SARANTIS
Great brands for everyday

Tuesday, 30 August 2011

SARANTIS GROUP

CONSOLIDATED FINANCIAL RESULTS H1 2011

Highlights: H1 2011

- Consolidated turnover from continuing activities grew by 2.34% supported mainly by the Group's foreign markets.
- Increased production costs lead to reduced gross profit margin. Consolidated gross profit amounted to € 53.64 million and the gross profit margin settled at 47.94%.
- The reduction in the Group's profitability was driven by lower gross profit margin, higher A&P expenses and low Estee Lauder JV income.
- The Group's foreign countries maintain their high participation in the consolidated Group sales. Their participation rate is the 61% on the sales of continuing operations.
- The participation of own brands to the Group's turnover further increased.
- Sound capital structure. The increase in working capital requirements is due to seasonality and is temporary.
- Solid net debt position.

***P&L** (€ mil.)*	***H1' 11 Cont. Operations***	*%*	***H1 '10 Cont. Operations***
Turnover	**111.88**	2.34%	**109.32**
Gross Profit	**53.64**	-1.71%	**54.57**
Gross Profit Margin	47.94%		49.92%
EBITDA	**6.88**	-34.62%	**10.52**
EBITDA Margin	6.15%		9.62%
EBIT	**4.95**	-42.41%	**8.60**
EBIT Margin	4.43%		7.87%
EBT	**4.16**	-51.63%	**8.60**
EBT Margin	3.72%		7.87%
Tax	**0.99**	-41.66%	**1.69**
Profit After Tax (excl. One-Off Tax)	**3.17**	-54.07%	**6.91**
Profit After Tax Margin	2.84%		6.32%
One-off Tax	**0.00**		**0.45**
EATAM (incl.One-Off Tax)	**3.17**	-50.91%	**6.46**
EATAM Margin (incl. One-Off Tax)	2.83%		5.91%
EPS	**0.08**	-50.91%	**0.17**

Further information at: http://ir.sarantis.gr/

The financial results of H1 2011 will be presented in a conference call on the 31st August 2011 at **17.00,** local time (GMT+2). Telephone number: 211 – 180 2000.

H1 '11 CONSOLIDATED FINANCIAL RESULTS

Turnover

The consolidated turnover of continuing operations increased by 2.34% versus last year's first half and amounted to € 111.88 million, from € 109.32 mil in H1 2010.

Greece exhibited a marginal increase in sales, while the Group's foreign markets rose by 3.88%, supporting the Group's growth.

Gross Profit

The Gross profit of continuing operations, during H1 2011, has decreased by 1.71%, to €53.64 mil., from €54.57 mil. The gross profit margin of continuing operations settled at 47.94% vs 49.92%, largely affected by the increased cost of raw materials.

EBITDA

The EBITDA of continuing operations posted a reduction of 34.62% to €6.88 mil. in H1 2011, from €10.52 mil., in H1 2010, mainly influenced by the increased production cost, the increased A&P expenses, as well as the reduced income from the Estee Lauder JV.

EBIT

Similarly, the earnings before interest and taxes of continuing operations reached €4.95 mil., from €8.60 mil., down by 42.41% and the EBIT margin settled from 7.87% in H1 2010, at 4.43% in H1 2011.

EBT

Profit before tax of continuing operations amounted to € 4.16 million, from € 8.60 million decreased by 51.63%.

EATAM

The earnings after taxes and minorities of continuing operations reached €3.17 mil., reduced by 50.91% compared to H1 2010, while the EATAM margin stood at 2.83% from 5.91%.

H1 '11 CONSOLIDATED BALANCE SHEET / CASHFLOW

During the first half of 2011 the Group's receivables increased leading to higher working capital requirements over sales. Working capital requirements over sales of continuing operations, settled at 33.19% in H1 2011 vs 28.77% in FY 2010. This increase is due to seasonality and is expected to normalize in the following quarters since the management is committed to generating strong cash flows and the effective management of working capital.

At the same time the Group benefits from a healthy capital structure and low leverage. In H1 2011, the Group's net debt settled at €7.59 mil., from €10.70 mil. in H1 2010.

BALANCE SHEET (€ mil.)	***H1 '11***	***%***	***FY '10***
ASSETS			
Property Plant & Equipment	38.44	-2.53%	39.43
Intangible Assets	13.51	16.79%	11.57
Goodwill	6.02	26.99%	4.74
Investments	13.88	-20.37%	17.43
Financial assets available for sale	7.53	44.32%	5.21
Other Long Term Assets	0.36	19.16%	0.30
Deffered Tax	2.18	2.68%	2.12
Total Non Current Assets	**79.29**	**-1.89%**	**80.82**
Inventories	34.18	1.48%	33.68
Trade Receivables	81.60	13.53%	71.87
Other Receivables	8.82	69.91%	5.19
Financial assets availabe at fair value through profit or loss	1.76	-8.84%	1.93
Cash & Banks	36.28	-23.06%	47.16
Other Short Term Receivables	2.61	169.93%	0.97
Total Current Assets	**167.88**	**4.40%**	**160.80**
Total Assets	**247.17**	**2.30%**	**241.62**
SHAREHOLDER'S EQUITY & LIABILITIES			
L-T Bank Loans	17.00	-56.96%	39.50
Deferred Tax Liabilities	0.03	-25.42%	0.04
Retirement Benefit Obligations & Other Provisions	3.98	-9.09%	4.38
Total Non Current Liabilities	**21.01**	**-52.16%**	**43.92**
Trade Creditors & Other Liabilities	41.90	-0.84%	42.25
Income Taxes and other Taxes Payable	2.82	31.54%	2.14
S-T Bank Loans	47.61	94.27%	24.50
Other Short Term Liabilities	7.46	62.77%	4.58
Total Current Liabilities	**99.78**	**35.79%**	**73.48**
Share Capital	59.06	0.00%	59.06
Share Premium	39.25	0.00%	39.25
Other Reserves	-19.70	6.82%	-18.44
Minority Interest	0.01	18.57%	0.01
Retained Earnings	47.74	7.69%	44.33
Shareholders Equity	**126.37**	**1.73%**	**124.22**
Total Liabilities & Equity	**247.17**	**2.30%**	**241.62**

CASH FLOWS (€ mil.)	**H1'11**		**H1'10**
Continuing Operating Activities	-4.74		1.69
Continuing Investment Activities	-5.24		-2.65
Continuing Financial Activities	-1.20		8.29
Total Continuing Operations	-11.18		7.34
Total Discontinued Operations	0.00		0.09
Cash generated	-11.18		7.43
Cash & Cash equivalents, beginning	47.16		30.82
Effect of foreign exchange differences on Cash	0.31		0.28
Cash & Cash equivalents, end	**36.28**	**-5.83%**	**38.53**

CONSOLIDATED SBU ANALYSIS

H1 '11 Turnover Breakdown per Business Activity

SBU Turnover (€ mil) – Cont. Activities		*H1 '11*	*%*	*H1 '10*
Cosmetics		**51.70**	**4.59%**	**49.43**
	% of Total	**46.21%**		**45.22%**
Own		37.79	13.92%	33.17
	% of SBU	73.09%		67.10%
Distributed		13.91	-14.43%	16.26
	% of SBU	26.91%		32.90%
Household Products		**48.57**	**1.94%**	**47.64**
	% of Total	**43.41%**		**43.58%**
Own		48.38	1.77%	47.54
	% of SBU	99.61%		99.77%
Distributed		0.19	73.16%	0.11
	% of SBU	0.39%		0.23%
Other Sales		**11.61**	**-5.21%**	**12.25**
	% of Total	**10.38%**		**11.20%**
Health Care Products		6.05	1.03%	5.99
	% of SBU	52.14%		48.92%
Selective		5.56	-11.18%	6.26
	% of SBU	47.86%		51.08%
Total Turnover (Cont. Activities)		**111.88**	**2.34%**	**109.32**

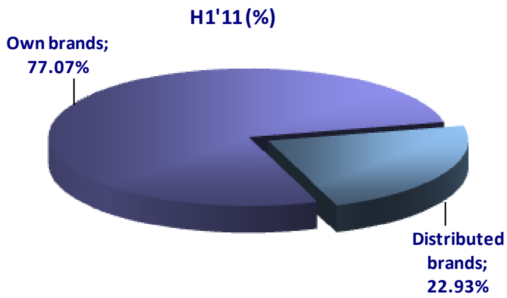
During H1 2011, sales from continuing operations rose by 2.34% supported by the Group's core business categories of Cosmetics and Household Products.

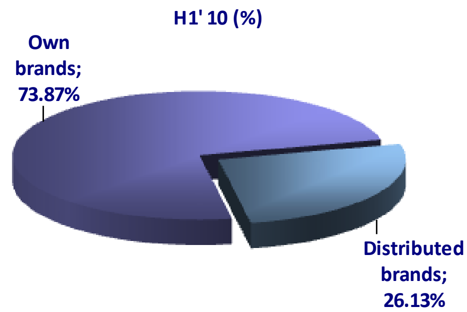
Cosmetics recorded a sales growth of 4.59% amounting to €51.70 mil., from €49.43 mil., in H1 2010. In this SBU, the **own brands** demonstrate an increase of 13.92%, thus their contribution in this SBU's turnover was increased from 67.10% to 73.09%. The sales growth in this business unit is driven by both existing brands as well as recent launches (BIOTEN in Greece and KOLASTYNA in Poland).

Sales of **Household Products** increased by 1.94% reaching € 48.57 million from € 47.64 million in the corresponding period last year. Sales of **own brands** in this category rose by 1.77% while their contribution to this category's sales amounted to 99.61%.

The category of **Other Sales** showed an overall decrease of 5.21% during H1 2011, mainly driven by the subcategory of Selective products.

Own versus Distributed Activity Turnover Breakdown





During H1 2011, consolidated revenues from continuing activities of **own** brands (cosmetics and household products) amounted to €86.23 million from €80.76 million in H1 2010, increased by 6.76%. Furthermore, their contribution to the total group turnover stood at 77.07%, considerably increased in comparison to the previous year's level.

Consolidated revenues from continuing activities of **distributed** brands during H1 2011 reached €25.66 million, from €28.56 million in H1 2010, decreased by 10.17%. Their participation to the total group sales of continuing activities settled at 22.93%.

H1 '11 EBIT SBU Breakdown per Business Activity

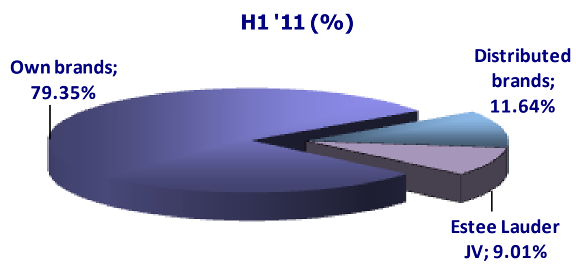
SBU EBIT (€ mil)- Cont. Activities		*H1' 11*	*%*	*H1 '10*
Cosmetics		**1.64**	8.78%	**1.51**
	Margin	3.17%		3.05%
	% of EBIT	33.07%		17.51%
Own		1.64	18.43%	1.39
	Margin	4.35%		4.18%
	% of EBIT	33.17%		16.13%
Distributed		0.00	-104.09%	0.12
	Margin	-0.03%		0.73%
	% of EBIT	-0.10%		1.38%
Household Products		**2.26**	-36.47%	**3.56**
	Margin	4.66%		7.48%
	% of EBIT	45.73%		41.45%
Own		2.27	-36.66%	3.58
	Margin	4.68%		7.52%
	% of EBIT	45.74%		41.59%
Distributed		0.00	98.16%	-0.01
	Margin	-0.11%		-10.58%
	% of EBIT	0.00%		-0.13%
Other Sales		**0.60**	17.95%	**0.51**
	Margin	5.20%		4.18%
	% of EBIT	12.19%		5.95%
Health Care Products		**0.74**	-22.38%	**0.95**
	Margin	12.16%		15.83%
	% of EBIT	14.86%		11.03%
Selective		**-0.13**	69.67%	**-0.44**
	Margin	-2.38%		-6.98%
	% of EBIT	-2.67%		-5.08%
Income from Associated Companies		**0.45**	-85.21%	**3.02**
	% of EBIT	9.01%		35.09%
Income From Estee Lauder JV		0.45	-85.21%	3.02
	% of EBIT	9.01%		35.09%
Total EBIT (Cont. Activities)		**4.95**	-42.41%	**8.60**
	Margin	**4.43%**		**7.87%**

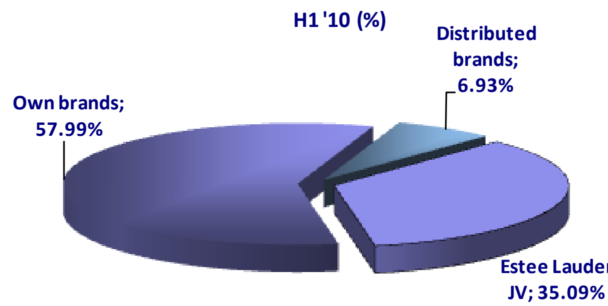
The Group's operating earnings were affected by the increased production costs, higher A&P expenses as well as lower income from the affiliated company Estee Lauder JV.

Cosmetics EBIT increased in H1 2011 by 8.78% reaching € 1.64 million from €1.51 million. The Cosmetics EBIT margin during H1 2011 settled at 3.17% vs 3.05% in H1 2010. This category's contribution to total EBIT rose to 33.07% from 17.51% same period last year.
The operating profits of **own brands** within this category increased by 18.43% during H1 2011 standing at €1.64 million from €1.39 million in H1 2010.

The EBIT of **Household Products** reduced by 36.47% to €2.26 million from €3.56 million in H1 2010 affected by the significant increase of production cost, due to the price increase of the raw materials. The EBIT margin of the household products stood at 4.66% from 7.48%. The **own brands** of this category presented a declining EBIT of 36.66% reaching €2.27 million.

Own vs Distributed EBIT Breakdown





The Own brands portfolio, generated income of €3.93 million in H1 2011 versus €4.99 million in H1 2010, reduced by 21.19%. The contribution of **own brands** (cosmetics and household products) to the total EBIT of continuing operations during H1 2011 stood at 79.35%.

EBIT of **distributed brands** during H1 2011 amounted to €0.58 million, from € 0.60 million in the corresponding period last year, posting a 3.19% decrease. Their contribution to total EBIT corresponded to 11.64% from 6.93%. In addition, Estee Lauder JV presented EBIT of € 0.45 million, compared to € 3.02 million in H1 2010.

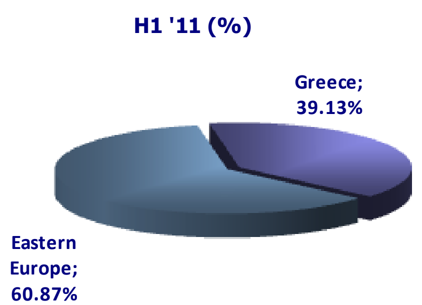
CONSOLIDATED REGIONAL ANALYSIS

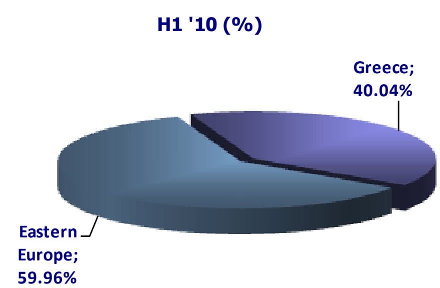
H1 ’11 Turnover Breakdown per Geographic Market

Country Turnover (€ mil) – Cont.Activities	*H1'11*	*%*	*H1 '10*
Greece	**43.78**	0.03%	**43.77**
% of Total Turnover	**39.13%**		**40.04%**
Poland	33.40	15.23%	28.99
Romania	17.35	-8.80%	19.02
Bulgaria	4.52	-15.85%	5.37
Serbia	5.36	1.70%	5.27
Czech Republic	2.70	13.94%	2.37
Hungary	3.45	6.62%	3.24
FYROM	1.32	1.47%	1.30
Foreign Countries Subtotal	**68.10**	3.88%	**65.55**
% of Total Turnover	**60.87%**		**59.96%**
Total Turnover (Cont. Activities)	**111.88**	2.34%	**109.32**

The Group’s regional sales during the first half of 2011 were maintained at the previous year’s level.
However, the marginal increase presented by the Greek market is supported by the increase of the Group’s foreign markets.
It is also worth to note that the currency movements had a small impact in the Foreign Countries turnover during the current period. (increase by 3.38% in local currency and c. 0.5% currency appreciation).
Sales from Foreign Countries increased to € 68.10 million in H1‘11 from € 65.55 million in H1 ‘10.

Greek and Eastern European Market Turnover breakdown Analysis





During H1 2011, the foreign countries contribution to the Group’s sales stood at 60.87%, increased versus the same period last year.

H1’11 EBIT Breakdown per Geographic Market

Country EBIT (€ mil) – Cont. Activities	*H1 '11*	*%*	*H1 '10*
Greece	**3.28**	**-45.96%**	**6.07**
% of Total Ebit	**66.23%**		**70.58%**
Poland	0.89	-16.60%	1.06
Romania	0.64	-53.18%	1.36
Bulgaria	0.02	-90.84%	0.18
Serbia	0.50		0.50
Czech Republic	-0.36	12.95%	-0.41
Hungary	-0.23	51.85%	-0.48
FYROM	0.23	-29.55%	0.32
Foreign Countries Subtotal	**1.67**	**-33.89%**	**2.53**
% of Total Ebit	**33.77%**		**29.42%**
Total EBIT (Cont. Activities)	**4.95**	**-42.41%**	**8.60**

During H1 2011 the Group’s operating profit was influenced by the significant increase in production costs, which is reflected both in Greece and Eastern Europe, the higher A&P expenses and the weak performance of the Estee Lauder JV.
The **Greek** EBIT in H1 2011 was reduced by 45.96% to €3.28 mil., from €6.07 mil, in H1 2010.
Excluding the income from the Estee Lauder JV, Greek EBIT during H1 2011 amounted to €2.83 mil from €3.05 mil, down by 7.15%.
Greek EBIT margin, excluding Estee Lauder JV, stood at 6.47% from 6.97% in the respective period of 2010.

The **foreign countries** posted a decrease of EBIT, which is mainly due to Poland, Romania and Bulgaria. The main reason for this decrease is the rise in production costs that was due to the significant price increase of raw materials, which, in turn, affected negatively the gross profit margin.
As a result, EE countries had an overall EBIT € 1.67 million from € 2.53 million at the corresponding period of 2010.

NEWS FLOW UP TO THE RELEASE DATE OF THE H1 2011 CONSOLIDATED FINANCIAL RESULTS

- Sarantis Group corporate presentation was realized on April 8, 2011 at the Association of Greek Institutional Investors, whereby the management’s strategy and assessments regarding the Group's financials for 2011 were presented. In particular, according to the Management’s estimates, turnover from continuing operations will reach €223.40 mil. by the end of 2011, versus €220.01mil. at the end of 2010.
  EBITDA from continuing operations is expected to increase into 2011 to €22.30 mil. from €21.38 million in 2010. EBIT from continuing operations is estimated to reach €18.20 mil. in 2011 from €17.55 mil. in 2010, while the related EBT is expected to reach €16.90 mil into 2011, from €16.76 mil in 2010. Finally, EAT and EATAM are expected to settle at €13.57 mil. in 2011.

- On 31/05/2011 Sarantis Group proceeded to the acquisition of the Hungarian household products brand DOMET. DOMET is present in the cleaning tools category and its product portfolio includes scourers, mops, wipes, etc. DOMET is the 2nd branded player in the market with almost 20 years of history. The category of cleaning tools, from which Sarantis has been previously absent, is seen as an investment opportunity by Sarantis management given the particular category has a considerable contribution in the market where Sarantis operates and since the international players and the private labels are still absent from this segment. 2010 sales from DOMET amounted to c. 3.2 mil. The transaction cost of this acquisition amounted to 2 mil. EUR.

- On 02/06/2011 Sarantis Group proceeded to the acquisition of 100% of the shares of “D. KOUKOUZELIS LTD”. Through this acquisition, the group acquired the distribution of "PIC" and "SERENITY" products, both brand names of “ARTSANA Group”, and also the Japanese sphygmomanometers “ALPK2”. Their turnover in 2010 amounted to 2.5 million euros. According to the business plan that has been prepared, the group intends to focus in the part of the customers that represents 2.2 million euros, which is expected to be increasing in coming years, contributing to the profitability at the level of 20% EBIT margin, due to high synergies in this distribution channel. The price of the acquisition was set at 0.52 million euros. Through this acquisition, Sarantis Group enhances its product portfolio, acquires market shares in market segments that previously was not active and increases the growth potential of the Health & Care division.

- On 19/07/2011 Sarantis Group proceeded to the acquisition of the Serbian household products brand TOPSTAR. TOPSTAR is present in the cleaning tools category and its product portfolio includes scourers, mops, wipes, gloves, garbage bags, etc. TOPSTAR has been the best seller in the Serbian market for over 10 years. TOPSTAR is also present in Bosnia-Herzegovina, where Sarantis already has export activity. The category of cleaning tools, in which Sarantis recently penetrated through the acquisition of the Hungarian household products brand DOMET, is seen as an investment opportunity by Sarantis management given the particular category has a considerable contribution in the market where Sarantis operates and since the international players and the private labels are still absent from this segment. 2010 sales from TOPSTAR amounted to c. 4 mil. The transaction cost of this acquisition amounted to 4.025 mil. EUR. TOPSTAR’s estimated EBIT margin stands at around 16% after synergies.

OBJECTIVES AND PROSPECTS

Sarantis Group consolidated turnover during the first half of 2011 was supported by the operations of the Group’s foreign countries. However, increased production costs and A&P expenses as well as low income from the Estee Lauder JV hurt the Group’s operating margins.

The adverse conditions in the economic environment remained during the first half of 2011, while the situation is not expected to improve in the foreseeable future. Therefore, the management focuses on aligning the cost structure with the expected revenues, and adjusts the product portfolio with the consumer trends.

The management remains dedicated to its policy, for sound capital structure, low net debt, containment of operating cost and in general for efficient management of working capital, with the objective to further enhance the Group’s financial position.

At the same time, the management, as always, remains focused on its strategic objectives that support and secure a profitable outlook for Sarantis Group and specifically on the following:

- Organic growth of the core business activities and emphasis on Sarantis own brands portfolio.
- Increase of the existing market shares of own brands.
- Continuous examination of the situation in the economies of the Group’s countries and modification of the business where deemed necessary according to the new market conditions.
- Examine possible acquisition targets in the Group’s foreign countries, as long as market share, profitability and cost structure allow for synergies. The Group’s management considers that current conditions are in favor of exploring possible new acquisitions.