Wednesday 29 August 2012

SARANTIS GROUP

CONSOLIDATED FINANCIAL RESULTS H1 2012

Highlights: 6M 2012

- Increase by 4.34% of the consolidated turnover driven by significant improvement in the Greek market as well as growth in the foreign countries in local currency.
- Consolidated gross profit amounted to € 55.95 million, increased by 4.31% vs last year's semester results. The gross profit margin settled around last year's level at 47.93%.
- Reduction in the operating profit (EBIT), by 9.38% with a respective decrease of the Group's profitability margins.
- The average currency devaluation of 6.24% observed since last year's first half had an equal negative effect across all profitability lines.
- The Group's foreign countries maintain their high participation in the consolidated Group sales. Their participation stands at 58%.
- The participation of own brands to the Group's turnover stands at 74%.
- Sound capital structure. The increase in working capital requirements is due to seasonality and is temporary.

***P&L** (€ mil.)*	***H1 '12***	***%***	***H1 '11***
Turnover	**116.73**	4.34%	**111.88**
Gross Profit	**55.95**	4.31%	**53.64**
Gross Profit Margin	47.93%		47.94%
EBITDA	**6.41**	-6.79%	**6.88**
EBITDA Margin	5.49%		6.15%
EBIT	**4.49**	-9.38%	**4.95**
EBIT Margin	3.84%		4.43%
EBT	**3.79**	-8.97%	**4.16**
EBT Margin	3.24%		3.72%
Tax	**0.80**	-19.09%	**0.99**
Profit After Tax	**2.99**	-5.82%	**3.17**
Profit After Tax Margin	2.56%		2.84%
EATAM	**2.99**	-5.75%	**3.17**
EATAM Margin	2.56%		2.83%
EPS	**0.0779**	-5.75%	**0.0827**

H1 '12 Consolidated financial results

The consolidated turnover increased by 4.34% versus last year's first semester and amounted to €116.73 mil. from €111.88 mil in H1 2011. This increase is driven by the improved performance in the Greek market as well as the growth in the foreign markets of the Group. The company's subsidiaries had an average increase of sales in local currency by 5.79% which was negatively affected by adverse currency movements.

The Gross profit during H1 2012 has increased by 4.31% to €55.95 mil., from €53.64 mil last year. The gross profit margin settled close to last year's level at 47.93%.

The EBITDA posted a decrease of 6.79% to €6.41 mil., in H1 12, from €6.88 mil., in H1 2011, mainly influenced by the adverse currency movements versus the first half of 2011.

The earnings before interest and taxes reached €4.49 mil., from €4.95 mil., down by 9.38% and the EBIT margin settled from 4.43% in H1 11, at 3.84% in H1 12.

Profit before tax dropped by 8.97%, from €4.16 mil., in H1 11 to €3.79 mil., and the EBT margin reached 3.24%.

The earnings after taxes and minorities reached €2.99 mil., reduced by 5.75% compared to H1 11, while the EATAM margin stood at 2.56% from 2.83% in the respective period last year.

During the first half of 2012 the Group's receivables increased leading to higher working capital requirements over sales. This increase is attributed to the increased participation of seasonal sales mainly as a result of the new business agreement since 1/1/12 for the distribution of the brand VAPONA.

The Group's working capital settled at €80.01 mil. in H1 2012 from €73.88 mil. in H1 2011, while working capital requirements over sales settled at 35.38% vs 33.19% in H1 2011. This increase is not only due to the increased seasonal sales of the brand VAPONA, but also because of an increase in the Group's inventory due to the new brands the company has added in its portfolio of distributed products since 1/1/12.

The increase in the Group's working capital is temporary 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.

Consolidated Turnover & EBIT SBU analysis

During H1 2012 total Group sales rose driven by the increase in the sales of household products mostly due to the recent acquisitions (Domet and Topstar) as well as the new agreements (Vapona, Colour Catcher), and the growth in the subcategory of the Selective Products largely as a result of the new agreement with La Prairie.

Cosmetics recorded a sales drop of 3.83% amounting to €49.72 mil., from €51.70 mil., in H1 2011.

In this SBU, the own brands demonstrate a decrease of 2.78%, thus their contribution in this SBU's turnover was marginally increased from 73.09% to 73.89%.

Sales of Household Products increased 7.48% amounting to € 52.20 million from € 48.57 million in the corresponding period last year. Sales of own brands in this category rose by 1.48% while their contribution to this category's sales reached 94.05% from 99.61% in 2011. Considerable growth in the category has been posted by the distributed brands, due to the new brands that have been included in the product portfolio.

The category of Other Sales exhibited significant increase of 27.55% during H1 2012, driven mainly by the subcategory of Selective products. This growth is attributed to the new agreements.

During H1 2012, consolidated revenues of own brands (cosmetics and household products) amounted to €86.46 million from €86.23 million in H1 2011, increased by 0.27%. Furthermore, their contribution to the total group turnover stood at 74.07%.

Consolidated revenues of distributed brands during H1 12 amounted to €30.27 million, from €25.66 million in H1 11, increasing by almost 18%. Their participation to the total group sales settled at 25.93%.

The Group's operating earnings decreased during the H1 2012 by 9.38%, mainly due to the currency movements since last year's first half.

Cosmetics EBIT decreased in H1 2012 by 48.13% reaching € 0.85 million from €1.64 million in H1 2011. The Cosmetics EBIT margin during H1 2012 settled at 1.71% vs 3.17% in H1 2011. This category's contribution to total EBIT fell to 18.93% from 33.07% same period last year.

The operating profits of own brands within this category decreased by 49% standing at €0.84 million from €1.64 million in H1 2011.

The EBIT of Household Products posted a considerable increase of 37.07% during the H1 2012 to €3.10 million from €2.26 million in H1 2011. The EBIT margin of the household products stood at 5.95% during H1 2012 from 4.66% in H1 2011. The increase is attributed both to the "Own Brands" which present an increase in EBIT of around 35% amounting to to € 3.06 million, and the "Distributed brands". This growth is driven largely by the recent acquisitions (Domet and Topstar) and the new business deals.

The EBIT of the category Other Sales recorded a decline of 32.41%, negatively influenced by the health care products that have been affected by the market downturn in the pharmacy channel, whereas the subcategory of the selective products presents a significant increase which is attributed to the recent business deals.

Consolidated regional analysis

The Group's consolidated turnover's increase was supported mainly by the Greek market and is attributed largely to the company's new business deals.

Despite the adverse economic environment in Greece and the drop in the Greek retail sector sales, Sarantis Group managed to increase the local sales by 11.79%, at €48.94 millions, from €43.78 million last year.

As far as the foreign markets of the Group are concerned, turnover was marginally down by 0.45% to €67.79 mil from €68.10 mil in H1 2011. However, the countries presented an average sales growth in local currencies by 5.79%, while the average effect of the currencies devaluation was 6.24%.

In terms of profitability, the Greek EBIT in H1 2012 increased by 15.32% to €3.78 mil., from €3.28 mil in H1 2011.

Excluding the income from the Estee Lauder JV, Greek EBIT during H1 2012 amounted to €3.66 mil from €2.83 mil., up by 29%.

Greek EBIT margin, excluding Estee Lauder JV, stood at 7.47% from 6.47% in the respective period of 2011.

The foreign countries posted a decrease in EBIT of 57.83% during H1 2012, amounting to €0.71 mil., from €1.67 mil. This is as a result of the adverse currency movements versus the first half of 2011.

Objectives & Prospects

The Group's financial results for the first half of 2012 are generally in accordance to the budget.

The consolidated sales of the parent showed an increase of 11.8% as expected, while the negative exchange rate movements substantially outweigh the sales increase of the subsidiaries. This resulted in an overall increase in turnover by 4.34%, compared with the first half of 2011.

The average currency devaluation of 6.24% observed since last year's first half had an equal negative effect across all profitability lines.

As expected, the adverse conditions in the economic environment remained during the first semester of 2012, 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 pillars of growth that support and secure a profitable outlook for Sarantis Group and specifically on the following:

- Organic growth of the core business activities.
- Increase of the existing market shares.
- 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.