A. KALPINIS – N. SIMOS SA

SUMMARY AND INVESTMENT CASE

Growth strategy argues for higher share price

Kalpinis-Simos: Growth towards mid-Europe

€ m	2005	2006	2007e	2008e	2009e
Revenues	128.1	150.4	185.0	219.0	241.0
EBIT	5.6	13.7	21.2	24.1	27.1
Net profit after min.	1.8	6.2	11.6	13.3	15.9
Oper. Cash-flow	-4.7	-7.4	2.8	12.7	17.7
EPS, €	0.15	0.50	0.93	1.07	1.28
P/E	70.0	20.4	10.3	9.0	7.5
EBIT-margin, %	4.4	9.1	11.5	11.0	11.2

Source: Kalpinis-Simos SA, Merit Securities

Source: P/E based on share price of €9.58 (22.08.2007)

A. Kalpinis – N. Simos SA ("Kalpinis"; Bloomberg: "KASIK GA") today is a well established steel service and trading company in its home market Greece. The future attractiveness of the company is mainly based on the following items:

- Together with its domestic competitors Sidma and Bitros the company has a solid market position in its home market.
- Competitive and profitable product portfolio: Great variety of high value added steel and related products; EBIT – margin 2006 of 9.1%.
- With an expected 2007e EBIT – margin of 11.5% Kalpinis is well ahead of its peer group (see table below), which ranks between 3.8% and 10.0%.
- Further regional expansion to Middle/Eastern Europe with transforming the successful existing business model.
- Five – year investment plan until 2011: €14.7m; it could generate a further revenues potential of €100m. Taken an EBIT margin of 10%, it could generate an additional EBIT of €10m.
- Kalpinis has a strong financial and earnings profile: Equity ratio at 50%; high EBIT margin; operating cash flow CAGR 2004 – 2009e: 12.1%.
- Valuation aspects: Based on our peer-group multiples we believe a fair equity value lies in a range between €150m - €170m; that equals to a range per share between €12.06 – 13.70 based on 2008 estimates. Based on the current share price of €9.58 that will give the shares an upside of 26 – 43%.

COMPANY PROFILE

Kalpinis has a solid market position in Greece

Kalpinis has been founded in 1958 as a limited company and in 1965 it was transformed into a joint stock company. Last year, with a total of 274 employees, the group has generated revenues of €150m (+17.4%).

The company is active in the sector of trading and processing steel products and has two main locations in Greece which are Aspropirgos and Scaramagas. The whole product portfolio can be categorized into four main groups:

- Processed steel products like e.g. hot/cold rolled steel plates, galvanized, coloured and plastic-covered steel plates, plates used in shipbuilding/ship-repairing.
- Longitudinal steel products like e.g. iron sections, hollow beams, blades, round, square and hexagonal.
- Longitudinal iron pipes
- Materials used for metal buildings (e.g. metal planks for scaffold, panels for freezing chambers).

For these four product groups Kalpinis offers, based on Western standards, services like e.g. forming, cutting, sewing and coating steel and related products tailor-made as requested from customers. Since eight years they operate in a 50:50% joint-venture with Corus, which is one of the best performing JV for them. Today it has some 1,500 clients mainly in Greece but also in the Balkan area. Major customer groups contain technical and construction companies, refineries and the shipbuilding industry.

Some 33% of the share capital can be qualified as free float, the remaining 67% is under control of the Kalpinis and Simos families.

Concerning risks we want to give a hint on potential valuation risks concerning inventories. In particular we have in mind the strong squeeze of the nickel price from its peak of more than US$50,000 per ton to now US$26,000 per ton.

Kalpinis: Further growth outside Greece

COMPANY STRATEGY

Kalpinis today has positioned themselves as a highly profitable and modern steel service centre mainly operating in Greece today. It has one of the most diversified product portfolios in its home market. The solid position can be measured by an EBIT-margin of 9.1% for FY 2006. Given the wide range of products customers can follow the principle of one-stop-shopping. Based on this sound and profitable market position Kalpinis now is investing a further €15m for expansion in Middle- and Eastern Europe. In particular in focus are countries like e.g. Romania, Serbia or Bulgaria.

For the current year Kalpinis expects to produce 230,000 tons. Looking forward to the next five years Kalpinis will add a further 150,000 tons in its new Saloniki plant after a ramp-up phase. For Bulgaria an additional capacity of some 70,000 – 80,000 tons is in focus which could equal to new revenues of up to €50m.

The scenario for Romania is a new capacity of more than 100,000 tons or some €100m of revenues. Real estate already has been acquired.

In this respect the existing joint-venture with Corus will be helpful because Kalpinis can benefit from the strength of Corus and its access to these markets. This could become more positive when Tata's bid for Corus might be successful.

Kalpinis financing needs go up to €22m; it can be separated into €15m for the parent company and €7m (equal to 50% of the total financing need of the existing joint-venture with Corus). Financing will be done mainly out of the operating cash-flow.

MARKET: SITUATION AND OUTLLOK

Compared to other Western Europe the steel market Greece is comparably small. That most likely is the reason the all the big Western European steel producers do not operate own sales and service centres there. The same situation can be found in some emerging European markets like Bulgaria, Romania or Serbia. That makes it attractive for Kalpinis starting to penetrate these markets. They can copy the existing and successful business model from its home-market to these countries.

The most important competitors in Greece are Sidma (the trading arm of Sidenor) and Bitros (cooperating with ThyssenKrupp); both have a comparable structure and strategy.

EARNINGS- AND FIANCIAL PERSPECTIVES

Kalpinis is a solid company; sound cash-flow growth

The company reports on the basis of the IAS/IFRS accounting standards. Looking to some key financial ratios Kalpinis appears as a solid company. The equity ratio last year reached 49% and is expected to grow slightly to 50% this year. Net debt to equity is expected to reach 0.72 this year followed by 0.77 a year before. From 2008 onwards the gearing will come down again reflecting a "normalization" of the existing investment program. The EBIT-margin of 9% last year or the estimate of 11% for this year is the highest level within our peer-group.

Also remarkable is the already achieved high speed of growth. We calculate a sales CAGR 2004-2009e of 13.1%, while the EBIT will have a CAGR of 12.7%. It is our assumption that this can be transferred to the cash-flow level and here we estimate a CAGR of 12.1% for the same period.

An important issue is the management of inventories and receivables. Together they account for 70.1% of the balance sheet total. Here one issue in order to achieve some improvement is a clear cut of the payment terms for customers. It is the intention to reduce it in a first step from today 190 days (for Greece customers) down to 170 days and later to bring it down further to a level of 145 days. Them it will become more congruent compared to the own payment terms for raw materials.

H1 2007: Strong growth continues

In the first half the group could keep the speed of growth of the last years. With the help of the booming global steel markets the group achieved a 33% (absolute figures are not yet disclosed) revenues growth in the first six months. We believe that this is driven to a high extent by higher selling prices. The group's EBT has increased by a favourable 79% so that a further margin improvement has taken place.

VALUATION

Peer group multiples argue for a fair price in a range of €12.06 -13.70 per share

Kalpinis: Peer group multiples argues for highr prices

Company	Market Cap. m	EV/sales 2007e	EV/sales 2008e	EV/EBITDA 2007e	EV/EBITDA 2008e	EV/EBIT 2007e	EV/EBIT 2008e	P/E 2007e	P/E 2008e
Klöckner & Co.	2,075.3	0.41	0.39	6.33	5.80	7.30	6.77	11.44	8.98
Schmolz + Bickenbach	3,240.0	0.95	0.93	9.14	8.49	11.96	11.27	16.51	15.93
Ryerson	860.2	0.31	0.33	6.80	6.35	7.52	9.50	9.94	9.73
Etem	107.9	1.12	1.04	11.16	10.43	13.94	12.27	17.57	15.28
Elval Aluminium	461.5	0.77	0.69	8.06	7.25	20.23	19.19	19.58	16.17
Alumil Milonas Aluminium	106.1	0.92	0.82	5.82	5.07	11.89	10.33	10.26	8.61
Sidma	71.6	0.83	0.77	7.21	6.57	8.22	7.59	7.23	6.51
High		1.12	1.04	11.16	10.43	20.23	19.19	19.58	16.17
Low		0.31	0.33	5.82	5.07	7.30	6.77	7.23	6.51
Average + 1/4 Standard deviation		0.83	0.77	8.22	7.55	12.64	11.94	14.29	12.54
Average - 1/4 Standard deviation		0.69	0.65	7.36	6.71	10.52	10.04	12.15	10.66
Total Equity value									
Average + 1/4 Standard deviation		**100.5**	**96.2**	**134.8**	**124.4**	**215.5**	**214.9**	**165.8**	**166.8**
Average - 1/4 Standard deviation		**75.2**	**69.4**	**115.3**	**102.5**	**170.4**	**169.1**	**140.9**	**141.8**
Equity value per share									
Average + 1/4 Standard deviation		**8.1**	**7.7**	**10.8**	**10.0**	**17.3**	**17.3**	**13.3**	**13.4**
Average - 1/4 Standard deviation		**6.0**	**5.6**	**9.3**	**8.2**	**13.7**	**13.6**	**11.3**	**11.4**

Source: Bloomberg, I/B/E/S, Merit Securities

Our peer-group mainly contains some companies from Greece and we qualify Sidma as the best comparable in terms of size, strategy and profitability. In our view EV/sales multiples are less useful than the others and we concentrate on EV/EBIT and P/E multiples. EV/EBIT multiples will lead to a higher valuation range than the P/E and we would fix the range at the lower end of the EBIT band width.

In absolute terms we see a fair equity value in a range between €150 - €170m. Given the current number of shares of 12.43m, that equals to a range of €12.06 - €13.70. Based on the current share price of €9.58 there is a significant upside of 26% - 43%. The current volatility of the capital markets has to be factored in when it comes to timing issues for a potential investment. It is not our scenario that the current subprime crisis will lead to significant lower GDP growth rates for 2008.

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