growth of dividends after year 2010 plus discounting the value derived from expected dividends growing at gradually dropping rates for the period 2006-2010. So the first methodology constitutes a two-step model and the second methodology a three step model. The **fair values** we derived from these two methodologies are 6,76 € and 5,92 € respectively and on average **6,34 €.**

  - B) The **Free Cash Flow Model**, in which we discounted the expected free cash flows of the group for the period 2003-2006 according to our assumptions explained in previous sections. For the estimation of the terminal value after 2006, we discounted the value of terminal free cash flows assuming a constant growth rate of the cash flow after 2006. The **fair value** we derived from this model is **8,81 €.**

Our **final fair value** of Plaisio Computers, derived from a 40% weighting of DDM and 60% weighting FCF model, is **7,82 €.** The reason we have given smaller weight to DDM is because we believe that few investors are buying growth stocks such as Plaisio for the purpose of receiving high dividends. Based on all the above quantitative and qualitative criteria we are currently assigning a **"HOLD"** rating to the stock, despite its strong position related to competition and its significant growth prospects.

APPENDIX I

INCOME STATEMENTS OF GREEK OFFICE SUPPLIES COMPANIES				
	PLAISIO	SAMARAS	PALLIS	MAX STORES
In thousands (Euro)	**2002**	**2002**	**2002**	**2002**
Total Turnover - Sales	**146.090**	**10.987**	**3.750**	**6.480**
Less: Cost of Sales	115.672	8.810	2.179	4.265
As a percentage of total turnover-sales (%)	*79,2%*	*80,2%*	*58,1%*	*65,8%*
Gross Profit	**30.418**	**2.177**	**1.571**	**2.215**
Gross Profit Margin (%)	*20,8%*	*19,8%*	*41,9%*	*34,2%*
Add: Other Operating Income	1.017	17	187	4
As a percentage of total turnover-sales (%)	*0,7%*	*0,2%*	*5,0%*	*0,1%*
Total	**31.435**	**2.194**	**1.758**	**2.219**
Less: General & Administrative Expenses	3.108	793	289	400
As a percentage of total turnover-sales (%)	*2,13%*	7,22%	7,71%	6,17%
Less: Selling Expenses	17.163	997	1.616	1.600
As a percentage of total turnover-sales (%)	*11,7%*	9,1%	43,1%	24,7%
Total Expenses	20.271	1.790	1.906	2.000
Operating Income - EBIT	**11.164**	**404**	**-148**	**219**
EBIT Margin (%)	*7,6%*	*3,7%*	*-3,9%*	*3,4%*
EBITDA	**13.884**	**533**	**127**	**394**
EBITDA Margin (%)	*9,5%*	*4,8%*	*3,4%*	*6,1%*
Add: Interest & Participation Income	15	1	2	1
Less: Interest & Participation Expenses	1.392	89	152	82
Total Operating Results	**9.787**	**316**	**-298**	**138**
Add: Extraordinary Revenue & Profits	12	0	4	19
Less:Extraordinary Expenses	771	2	62	31
Net Extraordinary Results	**-759**	**-2**	**-58**	**-12**
Operating & Extraordinary Results	**9.028**	**314**	**-356**	**126**
Less: Total Depreciation	2.720	129	275	175
As a percentage of total turnover-sales (%)	*1,86%*	*1,17%*	*7,33%*	*2,70%*
Add: Depreciation included in Operating Cost	2.720	129	275	175
EBT (before minorities)	**9.028**	**314**	**-356**	**126**
EBT Margin (%) - (before minority rights)	*6,2%*	*2,9%*	*-9,5%*	*1,9%*
Less: Minority rights	-11	0	0	0
EBT (after minorities)	**9.039**	**314**	**-356**	**126**
EBT Margin (%) - (after minority rights)	*6,2%*	*2,9%*	*-9,5%*	*1,9%*
Less: Income Tax	3.207	110	0	45
Net Income	**5.832**	**204**	**-356**	**81**
Net Profit Margin (%)	*4,0%*	*1,9%*	*-9,5%*	*1,2%*

APPENDIX II

INCOME STATEMENTS OF GREEK COMPUTER RETAILERS					
	PLAISIO	BIG CITY	MICRO-LAND	MULTI-RAMA	ONE WAY
In thousands (Euro)	2002	2002	2002	2002	2002
Total Turnover - Sales	**146.090**	**6.350**	**29.424**	**50.156**	**50.010**
Less: Cost of Sales	115.672	5.625	25.443	45.441	45.361
As a percentage of total turnover-sales (%)	*79,2%*	*88,6%*	*86,5%*	*90,6%*	*90,7%*
Gross Profit	**30.418**	**725**	**3.981**	**4.715**	**4.649**
Gross Profit Margin (%)	*20,8%*	*11,4%*	*13,5%*	*9,4%*	*9,3%*
Add: Other Operating Income	1.017	138	56	581	5.872
As a percentage of total turnover-sales (%)	*0,7%*	*2,2%*	*0,2%*	*1,2%*	*11,7%*
Total	**31.435**	**863**	**4.037**	**5.296**	**10.521**
Less: General & Administrative Expenses	3.108	742	1.610	3.696	6.065
As a percentage of total turnover-sales (%)	2,13%	11,69%	5,47%	7,37%	12,13%
Less: Selling Expenses	17.163	903	6.461	10.377	14.903
As a percentage of total turnover-sales (%)	11,7%	14,2%	22,0%	20,7%	29,8%
Total Expenses	20.271	1.645	8.071	14.073	20.968
Operating Income - EBIT	**11.164**	**-782**	**-4.034**	**-8.777**	**-10.447**
EBIT Margin (%)	*7,6%*	*-12,3%*	*-13,7%*	*-17,5%*	*-20,9%*
EBITDA	**13.884**	**-675**	**1.143**	**-5.446**	**-5.332**
EBITDA Margin (%)	*9,5%*	*-10,6%*	*3,9%*	*-10,9%*	*-10,7%*
Add: Interest & Participation Income	15	5	4	51	134
Less: Interest & Participation Expenses	1.392	85	1.240	2.084	2.249
Total Operating Results	**9.787**	**-862**	**-5.270**	**-10.810**	**-12.562**
Add: Extraordinary Revenue & Profits	12	12	117	829	173
Less:Extraordinary Expenses	771	166	480	603	10.078
Net Extraordinary Results	**-759**	**-154**	**-363**	**226**	**-9.905**
Operating & Extraordinary Results	**9.028**	**-1.016**	**-5.633**	**-10.584**	**-22.467**
Less: Total Depreciation	2.720	107	5.177	3.331	5.115
As a percentage of total turnover-sales (%)	*1,86%*	*1,69%*	*17,59%*	*6,64%*	*10,23%*
Add: Depreciation included in Operating Cost	2.720	107	5.177	3.331	5.115
EBT (before minorities)	**9.028**	**-1.016**	**-5.633**	**-10.584**	**-22.467**
EBT Margin (%) - (before minority rights)	*6,2%*	*-16,0%*	*-19,1%*	*-21,1%*	*-44,9%*
Less: Minority rights	-11	0	0	15	0
EBT (after minorities)	**9.039**	**-1.016**	**-5.633**	**-10.599**	**-22.467**
EBT Margin (%) - (after minority rights)	*6,2%*	*-16,0%*	*-19,1%*	*-21,1%*	*-44,9%*
Less: Income Tax	3.207	0	0	47	0
Net Income	**5.832**	**-1.016**	**-5.633**	**-10.646**	**-22.467**
Net Profit Margin (%)	*4,0%*	*-16,0%*	*-19,1%*	*-21,2%*	*-44,9%*

APPENDIX III

PLAISIO'S PEER GROUP INCOME STATEMENTS				
	PLAISIO	**GERMANOS**	**DIXONS**	**OFFICE DEPOT**
In thousands (Euro)	**2002**	**2002**	**2002**	**2002**
Total Turnover - Sales	**146.090**	**606.631**	**8.818.749**	**10.833.381**
Less: Cost of Sales	115.672	454.706		7.653.022
As a percentage of total turnover-sales (%)	*79,2%*	*75,0%*		*70,6%*
Gross Profit	**30.418**	**151.925**		**3.180.359**
Gross Profit Margin (%)	*20,8%*	*25,0%*		*29,4%*
Add: Other Operating Income	1.017	4.528		0
As a percentage of total turnover-sales (%)	*0,7%*	*0,7%*		*0,0%*
Total	**31.435**	**156.453**		**3.180.359**
Less: General & Administrative Expenses	3.108	29.568		479.708
As a percentage of total turnover-sales (%)	*2,13%*	4,87%		4,43%
Less: Selling Expenses	17.163	78.955		2.223.966
As a percentage of total turnover-sales (%)	11,7%	13,0%		20,5%
Total Expenses	20.271	108.523		2.703.675
Operating Income - EBIT	**11.164**	**47.930**	**426.203**	**476.684**
EBIT Margin (%)	*7,6%*	*7,9%*	*4,8%*	*4,4%*
EBITDA	**13.884**	**65.308**		**668.182**
EBITDA Margin (%)	*9,5%*	*10,8%*		*6,2%*
Add: Interest & Participation Income	15	3.591	8.114	24.508
Less: Interest & Participation Expenses	1.392	4.215	7.808	44.067
Total Operating Results	**9.787**	**47.306**	**426.509**	**457.125**
Add: Extraordinary Revenue & Profits	12	5.316		0
Less:Extraordinary Expenses	771	6.743		739
Net Extraordinary Results	**-759**	**-1.427**	**0**	**-739**
Operating & Extraordinary Results	**9.028**	**45.879**	**426.509**	**456.386**
Less: Total Depreciation	2.720	17.378		191.498
As a percentage of total turnover-sales (%)	*1,86%*	*2,86%*		*1,77%*
Add: Depreciation included in Operating Cost	2.720	17.378		191.498
EBT (before minorities)	**9.028**	**45.879**	**426.509**	**456.386**
EBT Margin (%) - (before minority rights)	*6,2%*	*7,6%*	*4,8%*	*4,2%*
Less: Minority rights	-11	-89	4.287	0
EBT (after minorities)	**9.039**	**45.968**	**422.222**	**456.386**
EBT Margin (%) - (after minority rights)	*6,2%*	*7,6%*	*4,8%*	*4,2%*
Less: Income Tax	3.207	11.625	104.101	159.994
Net Income	**5.832**	**34.343**	**318.121**	**296.392**
Net Profit Margin (%)	*4,0%*	*5,7%*	*3,6%*	*2,7%*

AGROTIKI ASSET MANAGEMENT INVESTMENT S.A. 25/9/2003 — Research & Analysis Department — Analyst: Panos Alexopoulos

Financial Fundamentals

Share Price (24/9/2003)	8,12 €
Total number of Shares Outstanding (24/9/2003)	22.080.000
Market Capitalization (24/9/2003)	179.290
Shareholders' Equity	28.109
Book Value Per Share	1,27 €
Standard Deviation	20,5%
Beta (Covariance of share-general index over 5 years)	1,06
Turnover - Sales	146.090
Average Growth of Turnover - Sales ('98-'02)	**49,64%**
Earnings After Taxes - (E.A.T.)	5.832 €
Average Growth of Earnings After Taxes ('98-'02)	**51,88%**

Peer Group Comparison

Selected Companies	P/E	P/BV	P/Sales	Net Profit Margin	Gross Marg.	Debt/Equity	R.O.E.	R.O.A.
Plaisio Computers	30,7	6,38	1,23	4,0%	20,8%	0,99	**21,8%**	**9,7%**
Germanos	19,7	2,49	1,11	**5,7%**	25,0%	**0,86**	12,9%	7,1%
Dixons Group	**13,4**	1,64	0,48	3,6%	-	1,38	12,7%	5,5%
Office Depot	13,9	**0,86**	**0,38**	2,7%	**29,4%**	1,07	14,3%	6,5%

Dividend Discount Model (4 year)	
1st Methodology	5,92 €
2nd Methodology	6,76 €
Two Methods' Average	6,34 €

Op. Cash Flow Model	
4 year	8,81 €
Average	8,81 €

Three Methods' Average Price
-

Final Average Price (2 Models)
7,82 €

Fair Value
7,43 Euro - 8,21 Euro

Prices are indicative and should not be considered as a solicitation to buy or sell

Financial Ratios

P/E (Price / Earnings After Taxes Per Share)	30,74
P/BV (Price / Book Value Per Share)	6,38
P/Sales (Price / Turnover - Sales Per Share)	1,23
P/CF (Price / Operating Cash Flow Per Share)	15,51
P/O.I. (Price / Operating Income Per Share)	18,32
R.O.E. (Earnings After Taxes / Average Sh. Equity)	21,8%
R.O.A. (Earnings After Taxes / Average Total Assets)	9,7%
E.P.S. (Earnings After Taxes Per Share)	0,26 €
EV/EBITDA (Economic Value / EBITDA)	12,9
Debt/Equity (Total Liabilities / Shareholders' Equity)	0,99
Dividend Yield (Dividends Per Share / Market Price Per Share)	1,7%
Net Profit Margin (Earnings After Taxes / Turnover)	4,0%

Recent Company News - Activities

Date - Source	Recent News - Activities
July 24, 2003	Plaisio published its financial statements for 1H 2003.
July 1, 2003	The company presented its prospects at the Association of Greek Institutional Investors.
May 16, 2003	The shares of the company are traded ex-dividend of fiscal year 2003 (0,14 Euro per share).
April 22, 2003	The company published its financial statements for Q1 2003.
February 24, 2003	The company opened a new store of 1.000 sq.m. in the Athens metropolitan area.

Historical Performance - Closing Prices

Share Performance (52 w.):	69,9%	High Cl. Price (52 w.):	8,28 €
FTSEM Performance (52 w.):	7,7%	Low Cl. Price (52 w.):	4,24 €
G. Index Performance (52 w.):	12,5%	Average Cl. Price (52 w.):	5,84 €

Comments

Sources: Consolidated Financial Statements 1998-2002 (under Greek Chart of Acconuts), Reuters, Bloomberg, Company Websites.

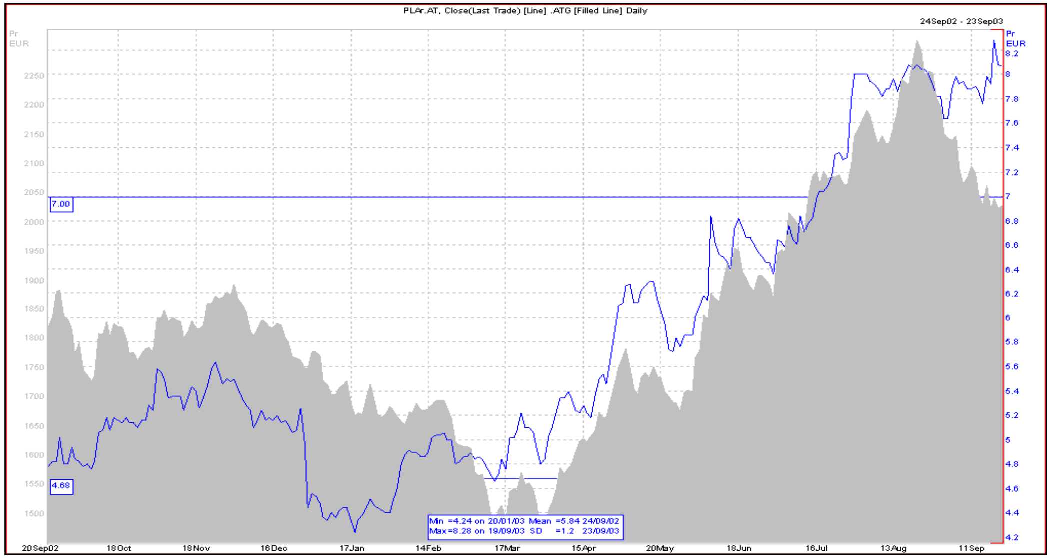
Financial ratios are based on the closing prices of 24/9/2003 and fiscal year 2002 consolidated financial statements.

Financial Condition:	Very Good
Turnover-Sales Trend:	Positive
Earnings After Taxes Trend:	Positive
Estimated growth of turnover-sales:	24-26% (for fiscal year 2003)
Estimated growth of earnings after taxes:	44-47% (for fiscal year 2003)

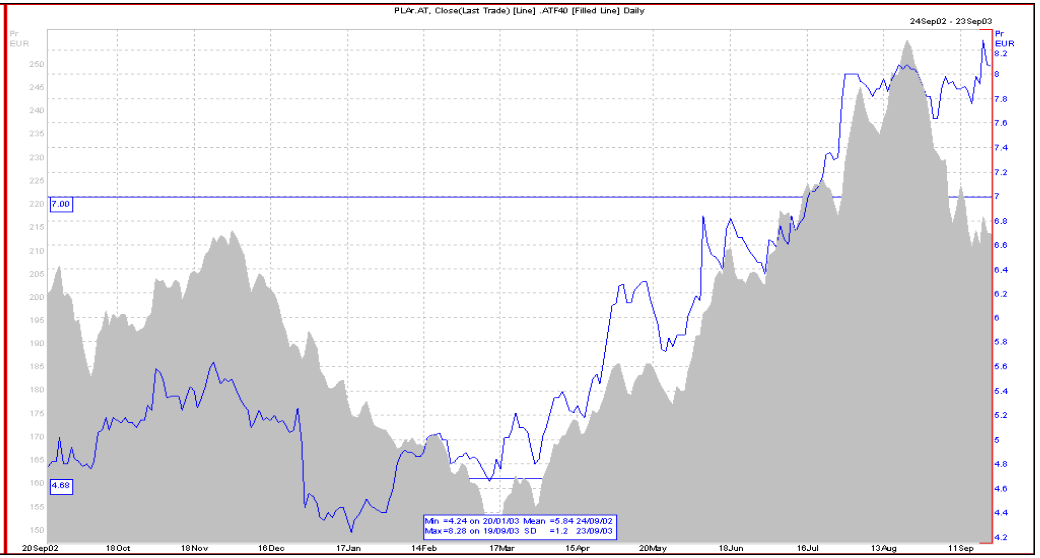
During 1H 2003, consolidated sales increased by 27,8%. The company achieved to increase its operating and EBITDA margins.

Net profits before tax increased by 52%. Inventory decreased from 18,9 mil. Euros to 15,1 million Euros. Bank debt is zero.

Stock & General Index Trend (24/9/2002 - 24/9/2003)



Stock's & General Index's Trend (24/9/2002 - 24/9/2003)



<u>Investment Ratings Guide:</u>

BUY: When the estimated valuation fair value exceeds the current market price by 20% or more.

SELL: When the current market price exceeds the estimated valuation fair value by 20% or more.

HOLD: When the estimated valuation fair value falls between the two above range points.

- The above guidelines are indicative only. Actual ratings assigned, also take into account a wide range of qualitative factors and may therefore occasionally diverge from the thresholds outlined above.
- The department may chose to apply alternatively a variety of equity valuation methods, namely discounted cash flow (DCF), dividend discount model (DDM), return on invested capital (ROIC), net asset value (NAV) or economic value added (EVA). D.C.F. analysis, wherever employed, is in full accordance with prevailing due diligence guidelines, as these are set forth within guidance note #10 of the International Valuation Guidance. The methodology selection is based on the particulars of the industry and/or company reviewed. In cases where within the same company review more than one valuation method is applied, fair value is estimated to be the average of each of the individual model fair values obtained.

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