SIGMA Securities
MEMBER OF PIRAEUS BANK GROUP

Petzetakis (PET.AT)

Outperform

Plastics and Rubber

ASE Index: 2,422.01
25/2/04

Reason for note: FY 03 preview

Valuation ratios	2001A	2002A	2003F
P/E (x)	-	-	19.27
P/BV (x)	1.41	1.26	0.98
EV/Sales	1.56	1.19	1.09
EV/EBITDA	20.56	17.17	10.25
Dividend Yield (%)	-	-	-

Fundamentals	2001A	2002A	2003F
Turnover (€ mn)	146.18	178.04	185.16
EBITDA (€ mn)	11.10	12.36	19.82
EBIT (€ mn)	1.75	1.26	10.62
Net profit (€ mn)	-8.21	-8.35	3.22
ROE	-	-	5.7%

Share price data	1m	3m	I year
Rel. perf. vs GI	-12.14%	-11.13%	64.19%
Abs. Perf.	-14.33%	0.08%	139%

Latest Share Capital Increase	15/11/1999
Free float (%)	50%
Average Daily Marketability (25/2/03 – 25/2/04)	0.68%

Company Profile

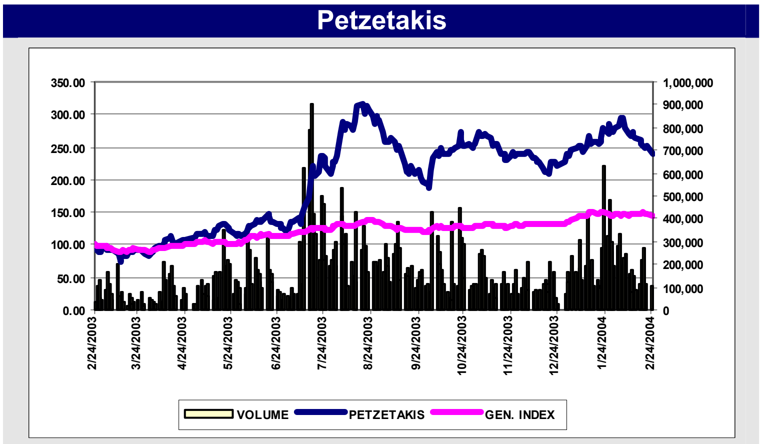
A.G. Petzetakis (AGP) established in 1960 and listed on the ATHEX in 1972 manufacturers plastic/rubber pipes and hoses, with presence in 70 countries (Greek sales represent a mere 27%) and 11 production units in Europe and Africa. AGP's know-how is thorough with many patented products, applicable in building, irrigation, telecoms and mining. Customers include: VW, Bosch, Siemens, BP, IVECO, De Beers and others.

Investment Case

Restructuring and cost cutting efforts are paying-off as AGP will turn profitable in FY03 following 2 loss-making years. Significant improvement in **EBITDA margins, estimated at 10.7% Vs 6.9% in FY02 and de-escalating liabilities by an estimated 10.6% y-o-y,** are expected to drive operating profits up by more than 700%. We see AGP as a potential turnaround story.

Latest News

-Mr. Pavlos Kanellopoulos appointed CFO in April 2003.
-Headcount down to 360 in Sep.03 from 422 at the beginning of year.
-AGP was awarded Eur 2.5mn contract by OTE to provide cable protection pipes in Sep.03.
-Merger of subsidiary Plastica Fila SA with Petzetakis Northern Greece announced 30/12/2003 increases net worth and improves BS structure.
-Financial close of Canadian Imperial Plastech in Jan.'04 – operations will be consolidated for fiscal '04.



Comparable Companies

There are no comparable companies in Greece. Petzetakis is among the 15 largest plastic hose producers internationally. Peer companies include:
Masterflex (Germany) market cap Eur 94.73mn, est. '04 P/E 20.7
Uponor (Finland) market cap Eur 998.7mn, est. '04 P/E 13.9

FY'03 RESULTS PREVIEW

- **We are expecting a good set of FY03 results with group revenue advancing 4% y-o-y driven mainly by S. African operations. We see Greek sales increasing marginally (+1.5% y-o-y), recovering from a poor performance earlier in the year. European operations are seen settling at lower than expected levels due to a difficult trading environment in Germany and Spain while S. African operations are expected to grow at a healthy double digit rate y-o-y.**

- **We forecast EBIDTA of Eur 19.82mn for the group in '03 increased by 60.4% y-o-y, which translates in a 10.7% EBITDA margin Vs 6.9% in'02, mainly attributable to cost savings. General and administrative expenses are estimated at 8.5% of revenue Vs 9.3% in '02 while selling/promotion expenses are seen at 13.5% of revenue Vs 14.9% in '02.**

- **We expect '03 group operating profit to soar at Eur 10.62mn (+745.1%) on the back of higher EBITDA and reduced depreciation expenses. Management's guidance indicates depreciation expenses in the region of Eur9.2mn, (-20% y-o-y) from Eur11.1mn in '02.**

- **We expect group PBT to reach Eur 3.2mn in '03 (from losses of Eur 8.35mn in the previous year). We have not incorporated any extraordinary items in our estimates. As AGP has carried forward losses totaling Eur 39.6mn, there will be no dividend in '03.**

- **We see Group's liabilities de-escalating in '03, a trend already visible in 9M03 results. For FY03 we expect total liabilities unchanged from 3Q at Eur 151.1mn reduced by 10.6% y-o-y. This is primarily due to bank debt reduction as AGP paid back Eur 7.5mn towards principal repayment of Alpha Bank led syndicated loan in Sep. 03. In addition, management is confident that current negations with banks will lead to a positive refinancing of Eur60mn debt.**

- **The group's net debt/equity ratio which stood at 3.05x in '02 is expected to improve significantly to 2.23x in '03 on the back of easing bank debt and increased net worth (expected at approx. Eur 63mn Vs Eur 49.2mn in '02) resulting from a merger between subsidiaries Plastica Fila SA and Petzetakis Northern Greece SA which creates capital gains for the parent company of (circa) Eur10mn due to a reevaluation of the merged entity's fixed assets at current prices.**

2004 OUTLOOK

- **2004 is expected to be a good year for AGP, with Greek sales picking up – a trend already visible in the healthy order book – supported by a planned revamp of the company's product line. In specific, group sales are expected in the region of Eur 220mn while EBITDA margins and results should continue to improve driven by restructuring and subdued finance costs, PBT is forecast to post three-digit growth.**

- **Net debt levels are also expected to improve in 2004. Provided restructuring efforts continue and bank debt refinancing negotiations have a positive outcome, the groups net debt could further ease to Eur 100mn.**

- **AGP ended its planned acquisition of Canadian-listed Imperial Plastech (TSE:IPG) by end-Jan. 04 and now owns 90% of the company. As Imperial Plastech will be fully consolidated in fiscal 2004, this will have an incremental benefit on sales (estimated IPG sales: CD$35mn in 2004) and a contribution in profitability. Imperial Plastech's current market cap is in the region of CD$25mn.**

- **AGP could further improve its BS structure at a small cost, by reevaluating its fixed assets at current market prices (now possible both under Greek GAAP and under IAS) and significantly improving its net debt/equity ratio.**

Income Statement

Year to Dec (EUR mn)	2001	2002	2003e
Revenue	**146.18**	**178.04**	**185.16**
% change	*n.a*	*21.8%*	*4.0%*
Cost of sales	104.58	123.55	124.60
As % of revenue	*71.5%*	*69.4%*	*67.3%*
Gross Profit	**41.60**	**54.49**	**60.56**
Gross profit margin (%)	*28.5%*	*30.6%*	*32.7%*
Gross profit margin incl depr (%)	*22.1%*	*24.4%*	*27.7%*
Other Income	1.45	0.96	0.00
As % of revenue	*1.0%*	*0.5%*	*0.8%*
General & administration expenses + R&D	11.72	16.59	15.74
As % of revenue	*8.0%*	*9.3%*	*8.5%*
Selling & Promotion expenses	20.24	26.50	25.00
As % of revenue	*13.8%*	*14.9%*	13.5%
Total expenses	**31.96**	**43.09**	**40.73**
As % of revenue	*21.9%*	*24.2%*	*22.0%*
EBITDA	**11.10**	**12.36**	**19.82**
% change	*n.a.*	*11.4%*	*60.4%*
EBITDA margin (%)	*7.6%*	*6.9%*	*10.7%*
Depreciation	9.35	11.10	9.2
As % of revenue	*6.4%*	*6.2%*	*5.0%*
Operating profit	**1.75**	**1.26**	**10.62**
% change	*n.a.*	*-28.0%*	*745.1%*
Operating margin (%)	*1.2%*	*0.7%*	*5.7%*
Interest Income	0.70	0.59	0.60
Interest expense	9.82	10.01	8.00
Extraordinary income (expense)	-0.84	-0.18	0.00
Pre-tax profit	**-8.21**	**-8.35**	**3.22**
% change	*n.a.*	*1.7%*	*n.a.*

Income Statement

Year to Dec (EUR mn)	3Q 02	3Q 03
Revenue	**144.23**	**144.88**
Cost of sales	97.55	101.04
Gross Profit	**46.68**	**43.84**
Other Income	0.51	1.68
Total expenses	**32.04**	**29.14**
EBITDA	**15.16**	**16.38**
EBITDA margin (%)	*10.5%*	*11.3%*
Depreciation	9.04	7.86
Operating profit	**6.12**	**8.51**
Interest Income	0.28	2.13
Interest expense	7.03	6.02
Extraordinary income (expense)	1.52	-0.25
Pre-tax profit	**0.889**	**4.384**

Balance Sheet

Year to Dec (EUR mn)	3Q 02	3Q 03
Formation Expenses	1.84	1.36
Net Tangible	**72.24**	**62.59**
Net Intangible	**1.21**	**0.63**
Partiicpations & Long term investments	40.07	43.67
Total Long-term Assets	**113.51**	**106.88**
Inventory	51.72	41.70
Trade & other receivable	78.23	45.52
Cash & cash equivalents	16.71	16.26
Total Current Assets	**146.66**	**103.48**
Transitory accounts	0.20	0.38
TOTAL ASSETS	**262.22**	**212.11**
Net Worth	**52.08**	**54.67**
Provisions	**5.20**	**4.48**
as % of sales	*3.6%*	*3.1%*
Long-term Liabilities	**71.62**	**49.42**
Short term Liabilities	**132.44**	**101.72**
Transitory accounts	**0.87**	**1.82**
TOTAL LIABILITIES & NET WORTH	**262.22**	**212.11**

Source: company, Sigma Securities

Sigma Securities Research Ratings Definitions

Outperform:	Total return expected to be greater than 10% over a 12-month period
Neutral:	Total return expected to be between -10%/+10% over a 12-month period
Underperform:	Total return expected to be below –10% over a 12-month period

Total return = Price appreciation + Dividend