Monday, August 30th 2010

Consolidated Financial Results H1 2010

- During H1 2010, satisfactory top line growth combined with increased A&P expenses and lower Estee Lauder income lead to weaker profitability.
- EE countries' solid top line growth and improved profitability partly offsets the weak performance of the Greek market.
- Sarantis Group's turnover increased by 4.39% to €111.20 mil. from €106.51 mil. in the respective period last year.
- Gross profit margin stood at 49.90% in H1 2010 from 49.48% in last year's first half.
- Earnings before interest and taxes reached €8.48 mil. in H1 2010, reduced by 22.33%.
- EATAM decreased by 20.59% amounting to €6.27 mil. from €7.89 mil. the same period last year. Excluding the one-off tax EATAM settled at €6.71 mil., posting a 14.93% reduction vs the respective prior-year period.
- The Group's own brands maintain their high participation to total Group turnover.
- EE counties posted significant growth in sales, increasing their contribution to total Group sales.
- Solid cash flow generation and low leverage add to the Group's robust financial position.

P&L (€ mil.)	H1 '10	%	H1 '09
Turnover	**111.20**	4.39%	**106.51**
Gross Profit	**55.49**	5.28%	**52.70**
Gross Profit Margin	49.90%		49.48%
EBITDA	**10.42**	-18.11%	**12.72**
EBITDA Margin	9.37%		11.95%
EBIT	**8.48**	-22.33%	**10.91**
EBIT Margin	7.62%		10.25%
EBT	**8.41**	-14.99%	**9.89**
EBT Margin	7.56%		9.29%
Tax	**1.69**	-15.27%	**2.00**
EATAM (excl.One-Off Tax)	**6.71**	-14.93%	**7.89**
EATAM Margin (excl.One-Off Tax)	6.04%		7.41%
One-off Tax	**0.45**		**0.00**
EATAM (incl.One-Off Tax)	**6.27**	-20.59%	**7.89**
EATAM Margin (incl. One-Off Tax)	5.64%		7.41%
EPS	**0.16**	-20.59%	**0.21**

Financial Results

In H1 2010 **consolidated turnover** increased by 4.39% reaching €111.20 mil. from €106.51 mil. in the respective period last year. The turnover increase stems predominantly from the improved turnover of the Group's foreign markets which is a result of both organic and FX growth. The Greek market, on the other hand, underperformed during the first half of 2010, influenced by the recently imposed austerity measures. The Greek market's shortfall however, was offset by the foreign markets performance.

Gross profit increased by 5.28% to €55.49 mil. in H1 2010 from €52.70 mil. Gross profit margin settled at 49.90% versus 49.48%, positively affected by the favourable currency movements as well as the high participation of the own brands portfolio.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) posted a reduction of 18.11% to €10.42 mil. in H1 2010 from €12.72 mil. in H1 2009, influenced mainly by increased A&P expenses and the lower income from the Estee Lauder JV. It is important to mention however, that the increase in A&P expenses that aims to boost sales during the second half of2010 will normalize in the remainder of the year and therefore it is expected that the annual cost of A&P expenses as a percentage of sales will not exceed the previous year's level. The EBITDA margin stood at 9.37% from 11.95% in the respective prior-year period.

Earnings before Interest and Tax (EBIT) reached €8.48 mil. from €10.91 mil., down by 22.33% and EBIT margin settled from 10.25% in H1 2009 to 7.62% in H1 2010.

The Group's financial expenses amounted to c. €65k in H1 2010 from €1.02 mil in H1 2009 mainly due to lower interest expenses and favorable currency movements. Therefore **earnings before taxes (EBT)** settled at €8.41 mil. from €9.89 mil. in H1 2009, down by 14.99%.

Earnings after taxes and minorities reached €6.71 mil., reduced by 14.93% compared to H1 2009. Including the one-off tax of €0.45 mil. EATAM settled at €6.27 mil., down by 20.59% compared to the respective prior-year period and the EATAM margin settled at 5.64% from 7.41%.

Despite the challenging macroeconomic environment Sarantis Group has successfully continued to generate solid cashflows, a fact attributed largely to management's focus behind the efficient working capital management.
More specifically, the Group's working capital settled at €68.14 mil. in H1 2010 from €64.10 mil. in FY 2009 and €71.17 mil. in FY 2008, while working capital requirements over sales settled at 30.24% vs 29.05% and 27.44% respectively.
At the same time the Group benefits from a healthy capital structure and low leverage. In H1 2010, The Group's net debt settled at €10.7 mil. from €9.14 mil. in 12M 2009.

Business Activity Analysis

During the first half of 2010 the Group presented sales growth in the core business categories though at a lower rate compared to the first quarter. This increase is mainly attributed to both organic growth in the Group's foreign markets and favorable currency movements.

More specifically, during H1 2010 **Cosmetics** recorded a sales growth of 7.68% amounting to €49.43 mil. from €45.91 mil. in H1 2009. In this SBU, **own brands** demonstrate an increase of 5.06% and their contribution to total turnover settled at 67.10%.

During H1 2010 the **Household Products** demonstrated growth of 2.89%, reaching €47.64 mil. from €46.31 mil. in the respective prior-year period. **Own brands** within this SBU increased by 3.69% while their participation to the SBU's turnover stood at 99.77%. The weakness of the Household Products during the second quarter of 2010 is predominantly due to the underperformance of the Greek market during the same period.

The category of **Other Sales** dropped by 1.29% during H1 2010 mainly driven by the subcategory of the Health & Care Products.

The Group's operating profit is affected negatively by the challenging trading conditions prevailing in the Greek market as well as the increased A&P expenses. Moreover, the income reduction from the Estee Lauder JV adds to the Group's EBIT contraction.

The Household products EBIT reduced by 16.03% to €3.56 mil. from €4.25 mil. in H1 2009, mainly affected by increased A&P expenses in Greece. Their contribution to total EBIT increased though from 38.91% in H1 2009 to 42.06% in H1 2010, while their EBIT margin settled at 7.48% from 9.17%. Own brands of this category posted an EBIT decline of 14.66% during H1 2010, reaching €3.58mil.

Cosmetics EBIT decreased in H1 2010 by 25.22% reaching € 1.51 mil. from €2.01 mil. The Cosmetics EBIT margin during H1 2010 settled at 3.05% vs 4.39% in H1 2009. However, the operating profits of own brands within this category increased by 14.68% during H1 2010 standing at €1.39 mil. from €1.21 mil. in H1 2009.

Geographic market Analysis

Looking at the geographical analysis, the 2010 first quarter performance of the Group's **foreign markets** is maintained during the second quarter of 2010 thanks to improved trends in the countries' consumer spending as well as favorable foreign exchange rates.
More specifically, during H1 2010 the turnover in the Group's foreign markets increased by 14.76% vs the respective prior-year period, which consists of a c. 9% growth in local currency and a c. 6% average currency appreciation.

As far as the **Greek market** is concerned, we notice a reduction of 7.69% driven by a weakness across all business units which is largely a result of the recently imposed austerity measures by the Greek government. The management remains cautious towards the Greek consumer spending and expects an improvement during the second half of 2010 on the back of the increased brand support that took place during the first half of 2010.

As far as **EBIT** is concerned, the Greek operating profit is affected largely by increased A&P expenses. The Greek EBIT during H1 2010 was reduced by 38.94% to €5.97 mil. from €9.78 mil. Excluding the Estee Lauder JV income, the Greek EBIT reached €2.95 mil. in H1 2010 from €5.47 mil. in H1 2009 down by 45.99%. The Greek EBIT margin, excluding the EL JV income, stood at 6.51% in H1 2010 from 11.13% last year.

The foreign countries on the other hand had a positive performance driven by top line growth as well as containment of expenses in some countries. In particular, EE countries EBIT increased by 121.03% to €2.50 mil in H1 2010 from €1.13 mil in H1 2009. The foreign countries EBIT margin settled at 3.81% in H1 2010 vs 1.98% in H1 2009.

Sarantis Group consolidated turnover during the first half of 2010 was satisfactory mostly supported by the Group's foreign markets organic growth and favorable currency movements. However, increased A&P expenses, particularly in the Greek market, hurt the Group's operating margins. It should be mentioned, however, that the increase in A&P expenses, that aims to boost sales during the second half of2010 will normalize during H2 2010 and therefore it is expected that the annual cost of A&P expenses as a percentage of sales will not exceed the previous year's level.
The management remains cautious towards the challenging operating environment. What is more, in case it is deemed necessary, the management plans to undertake further cost cutting initiatives in order to protect the Group's profitability. Lastly, it is important to highlight the management's successful implementation on keeping low leverage and generating free cashflows for the Group.

At the same time the Group remains focused on its strategic pillars of growth that consist of organic growth of the core business activities and emphasis on Sarantis own brands portfolio, increase of the existing market shares of own brands in the region, 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 and finally emphasis on the examination of possible acquisition targets in the old countries of operation, as long as market share, profitability and cost structure allow for synergies.