

Greece: Specialty Chemicals

July 29, 2009

Initiating Coverage



Thrace Plastics Co. S.A.
PLASTIC TEXTILE & PACKAGING MATERIALS INDUSTRY

"A global Plastics producer with a vision ..."

Investment Rating Outperform
From Previously -

Price €0.78
Target Price €1.38
Div yield ('09) 2%
Upside/Downside 79%

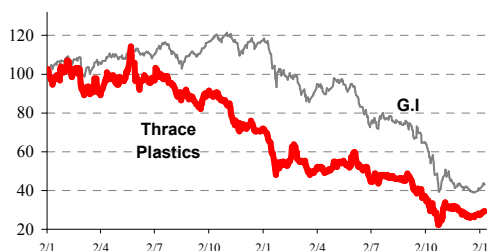
Stock Data
Bloomberg / Reuters PLAT GA / THRr.AT
Market Cap (€m) 36
No of shares outstanding (m) 45.9
Free Float 28.6%
Avg. Daily Vol. (52wk) 24,353

Valuation Data	2008a	2009e	2010f
P/E	10.95	13.37	10.75
P/BV	0.36	0.35	0.34
EV/EBITDA	9.89	14.41	13.41
EPS	0.07	0.06	0.07
DPS	0.00	0.02	0.02
Div yield (%)	0.0%	2.2%	2.8%

Estimates	2008a	2009e	2010f
Revenues	251.2	185.6	196.4
EBITDA	24.5	21.5	22.8
EBIT	12.3	8.9	10.0
Net Income	3.3	2.7	3.3

Performance	1m	6m	12m
Thrace Plastic S.A	-3%	34%	25%
General Index	8%	34%	31%

Share VS G.I



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■ Company Description

Thrace Plastics Co. S.A. is a Greece-based company engaged in the production and trade of Plastics products, textiles and packaging materials. The Company's range of products is divided into three categories: **a)** Technical Fabrics & Fibers, which includes such products as woven and non-woven geotextiles, ground covers, crop covers, nets, roofing membranes, staple fibers, concrete reinforcement fibers, and carpet and industrial yarns. **b)** Consumer Packaging, this offers Plastics containers and lids, cups, tubs, bottles, and other Plastics food and chemicals packaging products. **c)** Industrial Packaging, which includes ropes and twines, bags, films, woven polypropylene bags, pallet covers, and stretch hoods. The Company operates through its local and international subsidiaries with production facilities and trade companies, in Greece, Scotland, Bulgaria, Romania, Turkey, Ireland, Northern Ireland, Serbia, Sweden, Norway and the United States.

■ Corporate Developments – Strategy Update

The company belongs among the biggest three producers in Technical Fabrics in Europe. In consumer packaging segment, the company is characterized as a Market Leader, in S.E. Europe. In Industrial Packaging segment the company holds dominant position in Scandinavian Market.

According to Management the main objectives for the following years are focused on the improvement of the Group's efficiency and profitability taking advantage of recession-led competitive opportunities through a series of actions summarized as follows:

- Cost containment program
- Production Facilities restructuring
- Improvement of utilization capacity
- CAPEX slowdown (The maintenance CAPEX for the next three years is estimated at € 6m).
- Capital structure improvement.

Total cost of the restructuring plan is estimated at €1.5m for the first half of 2009 and will mainly be financed from the sale of Xanthi's industrial building, expected to be finalized by the end of 2009.

■ Q1 09' results

In a Quarterly basis consolidated turnover moved lower by 21.5% yoy, to €46.37 m versus €59.09m, for the same period a year before. Group EBITDA amounted to €5.8m, experiencing a 9.6% yoy decrease compared to last year's €6.45m. EBIT in a quarterly basis fell 16.5% yoy, which amounted to €2.88m, compared to €3.45m, during previous period. Group EBT amounted to €1.77m vs. €2.17m during Q1 2008, decreasing by 18.4% yoy. EATam also moved lower by 18.4% yoy amounting to €1.27m compared to €1.56m, during the same period a year ago. EAT margin in Q1 set at 2.7% from 2.6% in Q1 2008. International economic crisis negatively affected company's results.

■ Valuation

Our DCF valuation exercise returns a target price of €1.38, with a total upside potential of 79% from current price levels. **We set our rating recommendation to "Outperform"**. Fragile economic environment affected company as of its international expansion. Despite of low visibility for the next years, especially in global demand, we believe that the company has the ability to avoid the recent crisis through a series of actions that has already announced.

■ Risks

Oil prices fluctuation due to exposure in PP (Polypropylene), market conditions, consumer behaviour, globally economic environment, are among the factors that need to be considered and may affect future cash flows and share performance. **On the other hand limited transactions volume is a drawback for institutional investors to build up a meaningful position.**

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Investment Thesis

Powerful Brand name...

Thrace Plastics is characterized as one of the largest producers of **Technical Fabrics** in Europe with important presence in the U.S.A., while also operating in the **Consumer Packaging sector**, holding a strong position in the markets of South East Europe. In **Industrial Packaging** segment the company holds dominant position in the Scandinavian Market. The Group operates through its subsidiaries (production facilities and/or sales & distribution companies) in Greece and other European countries and the U.S.A.

The Company has presence in the North American market over the past 8 years through a wide sales network. However the Thrace Group started its operations in the U.S geosynthetic market in 2007 through the establishment of Thrace Linq Inc which acquired the activity of Linq Industrial Fabrics in South Carolina and the acquisition of 50% stake in Lumite Inc in Georgia USA, active in the trade of geosynthetics for agro and horticultural uses. In 2008 Lumite Inc proceeded with the acquisition of significant assets of Yonah plant, from Propex, one of the main competitors of the Company in the US market.

Thrace Plastics is highly extrovert, with more than 85% of turnover directed outside Greece. It operates in three main sectors i.e. Technical Fabrics (woven and non woven products, textiles and yarn for technical uses and construction), Consumer Packaging products (mainly packaging of food and chemical products) and Industrial Packaging (flexible intermediate bulk containers for the packaging of bulk industrial products). The company is planning to expand in new markets, while strengthening its position in existing ones. The main difference between Thrace Plastics and Greek competitors is that Thrace Plastics focuses abroad through a variety of products. The company has already developed a sales network of 50 countries worldwide (Europe, N. America, Japan, Australia), while trading companies operate in four countries (Ireland, Norway, Sweden and Serbia). Production facilities are located in 6 countries (Greece, Scotland, Bulgaria, Romania, Turkey and U.S.A.). More specifically production facilities per segment are as follows:

- **Technical Fabrics (production facilities in Greece and Scotland).**
- **Consumer Packaging (production facilities in Greece, Bulgaria, Romania and Turkey).**
- **Industrial Packaging (production facilities in Greece and Bulgaria).**

Production Facilities

Technical Fabrics (Woven & Non Woven Products)	Consumer Packaging	Industrial Packaging
Greece (1) Scotland (1) U.S.A (2)	Greece (3) Bulgaria (1) Romania (1) Turkey (1)	Greece (1) Bulgaria (1)
Total Production Capacity: 75.000 tns	Total Production Capacity: 18.000 tns	Total Production Capacity: 13.000 tns

Source: The Company

The Group's suppliers are geographically diversified, offering access to the most suitable raw materials at (Belgium, France, and UK) and Lukoil (Bulgaria). More specific the company operates companies in 10 countries the main activity of which is the production and trade of PP & PE products.

The Group employs 1,805 persons, in a total of 23 subsidiaries, with their activities mainly concentrated on the production and trade of PP & PE products. Annual production capacity exceeds 100,000 tons.

We believe that company's international outlook offers better possibilities against the narrow Greek market. **The local market is mainly specialized in consumer packaging sector.** Consumer Packaging sector increased by 10.5% yoy (growth mainly based on Romania & Bulgaria sales), during 2008. Technical Fabrics sector rose by 7.4% yoy, while Industrial Packaging moved lower by 4.5% yoy on the back of lower demand. **The Management focuses in the improvement of profit margins through cost saving, restructure of production facilities and economy of scales.**

We assign a fair value of €1.38 per share

We assign a fair value of €1.38 per share for the company based on DCF Valuation model, allowing a 79% total upside potential from current levels. We view Thrace Plastics as an attractive growth company, despite of current rather weak retail sector market characteristics. The main factors that consists company's competitive advantages are: Powerful sales network, product diversification, geographically position, edge machinery equipment, know-how of the market and wide variety of product.

Latest Developments

Main Highlights 2009:

During the latest company's presentation to institutional investors (07.15.09), hosted by Kyrou Sec., management presented its strategic goals for the coming years aiming at increasing the Company's competitiveness through a series of actions focused on cost containment and improvement of efficiency and profitability.

Main Highlights 2008:

- a) The Acquisition of significant assets of **Propex –Yonah** plant in Georgia U.S.A. active in the production of synthetic fabrics for specialized uses (filtration fabrics, protective nets etc) against the price of \$ 3,1 million. The said acquisition enabled the production of Woven Geosynthetics in the U.S. market – up until now the Thrace Group was only active in the production of Non Woven Geosynthetics and the widening of the product range in the sectors of geotextiles and filtrations.
- b) The acquisition by **Thrace Plastics Co S.A.** of a 20% minority stake of **Don & Low Hellas S.A.**
- c) The introduction of **new production line for non-woven geotextiles through its subsidiary Thrace Linq Inc. in the U.S.A.** The annual production capacity of the new production line is expected to gradually reach 5,500 tons by 2011.

Main Highlights 2007:

- a) **Thrace Linq Inc acquired** the activities of Linq Industrial Fabrics Inc, based in South Carolina USA, against the price of \$ 10.7 million. The said acquisition positioned the Thrace Group as a Global manufacturer of geosynthetics with production facilities in Greece, U.K. and U.S.A.
- b) The acquisition of 50% of the U.S. based company **Lumite Inc** in Georgia USA, against the price of \$ 1.2 million active in trade of synthetic fabrics for agricultural and horticultural uses
- c) During 2007 the company started its operations of the new Non Woven **production line** in Xanthi.

Management Strategic Plan

According to the latest company's presentation to institutional investors, hosted by Kyrou Sec. (07.15.09), management presentation concentrated in the terms that will increase the Group's competitiveness taking advantage of recession-led competitive opportunities. More specifically the strategic planning for each business segment includes the following:

- In the **Technical fabrics segment**, management plans the restructuring of production facilities, as well as the legal and operational absorption of Don & Low Hellas by the parent company. In **Consumer Packaging** segment management aims in utilization improvement, cost control, capital expenditure slowdown and capital structure improvement. In **Industrial Packaging** segment the key drivers are the relocation part of production in Bulgaria and development of synergies for the absorption of the surplus of capacity in PE film.

- Total **cost of the restructuring plan** is estimated at **€1.5m** and will be mainly financed from Xanthi's industrial building sale, expected to be finalized within the second half of the year.

The main points by segment are:

a) Technical Fabrics

- Restructuring of production facilities
- Legal and operational absorption of Don & Low Hellas by the parent company
- Launce of a new Non Woven production line in U.S.A.

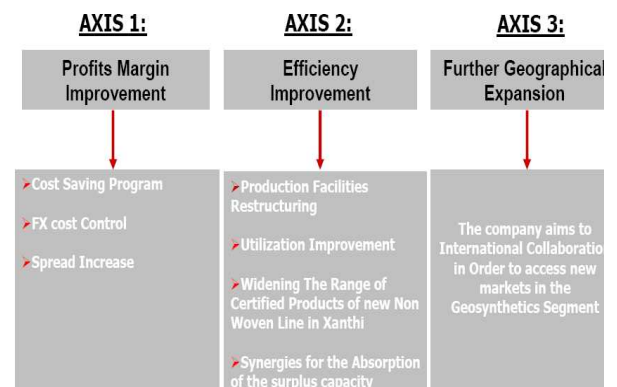
b) Consumer Packaging

- Utilization improvement
- Spread increase between selling price and raw material cost
- Reduced CAPEX
- Capital Structure Improvement
- Pairis Pack unit restructuring

c) Industrial Packaging

- Production part relocation in Bulgaria
- Synergies for the absorption of the surplus of production capacity in PE film

Investment Highlights



Source: The Company, Kyrou Sec. R&A Dpt

Financial Performance

2008 Results Performance

According to company's FY 08 financial statements Group turnover came in 5.2% yoy higher reaching €251m. EBITDA reached €24.5m, decreasing 8% yoy while EBT reached €5m, decreasing 55.6% yoy. Total expenses increase hurt bottom line results. More specific operating expenses increased 9.8% yoy. Administrative expenses increased 1.6% due to inflation pressures. Less of demand negatively affected results. On the other hand Industrial Packaging sector moved lower by 4.5%.

Net income reached €3.3m vs. €8.0m a year earlier. EATam margin landed at 1.3% from previously 3.4%. EBITDA and EBIT margins fell to 9.8% and 4.9%, respectively (from previous 11.2% and 6.3%).

Weak results were hurt by FX interest losses at €3.2m (+213% yoy), affecting bottom line results. Total CapEx during 2008 reached €15.7 m.

Balance Sheet (€ ths)	2007	2008	P&L	2007	2008	Dif %
Assets			Turnover	238,812	251,180	5.2%
Fixed Assets	113,587	114,276	CoGs	201,212	211,581	5.2%
Inventories	56,125	52,118	Gross Profit	37,600	39,599	5.3%
Debtors	50,483	45,612	Operating Ex.	31,278	34,328	9.8%
Current Assets	137,744	138,452	EBITDA	26,640	24,507	-8.0%
Cash & C. Equiv.	7,831	13,740	EBIT	14,941	12,297	-17.7%
Total Assets	251,331	252,728	EBT	11,267	5,002	-55.6%
			EATam	8,028	3,274	-59.2%
			EPS	0.17	0.07	-59.2%
Equity & liabilities			Margins			bps
Total Equity	109,779	98,357	Gross Profit	15.7%	15.8%	0.0
LT Bank Debt	25,870	29,689	Operating Ex.	13.1%	13.7%	0.6
LT Liabilities	35,929	43,506	EBITDA	11.2%	9.8%	-1.4
ST Bank Debt	61,455	69,877	EBIT	6.3%	4.9%	-1.4
ST Liabilities	105,623	110,865	EBT	4.7%	2.0%	-2.7
Total Liabilities	141,552	154,371	EATam	3.4%	1.3%	-0.61
Total Eq. & Liab.	251,331	252,728				

Source: The Company, Kyprou Sec. R&A Dpt.

Q1 09 on Q1 08 Results

In a Quarterly basis consolidated turnover decreasing by 21.5%, to €46.37m versus €59.09m, for the same period a year before.

Group EBITDA amounted to €5.8m, experiencing a 9.6% yoy decrease compared to last year's €6.45 m. EBIT in quarterly basis hurt by 16.5%, which amounted to €2.88m, compared to €3.45 m, during previous period.

Group EBT amounted to €1.77m. Vs. €2.17m during Q1 2008, decreasing by 18.4% yoy. EATam also moved lower by 18.4% yoy amounting to €1.27m compared to €1.55m, during the same period a year ago.

EAT margin in Q1 09 landed to 2.7% from 2.6% in Q1 08. Continuing Economic crisis affect in consumer behavior reducing demand.

Comprehensive Income

Following the IASB September 6th 07 decision (details in page 10) comprehensive losses during Q1 2009 amounted to of €302 ths, compared to €1.99m during previous year.

The figures which impacted comprehensive income, during Q1 09, were, gains of €488 ths from FX cost and losses of €2.069m from Employment Benefit Obligation.

P&L (€ ths)	1Q 2009	1Q 2008	Dif %
Turnover	46,369	59,093	-21.5%
CoGs	37,322	48,004	-22.3%
Gross Profit	9,047	11,089	-18.4%
Operating Ex.	7,882	9,278	-15.0%
EBITDA	5,831	6,453	-9.6%
EBIT	2,886	3,457	-16.5%
EBT	1,773	2,172	-18.4%
EATam	1,270	1,557	-18.4%
Income (comprehensive)	-302	-1,998	-
Margins			bps
Gross Profit	19.5%	18.8%	0.7
Operating Ex.	17.0%	15.7%	1.3
EBITDA	12.6%	10.9%	1.7
EBIT	6.2%	5.9%	0.4
EBT	3.8%	3.7%	0.1
EATam	2.7%	2.6%	0.1

Source: The Company, Kyprou Sec. R&A Dpt

Estimates

Turnover Breakdown

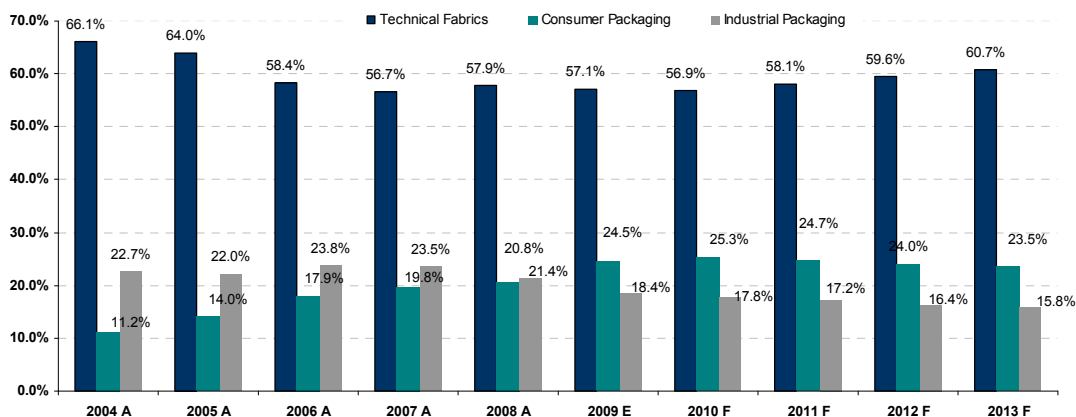
To split sales by product segment, Technical Fabrics product sales contributed 58% of total sales in 2008 FY, whereas Consumer Packaging products contribution in total sales accounted for 21%. Industrial Packaging sector reached 21%, of total. **The key driver in sales for the company still remains Technical fabrics segment.**

Turnover by segment (€ ths)

In € ths	2004 A	2005 A	2006 A	2007 A	2008 A	2009 E	2010 F	2011 F	2012 F	2013 F
Technical Fabrics	114,724	119,000	121,483	135,383	145,342	106,000	111,825	123,585	138,460	158,619
% Change	-	3.7%	2.1%	11.4%	7.4%	-27.1%	5.5%	10.5%	12.0%	14.6%
Consumer Packaging	19,470	26,000	37,201	47,218	52,178	45,375	49,680	52,475	55,661	61,271
% Change	-	33.5%	43.1%	26.9%	10.5%	-13.0%	9.5%	5.6%	6.1%	10.1%
Industrial Packaging	39,347	41,000	49,480	56,211	53,660	34,200	34,944	36,480	38,048	41,328
% Change	-	4.2%	20.7%	13.6%	-4.5%	-36.3%	2.2%	4.4%	4.3%	8.6%
Total	173,541	186,000	208,164	238,812	251,180	185,575	196,449	212,540	232,169	261,219
% Change	-	7.2%	11.9%	14.7%	5.2%	-26.1%	5.9%	8.2%	9.2%	12.5%

Source: The Company, Kyrou Sec. R&A Dpt.

Sales per segment to total Sales (%)



Source: The Company, Kyrou Sec. R&A Dpt.

Regarding our forecasts for the capacity and volume sold for the forward years we do not expect any difference for 2009 due to recent economic crisis and the reduction of the total demand. In Technical Fabrics segment capacity CAGR 09-13 is expected at 1.9% while volume sold at 6.1%. In Industrial Packaging segment we expect total capacity to remain stable at 16,000 tons in 2012. Consumer Packaging segment capacity CAGR 09-13 is set at 2% while volume sold GAGR 09-13 is expected 3.9%.

Capacity & Volume Sold (€ ths)

	2006A	2007A	2008 A	2009 E	2010 F	2011 F	2012 F	2013 F
Technical Fabrics								
Capacity (tons)	55,000	60,000	65,000	75,000	75,000	77,000	79,000	81,000
% change	-	9%	8%	15%	0%	3%	3%	3%
Volume Sold (tons)	48,000	53,000	60,000	53,000	53,250	57,750	61,620	67,230
Consumer Packaging								
Capacity (tons)	13,000	16,000	17,000	18,000	18,000	18,500	19,000	19,500
% change	-	23%	6%	6%	0%	3%	3%	3%
Volume Sold (tons)	13,000	16,000	16,500	16,500	16,560	17,205	17,670	18,525
Industrial Packaging								
Capacity (tons)	13,000	15,000	16,000	16,000	16,000	16,000	16,000	16,000
% change	-	15%	7%	0%	0%	0%	0%	0%
Volume Sold (tons)	12,500	14,000	15,000	9,000	8,960	9,120	9,280	9,600

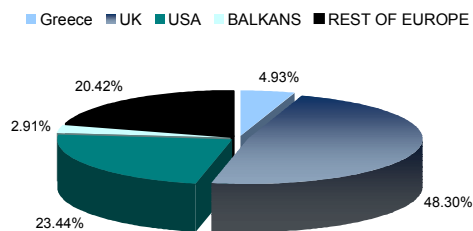
Source: The Company, Kyrou Sec. R&A Dpt.

In our projections we expect Technical Fabrics segment to continue representing the majority of total group sales but in a downward trend. On the other hand we expect an increasing trend in Consumer Packaging segment due to an improvement of consumer demand.

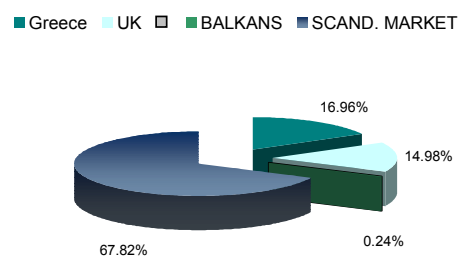


To split group turnover by region, sales in Greece area, for 2008, contributed the 16% of total sales, whereas sales in Balkans contribution in total sales accounted for 10%. Europe & U.S.A. sales accounted 56% and 13%, respectively.

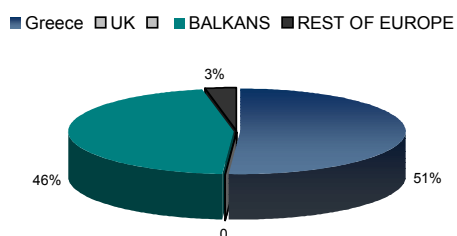
Technical Fabrics



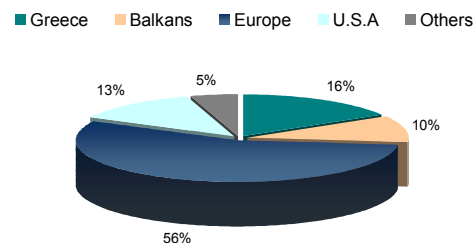
Industrial Packaging



Consumer Packaging



Sales By Region (%)



Source: The Company, Kyrou Sec. R&A Dpt.

Cost of Sales

The cost of sales for Thrace Plastics is divided into five main categories, **as raw materials, energy, employment costs, depreciation**, and other costs. **PP (polypropylene) cost** contributed the c48% of total cost. PP cost accounts for c90% of total raw materials cost (*analysis follows*). Labor cost contributes c23% while Energy the c5% of total cost. Below we present two graphs which present **a) Cost of Sales breakdown b) each product cost** to total sales. Technical Fabrics contribute c53% of total cost while Consumer and Industrial Packaging represent 25% and 22% respectively. Overall the correlation of PP prices with Oil prices consist the main factor of company's total cost of sales. **Any Oil prices fluctuation influence company's results.**

The table below presents a cost analysis per segment in the forward years. According to our projections, PP will continue to consist the 48% of total cost as the main material for the group. The PP CAGR 09e/13e is set at 8.4%. Furthermore, other raw materials remain almost stable as a percent of total cost. Energy cost, which company buys from each local supplier we projected an average growth of 8.4% (09e-13e). We assume that labour cost moves higher in a GAGR 7%. Finally, the category "other cost expenses" which including miscellaneous expenses CAGR 09e/13e is expected at 7%. We project that other cost expenses will decrease as a % of total cost due to company's limiting expenses (cost cutting) program.

Cost of Sales Breakdown 06-13 (€ ths)

€ ths	2006A	2007A	2008 A	2009 E	2010 F	2011 F	2012 F	2013 F
Raw materials (polypropylene)	85,435	98,803	103,675	71,629	75,849	82,081	89,429	99,025
% of total Cost	49%	49%	49%	48%	48%	48%	48%	48%
% change		15.6%	4.9%	-28.7%	5.9%	8.2%	9.0%	10.7%
Other Raw materials	23,386	27,166	28,500	18,520	20,896	22,431	24,441	27,066
% of total Cost	13%	13%	13%	12%	13%	13%	13%	13%
% change		16.2%	4.9%	-24.8%	12.8%	7.3%	9.0%	10.7%
Energy	8,393	9,679	10,156	6,646	6,950	7,613	8,295	9,176
% of total Cost	5%	5%	5%	4%	4%	4%	4%	4%
% change		15.3%	4.9%	-34.6%	4.6%	9.5%	9.0%	10.6%
Labour cost	40,040	46,175	48,452	41,054	41,188	44,577	48,592	53,882
% of total Cost	23%	23%	23%	27%	26%	26%	26%	26%
% change		15.3%	4.9%	-29.0%	0.3%	8.2%	9.0%	10.9%
Other costs	7,825	8,826	9,268	6,212	6,410	6,757	7,363	8,148
% of total Cost	4%	4%	4%	4%	4%	4%	4%	4%
% change		12.8%	5.0%	-33.0%	3.2%	5.4%	9.0%	10.7%
Depreciation	9,769	10,989	11,531	7,436	7,518	8,404	9,157	10,156
% of total Cost	6%	5%	5%	5%	5%	5%	5%	5%
% change		12.5%	4.9%	-35.5%	1.1%	11.8%	9.0%	10.9%
Total	174,848	201,639	211,581	149,977	158,811	171,864	187,277	207,453
% change		15.3%	4.9%	-29.1%	5.9%	8.2%	9.0%	10.8%

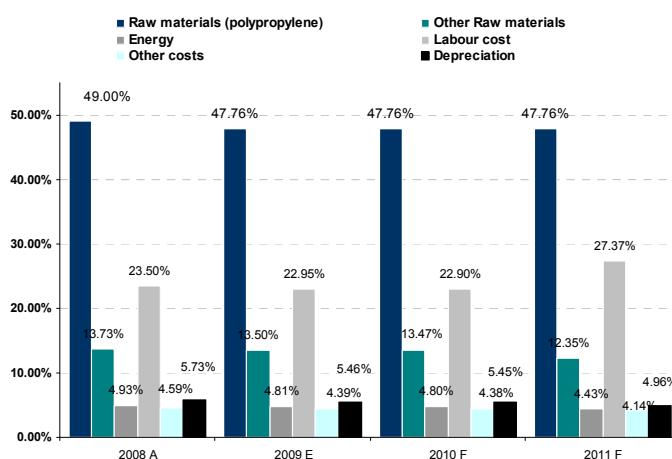
Source: The Company, Kyrou Sec. R&A Dpt.

Cost of sales by segment (€ths)

In € ths	2004 A	2005 A	2006 A	2007 A	2008 A	2009 E	2010 F	2011 F	2012 F	2013 F
Technical Fabrics	103,782	107,977	100,659	114,048	125,337	78,962	83,700	90,396	98,532	110,356
% Change		4.0%	-6.8%	13.3%	9.9%	-37.0%	6.0%	8.0%	9.0%	12.0%
Consumer Packaging	14,841	19,904	31,461	39,438	42,213	37,992	40,271	43,493	46,972	50,730
% Change		34.1%	58.1%	25.4%	7.0%	-10.0%	6.0%	8.0%	8.0%	8.0%
Industrial Packaging	33,372	35,366	42,728	48,153	44,031	33,023	34,840	37,975	41,773	46,368
% Change		6.0%	20.8%	12.7%	-8.6%	-25.0%	5.5%	9.0%	10.0%	11.0%
Total	151,995	163,247	174,848	201,639	211,581	149,977	158,811	171,864	187,277	207,453
% Change		7.4%	7.1%	15.3%	4.9%	-29.1%	5.9%	8.2%	9.0%	10.8%

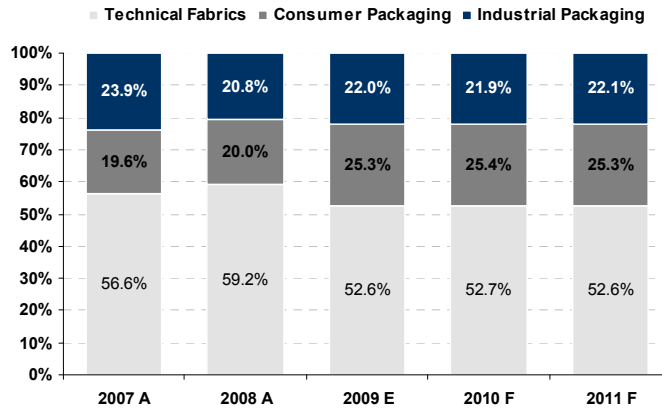
Source: The Company, Kyrou Sec. R&A Dpt.

Total Cost breakdown 08-11(%)



Source: The Company, Kyrou Sec. R&A Dpt.

Cost analysis by segment (%of total cost) 07-11

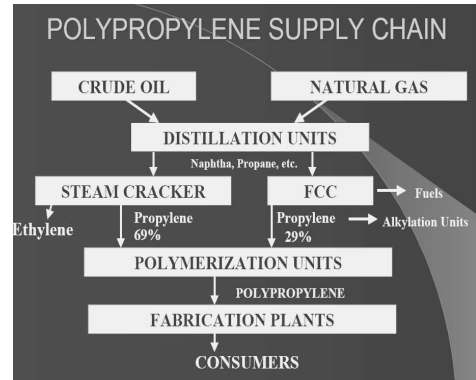


Source: The Company, Kyrou Sec. R&A Dpt.

Polypropylene (PP) Analysis

Definition

Polypropylene or polypropylene (PP) is a thermoplastics polymer, made by the chemical industry and used in a wide variety of applications, including packaging, textiles (e.g. ropes, Under Armour, thermal underwear and carpets), stationery, Plastics parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes. An addition polymer made from the monomer propylene, it is rugged and unusually resistant to many chemical solvents, bases and acids.



Source: www.americanchemistry.com

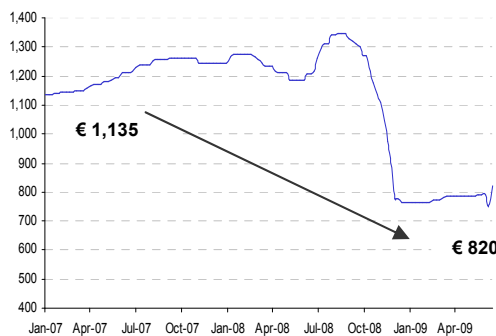
Market Analysis

Total polypropylene (PP) sales and consumption—as measured on a full NAFTA basis (i.e., United States, Canada and Mexico)—totalled 17.2 bn GBP in 2008, down 11.0 % from 2007. Sales and consumption for 2008 was at a five-year low, totalling 15.8 bn GBP, 14% less than 2007 sales. Sales volumes in 2008 were led by shipments to injection moulding applications totalling 5.5 bn GBP (down 9.6% from 2007), fiber and filaments at 3.2 bn GBP (down 10.2%), and film at 1.5 bn GBP (down 2.2%) . Of the 15.8 bn GBP of sales within the NAFTA region, 13.3 bn GBP were consumed in the United States (84% stake), 1.6 bn GBP in Mexico and 848 million GBP in Canada. Production of PP in the NAFTA region fell to 16.8 bn GBP in 2008, down 13.8% as compared to 2007 levels. Market capacity utilization averaged 79% during 2008 and inventory levels averaged 37 days of sales overall for the year. A struggling polystyrene (PS) industry recorded the fourth consecutive year of declining sales volumes. PS demand fell by 10.5% in 2008. Crystal PS sales dropped 8.7% and High Impact PS sales were down 12.2%. Total sales of expandable polystyrene (EPS) slumped 11.7% in 2008 after a strong 2007.

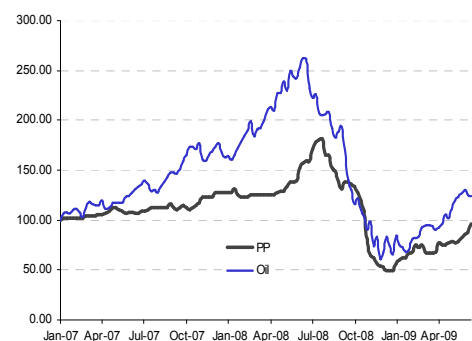
The global market for polypropylene had a volume of 45.1mn tons which led to a turnover of about Usd65bn (€47.4bn) in 2008.

During 2008 polypropylene turnover reached €47.4 bn...

Polypropylene ICIS Prices (€ per tone) 07-09



PP prices Vs. Oil (Base: 100) (weekly basis)



Source: The Company, Kyrou Sec. R&A Dpt.



The polypropylene is used in a number of different fabric styles. These non-woven fabrics can be used to produce non-woven bags. Shirts are also manufactured using the non-woven material, such as Under Armor. The polypropylene properties keep sweat off of the body. It can also be used in ropes and other packaging materials. Most importantly, the non-woven fabric can be recycled, which is great for the environment. PP currently trading at the London Metal Exchange but seems on shallow volume.

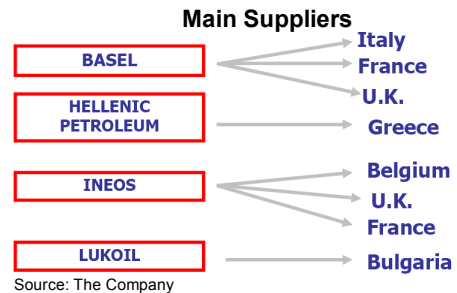
PP as oil by product is correlated with oil prices. PP represented the 49.10% of total company's cost of sales in 2008.

Oil vs. PP prices Relation

According to Oil price forecasts by International Organizations, oil is expected to follow a moderate upward movement within 2009, as economic crisis still hurt US growth. Under the assumption that during 2010 Global Economy is expected to recover, Oil price will be move higher from current levels.

In case PP prices move in parallel with Oil Prices, the Company must control its raw materials cost.

The company is supplied polypropylene by the local suppliers, annihilating thus the transportations costs. The average annual company needs for polypropylene amounts to 90.000 tones. Main supplier in the Greek market is Hellenic Petroleum.



Source: The Company

Don & Low Ltd

Employment Benefit Obligation

The pension plan of the subsidiary DON & LOW LTD is a defined benefit plan that operates as an independent legal entity having the form of a trust. This means that its assets are independent to those of the company DON & LOW LTD. D&Ls Fund is invested: 40% in U.K. equities, 40% in international equities, and 20% in bonds. **We have to note that Pension Fund is closed for new entry employees.** The number of employees that participate in the fund is c400 persons. The last formal funding assessment was carried out as at December 31st 2007. The next valuation is not due until December 31st 2010. This timing can be accelerated, however, if it is appropriate to do so.

Main Highlights of the scheme include:

The fund is valued with two valuation methods:

- a) On an Accounting Basis (under FRS 17 or IAS 19): annually used for disclosure in the annual reports and accounts
- b) On a Funding Basis: every three years (triennial actuarial valuation):

The main factors that affect the deficit:

- The **Bond Rates** (the impact of a 0.25% increase in the bond rate will reduce the value of the projected obligations of the fund by indicatively 5%)
- The effect of the **stock market** on the Asset values

Don & Low Ltd Pension Plan

€m	Asset Value	Fund Liab.	Deficit
31.12.2004	70.4	97.0	-26.6
31.12.2005	92.5	119.2	-26.7
31.12.2006	100.9	126.4	-25.5
31.12.2007	101.9	106.7	-4.8
31.12.2008	62	70.7	-8.7
31.03.2009	58.2	69.7	-11.5

Source: The Company

Synthetic Holding Ltd

Three subsidiaries of the associated company **SYNTHETIC HOLDINGS LTD**, have established defined benefit pension plans as described below.

The pension plan of the subsidiary **SYNTHETIC PACKAGING LTD** is a defined benefit plan that operates as an independent legal entity having the form of a trust. This means that its assets are independent to those of the company.

The company **SYNTHETIC POLYBULK A.S.** has a defined benefit pension plan that is covered by the life insurance company "Storebrand".

The company **SYNTHETIC POLYBULK A.B.** offers pensions to its employees through the mandatory national pension plan which is a defined contributions one. The company has an additional defined benefit plan in which four people participate is deemed as a multiply worker plan under the IFRS 19. The fund is audited by actuarial officers and as a result we do not have a reported data.

The total liability of the aforementioned plans, as it appears in the consolidated Balance Sheet of the parent SYNTHETIC (HOLDINGS) LTD is at €357 ths (31.12.2008).

Accounting Treatment the Employment Benefit Obligations

Employment Benefit Obligation, under (IFRS 17 / IAS 19) was recorded directly under the book value account, for all Companies with their fiscal year ending Dec. 2008. Following the IASB September 6th 07 decision, the Board of International Accountant Standards (IASB) published a revised international accountant model for presentation of economic figures. The main changes are summarized as following:

- a) *Comprehensive income* is introduced, defined as net income minus all recognized changes in equity during a period, such as losses/gains on foreign currency translation, actuarial obligations, unrealized gains/losses on available-for-sale marketable securities, changes in the market value of certain future contracts qualifying as hedges. Adaptation into Greek legislation is in effect as of the first quarter of 2009.

Estimates Overview

According to our projection, we expect, for the current fiscal year, an overall decrease in group turnover by 26.1% yoy at €185.6m. More specific we estimate Technical fabrics product to decline by 27.1% yoy. Industrial Packaging product is expected to decrease by 36.3% yoy. Consumer Packaging segment is expected to decrease by 13% as of less of demand in 2009. Note that in our projections we assume that Oil prices will marginally increase influencing also PP prices. We expect EATam margin, for 2012 to reach 2.23% from 1.30% in 2008. For the following years we expect an average EBIT margin of 5.4%. Net debt is expected to reach at €92.7m in 2009 vs. €85.8m a year before. Net debt to sales ratio is seen at 0.50.

€ ths	2006A	2007 A	2008 A	2009 E	2010 F	2011 F	2012 F	2013 F
Turnover	208,164	238,812	251,180	185,575	196,449	212,540	232,169	261,219
(-) Cost of Sales	170,367	201,212	211,581	149,977	158,811	171,864	187,277	207,453
Gross Profit	37,797	37,600	39,599	35,598	37,638	40,676	44,892	53,765
Total Expenses	31,556	31,278	34,328	33,775	34,771	37,301	40,746	48,325
EBITDA	24,845	26,640	24,507	21,538	22,768	24,325	26,937	30,633
Depreciation	11,575	11,699	12,210	12,619	12,769	13,390	14,627	16,457
EBIT	13,270	14,941	12,297	8,919	9,998	10,935	12,311	14,176
EBT	11,677	11,267	5,002	4,188	4,821	5,523	6,690	8,114
Tax income	3,130	3,072	1,687	1,466	1,446	1,270	1,472	1,704
EAT am	8,649	8,028	3,274	2,681	3,333	4,212	5,177	6,369
Growth (yoy%)								
Turnover		14.7%	5.2%	-26.1%	5.9%	8.2%	9.2%	12.5%
(-) Cost of Sales		18.1%	5.2%	-29.1%	5.9%	8.2%	9.0%	10.8%
Gross Profit		-0.5%	5.3%	-10.1%	5.7%	8.1%	10.4%	19.8%
Total Expenses		-0.9%	9.8%	-1.6%	3.0%	7.3%	9.2%	18.6%
EBIT		7.2%	-8.0%	-12.1%	5.7%	6.8%	10.7%	13.7%
Depreciation		1.1%	4.4%	3.4%	1.2%	4.9%	9.2%	12.5%
EBITDA		12.6%	-17.7%	-27.5%	12.1%	9.4%	12.6%	15.1%
EBT		-3.5%	-55.6%	-16.3%	15.1%	14.6%	21.1%	21.3%
EAT am		-7.2%	-59.2%	-18.1%	24.3%	26.4%	22.9%	23.0%

Source: The Company, Kyprou Sec. R&A Dpt.

Valuation

Discounted Cash Flow (DCF)

Based on DCF model, we discount the consolidated free cash flow to the firm for an explicit 5 year period (2009-2013), using a WACC of 6.26% for the residual value. In our base scenario we adopt an average cost of debt 4.50% (including Don & Low pension fund obligations) with a cost of equity at 9.50%. Risk free rate is set at 4.00% and a market risk premium at 5.50%. Beta value is set at 1.00. Evaluating our projections on the DCF valuation method we end up on a fair value of **€1.38** per share expressing a 79% upside from current levels.

Discounted Cash flow Model

(€m)	2009e	2010f	2011f	2012f	2013f	Terminal Year
Revenues	185.6	196.4	212.5	232.2	261.2	261.2
EBIT	8.9	10.0	10.9	12.3	14.2	13.0
Depreciation	12.6	12.8	13.4	14.6	16.5	8.6
CapEx	2.1	2.2	2.4	4.3	3.9	3.9
Change in NCWC	15.9	11.0	12.0	12.0	15.5	5.7
Operating Cashflow	7.5	8.6	9.7	10.8	12.5	20.1
Tax	1.47	1.45	1.27	1.47	1.70	1.5
Cash Flow to the Firm (FCFF)	2.1	8.1	8.6	9.2	9.4	10.4
Discounted FCFF	2.0	7.0	7.0	7.0	6.8	
Cash Flow to the Firm (FCFF)	29.8					
Terminal Value	166.5					
PV (Terminal Value)	119.5					
Enterprise Value	149.3					
Net Debt 08'	85.8					
Investments						
Equity Value	63.5					
No. of Shares #	45.9					
Intrinsic Value per share (€)	1.38					
Current price (€)	0.78					
Upside/Downside	+77.12%					
Dividend Yield 09e	2.2%					
Total Upside/Downside	+79.36%					

Source: Kyrou Sec. R&A Dpt

Peer Group Comparison

Peer Group Comparison

For a peer comparison for Plastics Thrace we used, a number of similar European and Greek companies. We have to note that the companies that we used in our Peer valuation are not totally comparable to Thrace Plastics. Each company operates in a part of Thrace Plastics operations. For example, Low & Bonar operate in woven segment, Dupont in a non-woven segment. Finally Rpc Group is a peer with Thrace Plastics in packaging segment. As of we believe that DCF is the most appropriate method to value the company.

Company	Country	Local Currency	Price (€)	Mcap (€m)	Y-t-d (%)	P/E 08 (a)	P/E 09 (e)	P/BV 08 (a)	P/BV 09 (e)	Div. Yield (%) 08 (a)	Div. Yield (%) 09 (f)	EV/EBITDA 08 (a)	EV/EBITDA 09 (e)	EV/Sales 08 (a)	EV/Sales 09 (e)
Thrace Plastics Co.S.A	GR	EUR	0.78	35.8	34.4%	10.95	13.37	0.36	0.35	0.0%	2.2%	9.9	14.4	0.48	0.69
Creta Plastic	GR	EUR	3.59	98	22.5%	11.91	15.04	0.80	1.01	0.00	0.00	6.51	7.55	0.72	0.84
Low & Bonar	UK	GBP	33.72	83.4	-4.1%	6.73	3.00	0.39	0.54	0.05	0.06	6.40	18.80	0.51	0.72
Rpc Group	UK	GBP	2.3	115.2	17.2%	8.30	8.39	0.67	1.15	0.07	0.07	3.38	4.49	0.30	0.41
TenCate	NL	EUR	14.505	363.6	-6.9%	7.68	7.37	1.05	0.84	0.05	0.06	5.67	5.51	0.69	0.68
Dupont	US	USD	19.13	12	-7.8%	13.49	15.88	1.70	1.69	0.07	0.07	-	6.43	0.90	0.96
Weighted Average (All)						9.8	10.5	0.8	0.9	0.0	0.0	6.4	9.5	0.6	0.7
Weighted Average (GR)						11.4	14.2	0.6	0.7	0.0	0.0	8.2	11.0	0.6	0.8
Premium/Discount (GR)						-4%	-6%	-37%	-48%	-	100%	21%	31%	-20%	-10%
Premium/Discount (All)						11%	27%	-56%	-62%	-100%	-53%	55%	51%	-19%	-3%

Source: Bloomberg; Consensus estimates were applicable, MCap weighted averages:GBP/Eur=0.86, Eur/USD=1.41

Sensitivity Analysis

Sensitivity Analysis

We performed a sensitivity analysis on the key drivers of our estimates and valuation for Plastics Thrace. These include: a) WACC and b) Terminal growth in perpetuity.

Terminal Growth	WACC				
	3.26%	4.76%	6.26%	7.76%	9.26%
-1.00%	2.58	1.58	0.99	0.60	0.32
-0.50%	3.12	1.87	1.17	0.72	0.41
0.00%	3.82	2.21	1.38	0.86	0.52
0.50%	4.78	2.64	1.62	1.02	0.63
1.00%	6.16	3.19	1.91	1.20	0.75

Source: The Company, Kyrou Sec. R&A Dpt.

Company Description

General

Thrace Plastics Co. S.A. is a Greek company engaged in the production and trade of Plastics products such as Technical Fabrics and packaging materials. The Company's range of products are divided into three categories: **Technical Fabrics & Fibers**, which includes such products as woven and non-woven geotextiles, ground covers, crop covers, nets, roofing membranes, staple fibers, concrete reinforcement fibers, and carpet and industrial yarns; **Consumer Packaging**, which offers Plastics containers and lids, cups, tubs, bottles, and other Plastics food & chemical packaging products, and **Industrial Packaging**, which includes ropes and twines, bags, films, woven polypropylene bags, pallet covers, and stretch hoods. The Company operates with either, production or trade facilities in Greece, Scotland, Bulgaria, Romania, Turkey, Ireland, Northern Ireland, Serbia, Sweden, Norway and the United States. Thrace Plastics was established in 1978 by S. Halioris. As of today president & CEO is Mr. C. Halioris. The Group has assumed its current form via various mergers and acquisitions throughout the last 29 years, currently operating in the segments of production and distribution of polypropylene products. The Group has clearly taken advantage of the "Development Law", aimed to motivate company expansion. Under the aforementioned law, Thrace Plastics receives government subsidies for establishing and operating its production facilities in the region of Thrace and Ioannina, Northern Greece. **Specifically, the Group receives c40-45% subsidy with respect to its capital expenditure plans and c. 12% subsidy on employment costs for its employees working in the Thrace region (they account for c. 43% of total group workforce), thus achieving a significant cost advantage.** Thrace Plastics was eventually listed on the Athens Stock Exchange in June 26, 1995. In 1999, the Group proceeded with the acquisition of the Scottish company **Don & Low**, which is one of the oldest and largest producers of technical woven and non woven polypropylene textiles, introducing a new area of interest for the Thrace Plastics Group.

Product Overview

The activity of the Group is divided into the following three segments: president

a) Technical Fabrics 1

Non-woven fabrics are broadly defined as sheet or web structures bonded together by entangling fiber or filaments (and by perforating films) mechanically, thermally or chemically. They are flat, porous sheets that are made directly from separate fibers or from molten Plastics or Plastics film. They are not made by weaving or knitting and do not require converting the fibers to yarn. No woven fabrics are engineered ones of limited life, single-use or a very durable one. They provide specific functions such as absorbency, liquid repellency, resilience, stretch, softness, strength, flame resistant, wash ability, cushioning, filtering, bacterial barrier and sterility. These properties are often combined to create fabrics suited for specific jobs, while achieving a good balance between product use-life and cost. They can simulate the appearance, texture and strength of a woven fabric and can be as bulky as the thickest padding. In combination with other materials they provide a spectrum of products with diverse properties, and are used alone or as components of apparel, home furnishings, health care, engineering, industrial and consumer goods.

Woven fabrics is an ancient textile art and craft that involves placing two threads or yarn made of fibre onto a warp and weft of a loom and turning them into cloth. There are many kinds of weaves, starting with a basic single layer plain weave and evolving into infinitely complex weave structures. Many traditional weave patterns are well known to weavers by their traditional names such as overshot and twill. In the past, simpler fabrics were woven on dobby looms and the Jacquard looms were reserved for more complex patterns but as computer controlled Jacquard looms have become more popular it is more economical for mills to weave all of their fabrics on Jacquard looms so that one setup may be used for all of their designs.

Company's presence in U.S characterized as among the top 10 biggest players in the geosynthetic market...

Technical Fabrics (No Woven)



Technical Fabrics (Woven)



Source: The Company

1 Source: Association of the Non woven Fabrics industry.

There are a variety of loom styles for hand weaving and tapestry. In tapestry, the image is created by only placing weft in certain areas, rather than in the weave structure itself. Fabric in which the warp and/or weft is tie-dyed before weaving is called ikat. Fabric decorated using a wax resist method is called batik. Total annual capacity for 2008 stood at 65,000 tons with a wide range of products. Total volume sold was set at €60,000 tones.

Technical Fabrics sales during 2008 reached €145,34m (+7.4% yoy), excluding intra-group sales. The production of technical fabrics is realized through the company's factory in (Greece, Scotland, and USA). **The Segment contributes c58% of total company sales.**

b) Consumer Packaging

Production Facilities in 4 countries...

The Consumer packaging division includes Plastics packaging products for the food industry and chemicals. The market size in the Balkans is estimated at €200m. Company's market share in Balkan market is estimated at 25%. Any increase in market size is expected to come from the South Eastern Europe countries. The Group operates production facilities in 4 countries, Greece, Bulgaria, Romania and Turkey. Total annual capacity for 2008 stands at 17,000 tons with a wide range of products. Total volume sold settled at €16,500 tones. Consumer Packaging sales during 2008 reached €47.39m (+17.7% yoy), excluding intra group sales. Thrace Plastics Group operates in the markets of Greece, Balkans and Turkey, where it constantly expands its distribution network. Based in our projections, consumer packaging sales are expected to reach €61.27m in 2013. This contributes the 18% of total annual revenues. EBIT margin in 2008 is set at 1.4% marginally higher from 1.3% in 2007. **The Segment contributes c22% of total company sales.**



Source: The Company

c) Industrial Packaging

The company realized sales of €30m in Scandinavian Market...

Industrial Packaging segment includes Plastics products for packaging of fertilizers, fish and animal feed, forages and inactivate materials as heavy-duty bags, 1 loop FIBC, etc. The main categories of the segment are a) PE Heavy Duty Bags and b) PP Bags and Big Bags. In the domestic market the company holds **dominant position in PE Group Heavy Duty Bags** while in in PP Bags and Big Bags the company characterized among the biggest players in market. **The company realized sales of €30m in the Scadinavian market** holding dominant position, in 2008. Group preence in this segment is through production facilities in Greece and Bulgaria. Total annual capacity for 2008 stood at 16,000 tons. Total volume sold reached €15,000 tones. Industrial Packaging sales during 2008 reached €53.66m (-4.5% yoy), excluding intra group sales. Based on our projections we expect revenues of € 41.32m in 2013. EBIT margin stood at 1.7% in 2008 marginally higher from 1.5% in 2007. **The Segment contributes c20% of total company sales.**

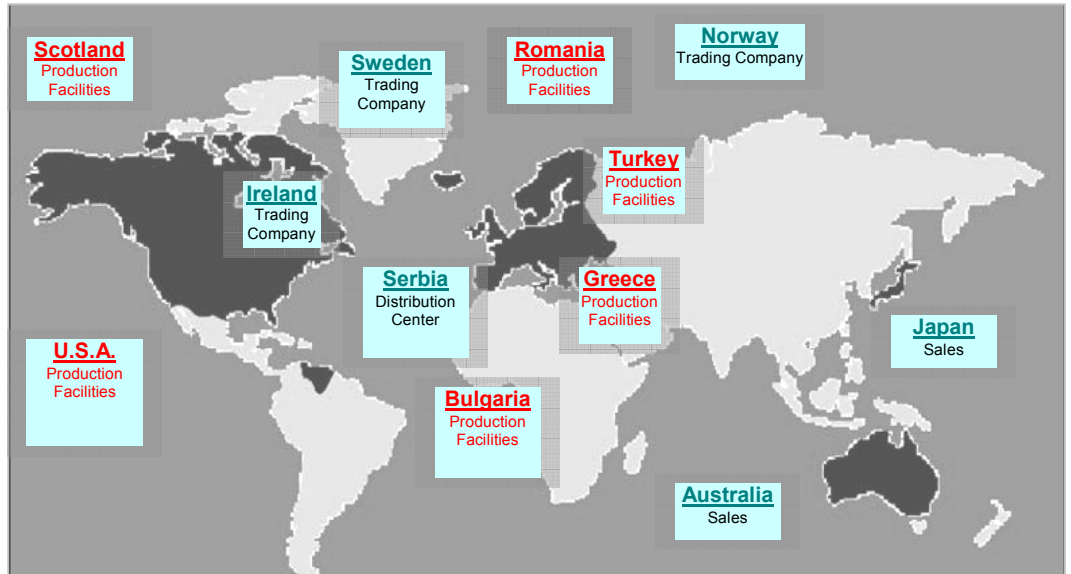


Source: The Company.



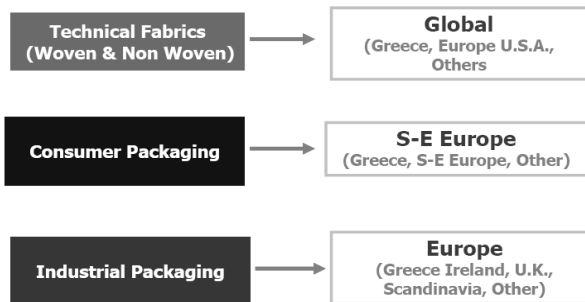
Geographical Expansion

The company operates production facilities in 6 countries (Greece, USA, Scotland, Bulgaria, Romania and Turkey), with trading subsidiaries in 4 more countries. Sales are channeled into more than 50 countries (in Europe, North America, Japan and Australia). **Annual production capacity exceeds 100,000 tons.**



Source: The Company

Orientation by Business Unit



Source: The Company

Production Facilities



Xanthi

Ioannina



Scotland

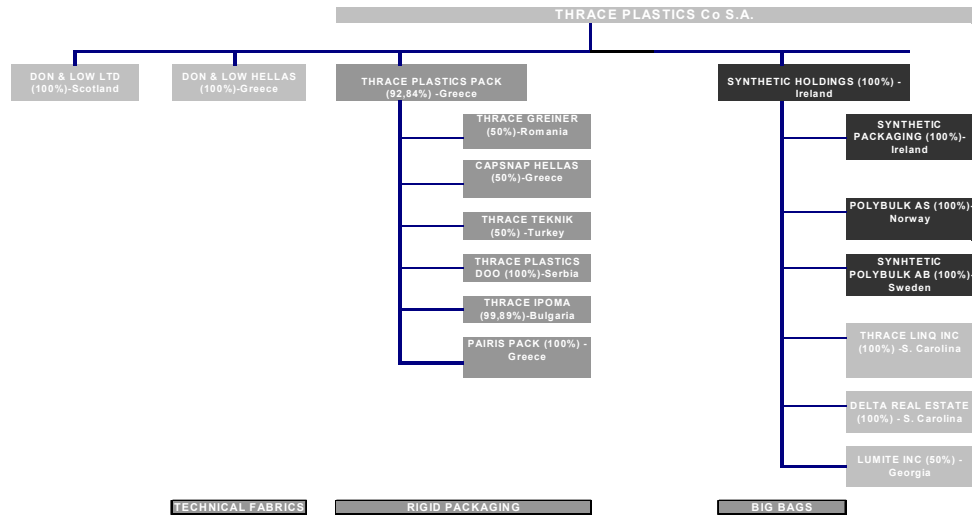
Georgia

Charleston



Group Subsidiaries

The Group is selling its products in more than 50 countries, with c 85% of revenues generated abroad. The Thrace Plastics Group operates subsidiaries in 10 countries the main activity of which is the production and trade of PP & PE products.

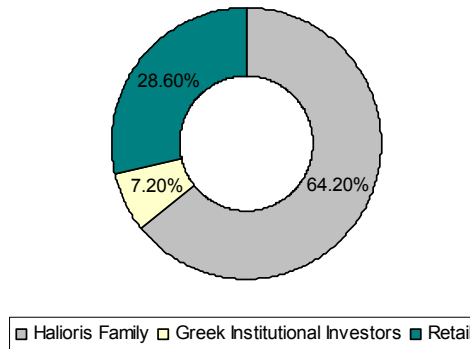


Source: The Company

Shareholder Structure

Company's shareholder structure, according to latest available data is as follows: Halioris family holds 64.2%, Greek institutional investors own totally 7.2% and retail investors own 28.6%. Following the shareholder s G.M (11.03.08) decision, running a share buy back program in a range of price €0.50-€5 till 4.59m shares (10% share capital) and in 2 years period (from 4th November 2008). Till 30th of June 2009 the company had already bought a 571.26 ths shares (1.2% of share capital) in an average price per share €0.66.

Shareholder Structure



Source: The Company, Kyprou Sec. R&A Dpt.

Global Packaging Market ²

The global packaging market is estimated at \$564 bn in 2009

The global packaging market is estimated at \$564 bn in 2009. The compound annual growth rate is 4.2 % from 2004 year's levels. (2004 year's levels were in turn 23% ahead of 1999 levels). North American markets, including the US, Canada and Mexico, accounted for the largest share of global packaging at \$135 bn (c29% market share), ahead of Western Europe (c27%) and Asia (c27%) in 2008. **By 2009, these numbers are projected to change and Asia will have the largest share with \$166 bn (29%) before North America (26%) and Western Europe (25 %).**

The largest single national packaging market during 2008 was the US market (c\$115 bn in sales). Japan was second (\$55 bn), followed by China (\$35 bn), Germany (\$23), and France (\$21 bn). The four largest European packaging markets are Germany, France, Italy and the UK. These countries and their relative order are projected to prevail in 2009.

The world's projected top 10 packaging markets (2009) from largest to smallest; USA, Japan, China, Germany, France, UK, Italy, Russia, Canada, and Spain. Fastest growing national packaging markets between 2004 and 2009 are Turkey, India, Poland, Brazil, Philippines, Indonesia, Taiwan, China and Lithuania. Industrial & Bulk Packaging global market for packaging is valued at c\$424 bn. Asia has the largest market share (29%) in 2008. During 2009, the global market for Industrial & Bulk is forecasted to just under \$115 bn with Asia still as the biggest market increasing its share to 33%. **In Western Europe, the country with the largest packaging consumption per capita is Switzerland.**

In Eastern Europe, the region's largest single market is Russia, where the value of packaging consumption amounted to about \$11.4 bn, growing by an annual average of 34% (2004-2008). According to analysts this **growth is predicted to slow down during 2009 to an Eastern Europe average of 6.9 %**. That gives a total value of the packaging consumption of about \$18.5 bn in 2009.

The North American market for packaging products was valued at c\$131.9 bn. This number is expected to rise to 148.7 bn, during 2009. The country with the largest packaging consumption per capita is Canada.

Paper and board will remain the largest element of the packaging market into 2009, driven on the one hand by rising demand in fast-growing national markets as well as steady growth in secondary/bulk packaging across the globe.

According to the raw materials used in packaging industry throughout the globe, paper holds the largest stake of, 36%, metal 17%, Plastics 34%, glass 10% and other materials the remaining 3%.

■ Key Drivers and Trends

The progression of packaging demand is influenced by a wide range of factors. The economy plays a central role in influencing the size and growth of the market. Other factors can have at a direct or indirect influence on packaging demand or the nature of this demand. These factors are:

- The ageing of the world population
- The trend towards smaller households
- The increasing requirement for convenience among consumers
- Rising hygiene awareness among consumers
- The trend towards diverse lifestyles among consumers
- Growing requirements for brand enhancement/ differentiation in an increasingly competitive environment
- New packaging material development
- Increasing awareness of environmental issues, and the adoption of new regulatory requirements on packaging recycling
- Climate change combat and carbon footprint
- Consolidation and globalisation of retailers

■ U.S. Packaging Market ³

Packaging is the largest market for Plastics resins and historically, packaging resin use was correlated with 'real' retail sales. According to data from the Bureau of the Census and Bureau of Labor Statistics (US), retail sales reversed from a 1.0% gain in 2007 to a 4.3%, in 2008. This marked deceleration was the result of higher unemployment, the decline in home values, and eroding consumer confidence. The Canadian retail sector decelerated from a strong 5.8 % pace during 2007 to 3.1% in 2008. As a result, output of the North American retail sector experienced a sharp fall-off in 2008. Packaging industry output for the region slipped 1.5% in 2008. Increased US import of Plastics products and other finished goods incorporating Plastics resins continued to present a challenge. Plastics in consumer and institutional end-uses reflected these dynamics as well although imports of finished goods often play a larger role. The increasing popularity of convenience and prepared foods will play a large part in the growth for converted flexible food packing, according to a new report. **The packaging market, according to analysts, is expected to expand by 4.5% to \$11.6bn in 2011.** Total demand for flexible packaging (food and non-food sectors combined) will grow 4.2% to \$16.5bn in 2011.

According to the findings of the 2008 PMMI Purchasing Plans Study, U.S. packagers will spend approximately \$6.304 billion for packaging machinery in 2008, just +0.6 % more than in 2007. The increase, however, is largely a product of the projected moderate spending growth by the food segment – which is responsible for over 40 % of U.S. annual packaging machinery expenditures. Of the remaining seven broad market segments defined in the study, personal care products is the only other one projected to spend more in 2008.

On the other hand, none of the other individual market segments is expected to veer too far from the zero-% growth range.

² Source: www.worldpackaging.org

³ Source: www.americanchemistry.com

Domestic Packaging Market

■ General Overview

In the last five years the Greek packaging industry had an average growth of 4%

Packaging sector in Greece is a constantly evolving industry yet is not classified as a separate business sector as it falls in other business fields such as paper products, publishing (printing and graphic arts), elastic products, wood (cork and relevant products), metal products and construction and non-metallic mineral products. Industries in specified fields such as food and beverage products, agricultural products but also pharmaceutical products (cosmetics, detergents) and tobacco industries, are involved in packaging materials production.

In the last five years the Greek packaging industry had an annual average growth of 4%, much above the European Union average. Food and beverage is the major customer sector covering more than 55% of packaging consumption. The expected growth figure for 2009 is estimated at 1%-1.5%.

The Greek packaging manufacturers are being affected by competition from (often subsidised) packaging producers in low-cost manufacturing locations. The growing trend of multinational consumer goods producers to import from central manufacturing facilities outside of the country also enhances competition. In addition, multinational producers are also said to be exerting significant downward pressure on packaging prices. The trend towards e-auctions has been noted in the country, with packaging companies forced to participate if they wish to remain on suppliers approved lists.

On the other hand, Greek packaging raw materials are exported to the Balkan countries, the Middle East and North Africa. Moreover, several Greek companies have established manufacturing facilities in the Balkans which is a fast expanding market area.

Greek packaging industry has realized that innovation and good manufacturing practices are the strong weapons to overcome the competition from the low cost labour manufacturing countries. For that purpose, the Association of the Greek Manufacturers of Packaging and Materials (AGMPM) is strongly promoting activities related to innovation.



Risks Involved

Exposure in Oil Prices Fluctuations: PP is an oil by-product and as such, its price is correlated to oil price fluctuations. The company's profitability is dependent upon its pricing power. Current international broker estimates suggest that oil prices should de-escalate in the area of c. USD60/bbl, thus a potential positive effect should most likely be expected in the price of polypropylene and thus the company's raw materials costs. Note that PP represents a significant part of the total cost structure (c50% of total).

Raw Materials Volatility: Due to different kind of raw materials, prices affects gross profit margins.

Inventories Revaluation: Raw material cost volatility could affect inventories value. The company does not hedge on PP prices.

FX Fluctuations: The Group is exposed to foreign exchange risk that arises from existing or expected cash flows in foreign currency and from investments realized in foreign countries.

Don & Low pension Deficit: Regarding the Scottish subsidiary Don & Low LTD, Thrace Plastics undertook a pension fund program which in 2008 had a liability of €8.71m, affecting balance sheet figures.

Geopolitical risk: Macroeconomic and socio-political risks could still lie ahead in the Balkan region.

Credit & Interest Risk: The Group is exposed to Receivables Credit and Interest risk.

Market Conditions: Company's sales depend on consumer behavior characteristics. Furthermore cyclicity of demand might affect negatively company's earnings.

Limited Transactions Volume: Limited transactions volume consist a drawback for institutional investors to build up a meaningful position.

Summary Financial Statements (consolidated data)

Thrace Plastics Co. S.A.

Profit & Loss (€m)	2008a	2009e	2010f	2011f	2012f
Revenues	251.2	185.6	196.4	212.5	232.2
CoGS	211.6	150.0	158.8	171.9	187.3
Gross Profit	39.6	35.6	37.6	40.7	44.9
Other income	7.0	7.1	7.1	7.6	8.2
Total Operating Expenses	34.3	33.8	34.8	37.3	40.7
Administrative Exp.	10.0	7.8	9.2	9.7	10.6
Transportation Exp.	19.4	20.4	20.6	22.3	24.4
R&D Exp.	0.0	0.0	0.0	0.0	0.0
Other operating Exp.	4.88	5.57	4.91	5.31	5.80
EBITDA	24.5	21.5	22.8	24.3	26.9
Depreciation	12.2	12.6	12.8	13.4	14.6
EBIT	12.3	8.9	10.0	10.9	12.3
Financial income	1.9	1.1	0.7	0.6	0.5
Financial expense	9.2	5.8	5.9	6.0	6.2
EBT	5.0	4.2	4.8	5.5	6.7
Tax	1.7	1.5	1.4	1.3	1.5
EAT	3.3	2.7	3.3	4.2	5.2
Minorities	0.04	0.04	0.04	0.04	0.04
EATAM	3.2	2.6	3.3	4.2	5.1

Growth (yoy)

Revenues	-	-26.1%	5.9%	8.2%	9.2%
Gross Profit	-	-29.1%	5.9%	8.2%	9.0%
Total Operating Expenses	-	-1.6%	3.0%	7.3%	9.2%
EBITDA	-	-12.1%	5.7%	6.8%	10.7%
EBIT	-	-27.5%	12.1%	9.4%	12.6%
EBT	-	-16.3%	15.1%	14.6%	21.1%
EAT	-	-18.1%	24.3%	26.4%	22.9%

Margins (%)

Gross Profit	15.8%	19.2%	19.2%	19.1%	19.3%
Total Operating Expenses	13.7%	18.2%	17.7%	17.6%	17.6%
EBITDA	9.8%	11.6%	11.6%	11.4%	11.6%
EBIT	4.9%	4.8%	5.1%	5.1%	5.3%
EBT	2.0%	2.3%	2.5%	2.6%	2.9%
EAT	1.3%	1.4%	1.7%	2.0%	2.2%
EATAM	1.3%	1.4%	1.7%	2.0%	2.2%

Per Share Data (€)

EPS	0.07	0.06	0.07	0.09	0.11
DPS	0.00	0.02	0.02	0.03	0.03
BVPS	2.14	2.22	2.27	2.32	2.39

Valuation Multiples

P/E (x)	10.95	13.37	10.75	8.51	6.92
P/BV (x)	0.36	0.35	0.34	0.34	0.33
Div. yield (%)	0.00	0.02	0.03	0.04	0.04
EV/Sales	0.48	0.69	0.68	0.67	0.65
EV/EBITDA	9.89	14.41	13.41	12.96	12.28

General Information

Market Cap (€m)	35.8	35.8	35.8	35.8	35.8
E.V. (€m)	121.7	128.6	134.1	141.7	151.2
Price (€)	0.78	0.78	0.78	0.78	0.78
Target Price	1.38	1.38	1.38	1.38	1.38
No of shares (year-end)	45.9	45.9	45.9	45.9	45.9
No of shares (adjusted)	-	-	-	-	-

Balance Sheet (€m)	2008a	2009e	2010f	2011f	2012f
Fixed Assets (net)	101.1	97.4	93.5	89.6	87.4
Goodwill	11.0	11.1	11.1	11.2	11.3
Non current Assets	13.2	13.3	13.4	13.4	13.5
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Total non-current Assets	114.3	110.7	106.9	103.1	101.0
Inventories	52.1	46.5	40.5	44.2	48.1
Debtors	45.6	42.9	48.6	50.3	51.4
Available for sale investments	0.0	0.0	0.0	0.0	0.0
Cash & Equivalents	13.7	14.6	15.6	16.5	17.5
Total current Assets	138.5	146.9	167.5	185.4	206.1
Total Assets	252.7	257.5	274.3	288.5	307.1

Short-term Bank Debt	69.9	71.3	73.4	77.1	81.7
Suppliers	26.2	16.6	22.6	24.5	26.8
Tax liabilities (current)	0.98	1.47	1.45	1.27	1.47
Other current liabilities	9.0	9.5	10.0	10.5	11.0
Total current Liabilities	110.9	103.4	113.0	118.9	127.6

Long-term Bank Debt	29.7	36.1	40.4	45.2	51.1
Employee benefit plan	9.9	11.9	12.5	13.1	13.8
Provisions	0.0	0.0	0.0	0.0	0.0
Subsides	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	3.2	3.4	3.5	3.7	3.9
Other non-current liabilities	0.7	0.7	0.7	0.7	0.7
Total long-term Liabilities	43.5	52.0	57.1	62.8	69.5

Total Liabilities	154.4	155.4	170.1	181.7	197.1
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Share Capital, premium	74.6	78.3	80.4	83.0	86.2
Own shares-Minorities	1.8	1.8	1.8	1.8	1.8
Reserves & Retained Earnings	22.0	22.0	22.0	22.0	22.0
Total Equity	98.4	102.1	104.2	106.8	110.0

Ratios

Debtors (days)	69.8	87.0	85.0	85.0	80.0
Inventory turnover (days)	93.4	120.0	100.0	90.0	90.0
Suppliers (days)	48.5	52.0	45.0	50.0	50.0
Operating cycle	114.7	155.0	140.0	125.0	120.0
Net Debt	85.8	92.7	98.2	105.8	115.4
Net Debt/EBITDA	3.5	4.3	4.3	4.4	4.3
Net Debt/Equity	0.87	0.91	0.94	0.99	1.05
Interest Coverage	4.27	3.71	3.89	4.07	4.38
Current ratio	1.2	1.4	1.5	1.6	1.6
Payout ratio (%)	0%	30%	30%	30%	30%
ROEavg (%)	3%	3%	3%	4%	5%
ROAavg (%)	5%	3%	4%	4%	4%

Cash Flow Statement (€m)

EAT	3.3	2.7	3.4	4.3	5.2
Depreciation	12.2	12.6	12.8	13.4	14.6
Cash Earnings	15.5	15.3	16.1	17.6	19.8
Working Capital (Δ)	(4.5)	15.9	11.0	12.0	12.0
Operating cash flow	15.5	15.4	20.8	11.3	16.3
Investment cash flow	4.1	(2.1)	(2.2)	(2.4)	(4.3)
Dividends paid	0.8	1.0	1.3	1.6	1.9
Long-term Debt (Δ)	7.6	8.5	5.1	5.6	6.7
Short-term Debt (Δ)	8.4	1.4	2.1	3.7	4.6

Source: Kyprou Sec. R&A Dpt.

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	8
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Outperform The share is expected to perform better than the ATHEX General Index by more than 10%

Market Perform The share is expected to perform in line with the ATHEX General Index (+/- 10%)

Underperform The share is expected to perform worse than the ATHEX General Index by more than 10%

(Under Review: We currently review the Company and possibly change our previous investment rating)

All of the above (Overweight, Equal Weight and Underweight) denote investment ratings (i.e. our view) – not recommendations – and refer to our overall view of the Company based in valuation but also market conditions and qualitative factors. The investment period for the investment ratings is defined as the next 12 months from the day of issue.

BoC Research Current Universe & Views

View	BoC Research Universe	Investment Banking Clients
Outperform	60%	13%
Market Perform	40%	0%
Underperform	0%	0%
Under Review	0%	0%
Restricted	0%	0%
	100%	0%

BoC Company View History

Date of Issue	BoC Research View	Reason for Research	Market Price	Kyprou Res. Target Price
29.07.2009	Outperform	Initiation of Coverage	€0.78	€1.38

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