

Sarantis Group

Rtr : (SARr.AT), Bloomberg: SAR GA

Sector: Household / Cosmetics

Ownership Structure:

Sarantis Family	47.00%
Greek Institutional Investors	14.00%
International Institutional Investors	30.00%
Free Float	9.00%

Stock Data

Price (27/07/06)	€7.94
Mkt Cap (in mn)	€302.89
Shares (in mn)	38.15

Stock Ratios

	2004	2005	2006 E	2007 E
P / E	17.85	15.67	14.55	12.31
P / BV	8.74	4.97	3.98	3.23
EV / EBITDA	13.87	11.94	10.78	9.59
D / Y	1.26%	1.64%	1.89%	2.27%
ROE	48.97%	40.45%	30.41%	28.98%
ROIC	12.34%	12.93%	12.09%	12.82%
Net debt / Equity	2.28	1.22	1.03	0.86

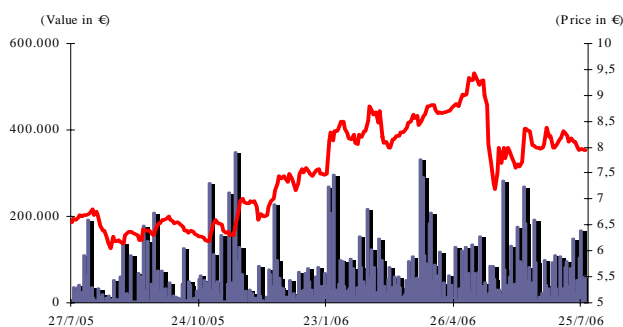
Summary Financials

P&L (in mil €)	2004	2005	2006 E	2007 E
Revenues	187.63	208.66	231.76	262.94
Gross Profit	86.08	100.09	109.41	121.48
OPEX	69.22	80.42	84.49	90.40
EBITDA	27.53	31.59	35.34	40.00
Finan. Results	-2.59	-2.87	-3.41	-3.49
Depreciation	2.98	3.44	3.83	4.36
EBT	21.95	25.28	28.11	32.15
EAT & Minor.	16.97	19.33	20.82	24.60

Source: Company Data & VRS Projections

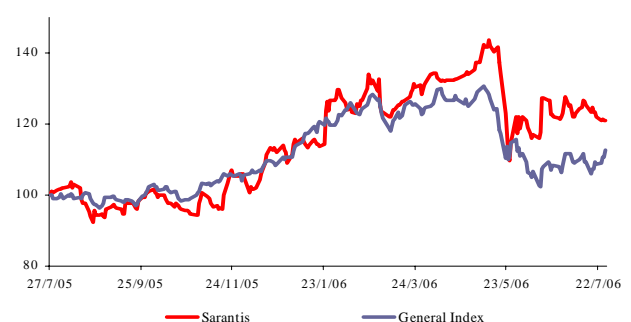
Stock Graph (52 weeks)

Min: €6.06, Max: €9.42



Relative performance with G.I. (52 weeks)

Stock Rtn: 21.04% - G.I. Rtn: 12.71%



KEY INVESTMENT POINTS

- Sarantis Group has captured the **leading position in Greek market of consumer products**. A 40% share in the luxury cosmetics market and 5-7% in mass-market cosmetics designate Sarantis' domestic market leadership.
- Sarantis' investment case illustrates the ability of the Group to **utilize a diversified product portfolio in several developing and emerging markets**, aiming at leading market shares in countries with high population rates and therefore, significant potential in terms of consumption.
- The expansion of Sarantis abroad is **adding significantly on total Group turnover**, with expected revenues representing approximately 67.34% by the end of 2010 (from 44.75% in 2005), rising on a 5-year CAGR of 22%. During 2005, the Group initiated operations in **Turkey and Ukraine** and recently in **Russia and Hungary**, making way for new development opportunities. These four markets represent a total market of approximately 300 mn inhabitants that will boost Group's existing target market.
- Sarantis Group has been in a **long-lasting partnership with Estee Lauder**, activating in the very competitive luxury cosmetics market of Greece **increasing at the same time its bargaining power with retailers**.
- Based on our estimation for the coming 5-years, and applying the DCF method, the fair price for the share is **€9.10 suggesting an outperform rating**. In addition, stock is fairly valued compared to its international peers, although it can be partially compared with them, as there are considerable differences in size and scope.

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INVESTMENT CASE

Sarantis Group has captured the **leading position in Greek market of consumer products**, and at the same time has successfully explored expansion opportunities in the international markets, mainly in the region surrounding Greece. A 40% share in the luxury cosmetics market and 5%-7% in mass-market cosmetics designate Sarantis' domestic market leadership. **International expansion currently covers more than 10 promising countries** in the broader South-East Europe, including Balkans and Turkey.

The major growth drivers for Sarantis Group are the mass-market cosmetics, household products, and health & care products. All three revenue streams are **generated from Sarantis own product portfolio**, which attracts the Group's greater attention as opposed to the generation of revenues through partnerships with third parties.

The Management's vision is "Go for Great" with "Great Products", implying the Group's evolution as a major player in the Southeastern European consumer market over the next 10-year period. "Great Products" for Sarantis illustrate that the Group utilizes its own product portfolio, consisting of the three categories of mass-market cosmetics, household products and health & care products, which historically generate the highest profit margins and strong bottom-line performance. Other business activities (luxury cosmetics, car accessories, etc.), which, until recently, the Group carried out, are now designated as "strategic alliances" and are of secondary importance.

Sarantis' investment case illustrates the ability of the Group to utilize a diversified product portfolio in several developing and emerging markets, aiming at leading market shares in countries with high population rates and therefore, significant potential in terms of consumption. Sarantis continues to implement strong advertising and marketing campaigns in all countries of activity, aiming at dynamic penetration as far as the existing markets are concerned, and faster breakeven cycle as far as the new markets are concerned..

- **Mass-Market Fragrances & Cosmetics**

This category is the second largest in terms of revenues; however it is the largest contributor in terms of earnings for the Group. Sarantis holds leading market shares in Romania, Bulgaria, FYROM, and Serbia for its own brands (STR8, Dare, Xpose, C-Thru, BU) and has over 50% market penetration in Greece.

We expect mass-market revenues to grow on 18.64% CAGR in the period 2005-2010, showing a dual performance, meaning a moderate growth in Greece and strong revenue growth internationally in view product development and mass

advertising expenditures. Revenues from this product category are expected to represent 46.31% of total group turnover by the end of 2010, from 35.24% in 2005.

During Q1 2006, revenues advanced by 19.92% to EUR 17.89 million as compared to the same period in 2005, with the own product portfolio demonstrating an even greater growth, of 21.69%.

- **Household Products**

Household products are the largest contributor to total consolidated turnover and the second largest in operating earnings. Sarantis holds leading market shares in certain product categories (aluminum foil, food bags and shoe care products) in the markets of Greece, Bulgaria, Romania, Serbia, FYROM and Poland. Over the recent years, the Group has acquired a series of local companies, thus gaining significant ground as far as penetration rate in those markets is concerned.

We expect revenues from household products to grow on 12.51% CAGR in the period 2005-2010, in view of enhanced product mix, rapid growth rates in existing international markets, and growth opportunities from new geographic regions. Revenues from this product category are expected to represent 36.72% of total group turnover by the end of 2010, from 36.42% in 2005.

During Q1 2006, household product revenues rose by 9.40% to EUR 18.46 million as compared to the same period in 2005, with the own product portfolio demonstrating higher growth, of 11.60%.

- **Health & Care Products**

Although they are among the strategic business activities of the Group, health & care products still contribute a much smaller stake to total consolidated turnover. Growth in this activity has been based on representation agreements and acquisitions.

We expect revenues from health & care products to grow on 6.27% CAGR in the period 2005-2010, as result of product portfolio restructuring, distribution network expansion, and greater penetration in the Eastern European markets. Revenues from this product category are expected to represent 6.93% of total group turnover by the end of 2010, from 9.15% in 2005. During Q1 2006, health & care product revenues rose by 22.79% to EUR 4.64 mn as compared to the same period in 2005.

- **Strategic Alliances**

As strategic alliances comprise an area of secondary importance for Sarantis Group, revenues from business activities such as luxury cosmetics, car

accessories and PET products represent approximately 19.19% of total consolidated revenues at end 2005.

We expect revenues from strategic alliances to gradually reduce on 1.33% CAGR in the period 2005-2010, representing 10.04% of total group turnover by the end of 2010. During Q1 2006, revenues from strategic alliances dropped by 15.29% to EUR 7.84 million as compared to the same period in 2005.

Turnover Breakdown by Activity (historic & projected figures)

(in €mn)	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Fragrances & Cosmetics	61.12	73.53	91.11	109.10	130.26	151.93	172.81
% of total	32.57%	35.24%	39.31%	41.49%	43.57%	45.15%	46.31%
y-o-y change		20.3%	23.9%	19.7%	19.4%	16.6%	13.7%
Household Products	69.30	76.00	85.32	97.59	110.44	123.72	137.04
% of total	36.94%	36.42%	36.81%	37.11%	36.94%	36.77%	36.72%
y-o-y change		9.7%	12.3%	14.4%	13.2%	12.0%	10.8%
Health Care Products	15.57	19.09	20.81	22.21	23.61	24.88	25.87
% of total	8.30%	9.15%	8.98%	8.45%	7.90%	7.39%	6.93%
y-o-y change		22.6%	9.0%	6.7%	6.3%	5.4%	4.0%
Strategic Alliances	41.64	40.04	34.53	34.05	34.66	35.94	37.45
% of total	22.19%	19.19%	14.90%	12.95%	11.59%	10.68%	10.04%
y-o-y change		-3.9%	-13.8%	-1.4%	1.8%	3.7%	4.2%
Total Turnover	187.63	208.66	231.76	262.94	298.97	336.48	373.17

EBIT Breakdown by Activity (historic & projected figures)

(in €mn)	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Fragrances & Cosmetics	5.32	8.28	10.60	12.84	15.77	19.13	22.46
% of total	21.69%	29.41%	33.64%	36.02%	38.39%	40.51%	42.04%
y-o-y change		55.5%	28.0%	21.1%	22.9%	21.3%	17.4%
Household Products	6.79	7.17	7.90	9.20	11.11	13.21	15.53
% of total	27.67%	25.47%	25.08%	25.82%	27.04%	27.97%	29.07%
y-o-y change		5.5%	10.2%	16.5%	20.7%	18.9%	17.6%
Health Care Products	2.06	2.58	2.69	2.87	2.98	3.20	3.35
% of total	8.41%	9.15%	8.53%	8.06%	7.25%	6.78%	6.27%
y-o-y change		24.8%	4.4%	6.9%	3.7%	7.4%	4.7%
Strategic Alliances	10.37	10.13	10.32	10.73	11.22	11.68	12.08
% of total	42.24%	35.97%	32.75%	30.10%	27.32%	24.74%	22.61%
y-o-y change		-2.3%	1.9%	4.0%	4.6%	4.1%	3.4%
Total Turnover	24.55	28.15	31.51	35.64	41.08	47.21	53.42

Source: Company Data & VRS Estimates

- **Joint Venture with Estee Lauder**

Sarantis Group has been in a long-lasting partnership with Estee Lauder, activating in the very competitive luxury cosmetics market of Greece. The Group has managed to increase its bargaining power with retailers due to the exclusive distribution of well-known luxury cosmetics. Following the adoption of IFRS in early 2005, the subsidiary Estee Lauder JV is now consolidated according to the equity method, with Sarantis Group recording an operating income from the joint venture affecting EBIT line. Operating income from Estee Lauder settled at EUR 1.45 million in Q1 2006, posting a decline of 12.42% as compared to the same period of 2005.

Turnover of Estee Lauder JV increased by 2.27% in 2005, settling at EUR 68.97 million. The turnover growth was seen as satisfactory, taking into account the tough market conditions, mainly the unfavorable demand and the weakening consumer spending. EBIT advanced by 3.12%, reaching EUR 15.14 million in 2005 from EUR 14.68 million in 2004. Finally, profit before taxes settled at EUR 15.95 million, posting a significant growth of 8.21%, as compared to the previous year.

- **Own versus Distributed Products**

In early 2006, Sarantis confirmed its strategy to further shift its sales efforts to the own product portfolio of the Group, as opposed to the distributed products, which concern third party agreements. We view this shift as especially positive for the following factors:

- Own products offer the opportunity for solid establishment and recognition of Sarantis Group in the targeted region of Southeast Europe,
- Having established a strong positioning based on the own product portfolio, Sarantis will increase its negotiating power and attain more favorable distribution agreements,
- By strengthening own product sales, Sarantis will further enhance profit margins and bottom line performance.

Own vs Distributed Turnover Breakdown (historic & projected figures)

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Own Products	103.02	122.53	147.81	176.65	209.20	242.82	275.93
% of total	54.91%	58.72%	63.78%	67.18%	69.97%	72.16%	73.94%
y-o-y change		18.9%	20.6%	19.5%	18.4%	16.1%	13.6%
Distribution Agreements	84.61	86.13	83.95	86.29	89.77	93.66	97.24
% of total	45.09%	41.28%	36.22%	32.82%	30.03%	27.84%	26.06%
y-o-y change		1.8%	-2.5%	2.8%	4.0%	4.3%	3.8%
Total Turnover	187.63	208.66	231.76	262.94	298.97	336.48	373.17

Own vs Distributed EBIT Breakdown (historic & projected figures)

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Own Products	10.43	14.12	17.03	20.38	25.05	30.32	35.84
% of total	42.50%	50.16%	54.06%	57.18%	60.97%	64.21%	67.10%
y-o-y change		35.3%	20.6%	19.6%	22.9%	21.0%	18.2%
Distribution Agreements	14.11	14.03	14.48	15.26	16.04	16.90	17.57
% of total	57.50%	49.84%	45.94%	42.82%	39.03%	35.79%	32.90%
y-o-y change		-0.6%	3.2%	5.4%	5.1%	5.4%	4.0%
Total Turnover	24.55	28.15	31.51	35.64	41.08	47.21	53.42

Source: Company Data & VRS Projections

- **Domestic Market versus International Expansion**

Greece remains the major generator of solid profit margins and sustained bottom line performance for Sarantis Group, whereas the international markets despite their strong contribution in total consolidated revenues, offer yet limited net profit contribution. On the other hand, as certain markets have already illustrated, improved earnings performance on international level is a very realistic target for Sarantis Group.

While **domestic market will continue to be the cash cow for the Group**, the respective turnover and earnings growth rates should remain moderate. On the other hand, **the international markets offer stronger growth potential**, as so far evidenced in certain regions, such as Poland or the Balkans, where GDP growth remains unabated. Furthermore, the achievement of a critical sales volume and market share in each market will automatically boost bottom line performance.

Sarantis' Management has explicitly stated that international revenues should reach at least 50% of total consolidated turnover by the end of 2006, as the Group expects to further strengthen its market shares in the great majority of countries.



Geographic Turnover Breakdown (historic & projected figures)

(in €mn)	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Greece	115.90	115.28	111.46	113.08	115.64	118.64	121.89
% of total	61.77%	55.25%	48.09%	43.01%	38.68%	35.26%	32.66%
y-o-y change		-0.5%	-3.3%	1.5%	2.3%	2.6%	2.7%
Poland	30.48	40.26	47.44	55.83	64.39	72.78	79.99
% of total	16.24%	19.29%	20.47%	21.23%	21.54%	21.63%	21.43%
y-o-y change		32.1%	17.8%	17.7%	15.3%	13.0%	9.9%
Romania	23.70	28.73	33.37	37.69	41.70	45.37	48.27
% of total	12.63%	13.77%	14.40%	14.33%	13.95%	13.48%	12.93%
y-o-y change		21.2%	16.2%	12.9%	10.6%	8.8%	6.4%
Bulgaria	10.02	11.37	12.48	13.37	14.46	15.70	17.02
% of total	5.34%	5.45%	5.38%	5.08%	4.84%	4.66%	4.56%
y-o-y change		13.4%	9.7%	7.1%	8.2%	8.5%	8.4%
Serbia	4.21	5.84	7.40	9.16	11.06	12.59	13.47
% of total	2.24%	2.80%	3.19%	3.48%	3.70%	3.74%	3.61%
y-o-y change		38.8%	26.7%	23.8%	20.8%	13.9%	6.9%
Czech Republic	2.32	3.35	4.17	5.12	5.98	6.78	7.39
% of total	1.23%	1.61%	1.80%	1.95%	2.00%	2.01%	1.98%
y-o-y change		44.7%	24.4%	22.8%	16.7%	13.4%	9.1%
FYROM	1.01	1.30	1.66	1.99	2.28	2.50	2.62
% of total	0.54%	0.62%	0.72%	0.76%	0.76%	0.74%	0.70%
y-o-y change		28.7%	27.8%	19.4%	14.6%	9.8%	4.9%
Ukraine		0.22	1.68	3.89	6.86	9.95	12.93
% of total		0.11%	0.73%	1.48%	2.29%	2.96%	3.47%
y-o-y change			649.8%	131.3%	76.4%	45.0%	30.0%
Turkey		2.32	6.60	9.52	12.58	16.24	19.62
% of total		1.11%	2.85%	3.62%	4.21%	4.83%	5.26%
y-o-y change			184.7%	44.3%	32.0%	29.1%	20.9%
Russia			5.00	12.40	22.41	33.02	44.73
% of total			2.16%	4.72%	7.50%	9.81%	11.99%
y-o-y change				148.0%	80.7%	47.3%	35.5%
Hungary			0.50	0.90	1.62	2.92	5.25
% of total			0.22%	0.34%	0.54%	0.87%	1.41%
y-o-y change				80.0%	80.0%	80.0%	80.0%
Total International	71.74	93.39	120.30	149.86	183.33	217.84	251.28
% of total	38.23%	44.75%	51.91%	56.99%	61.32%	64.74%	67.34%
y-o-y change		30.2%	28.8%	24.6%	22.3%	18.8%	15.4%
Total Turnover	187.63	208.66	231.76	262.94	298.97	336.48	373.17

Source: Company Data & VRS Projections

Geographic EBIT Breakdown (historic & projected figures)

(in €mn)	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Greece	19.18	20.32	20.75	21.47	22.27	23.07	23.81
% of total	78.12%	72.19%	65.85%	60.24%	54.22%	48.87%	44.58%
y-o-y change		6.0%	2.1%	3.5%	3.7%	3.6%	3.2%
Poland	1.16	3.13	4.00	5.28	7.00	8.54	10.01
% of total	4.73%	11.12%	12.69%	14.81%	17.03%	18.08%	18.74%
y-o-y change		169.5%	27.7%	32.0%	32.5%	22.0%	17.2%
Romania	2.88	3.46	3.93	4.41	4.96	5.65	6.13
% of total	11.73%	12.28%	12.47%	12.36%	12.08%	11.96%	11.48%
y-o-y change		20.0%	13.7%	12.1%	12.7%	13.8%	8.6%
Bulgaria	0.63	0.91	1.10	1.33	1.53	1.79	2.02
% of total	2.56%	3.24%	3.49%	3.73%	3.73%	3.79%	3.79%
y-o-y change		45.2%	20.5%	20.9%	15.4%	16.7%	13.1%
Serbia	0.54	1.09	1.36	1.69	2.03	2.30	2.44
% of total	2.21%	3.88%	4.33%	4.73%	4.93%	4.86%	4.57%
y-o-y change		101.7%	24.9%	23.6%	20.2%	13.2%	6.3%
Czech Republic	0.10	0.06	0.13	0.27	0.36	0.49	0.65
% of total	0.40%	0.20%	0.41%	0.76%	0.87%	1.04%	1.22%
y-o-y change		-42.8%	127.9%	110.2%	32.6%	36.9%	32.7%
FYROM	0.06	0.11	0.14	0.19	0.23	0.26	0.31
% of total	0.25%	0.38%	0.44%	0.53%	0.55%	0.56%	0.58%
y-o-y change		72.0%	31.5%	34.4%	20.7%	16.6%	16.6%
Ukraine		-0.25	-0.05	0.27	0.67	1.07	1.52
% of total			-0.16%	0.76%	1.62%	2.26%	2.84%
y-o-y change			-80.0%	-639.7%	144.9%	59.9%	42.1%
Turkey		-0.65	0.19	0.50	0.91	1.45	2.08
% of total		-2.29%	0.60%	1.39%	2.21%	3.07%	3.89%
y-o-y change			-129.3%	162.7%	83.2%	59.1%	43.6%
Russia		-0.03	-0.03	0.25	1.12	2.54	4.24
% of total		-0.11%	-0.08%	0.70%	2.73%	5.39%	7.93%
y-o-y change			-15.5%	-1092%	351.8%	127.0%	66.6%
Hungary		-0.03	-0.03	0.25	1.12	2.54	4.24
% of total		-0.11%	-0.08%	0.70%	2.73%	5.39%	7.93%
y-o-y change			-15.5%	-1092%	351.8%	127.0%	66.6%
Total International	5.37	7.83	10.76	14.17	18.81	24.14	29.60
% of total	21.88%	27.81%	34.15%	39.76%	45.78%	51.13%	55.42%
y-o-y change		45.7%	37.5%	31.7%	32.7%	28.3%	22.6%
Total Turnover	24.55	28.15	31.51	35.64	41.08	47.21	53.42

Source: Company Data & VRS Projections

CORPORATE PROFILE

Sarantis Group deals with production, trading and distribution of mass-market and selected cosmetics, household and health & care products, as well as with OTC products. The Group operates production facilities in Greece and a strong distribution network in the broader Southeast Europe, in countries such as Poland, Russia, Balkans, and Turkey. Sarantis generates revenues via distribution of consumer products based on a combination of own products and third party agreements.

In mass-market cosmetics, Sarantis distributes own brands as well as products based on partnerships with multinational corporations, such as Johnson & Johnson, Procter & Gamble, etc.

In household product market, Sarantis operates its own manufacturing facilities, producing aluminum foil, food bags, etc., whereas at the same time the Group imports household products from China, seeking to reduce cost of sales.

As far as **health & care products** are concerned, Sarantis distributes the brand names of Lanes, Ortis, Perlier, Korff and 3M, and has captured a significant market share, nearly 10%, in Greece.

- **Sarantis' Strategic Priorities**

The Management has offered guidance as far the Group's strategic priorities are concerned over the next 2 years:

1. Geographic expansion in the 4 new markets of Turkey, Ukraine, Russia and Hungary. Sarantis entered into those markets during 2005.
2. Greater emphasis on own product portfolio, which generates higher margins and stronger earnings than strategic alliances.
3. Achievement of greater growth rates in the three major business activities: mass-market cosmetics, household products, and health & care products.

We view the above priorities to be in line with Sarantis Group's strategy to assume the leading position in the consumer product market of Southeast European market by the end of the next 10-year period. As far as the new 4 markets are concerned, we expect to be strongly profitable by the end 2007 or early 2008. At the same time, for the achievement of those goals, we should exclude any local acquisition targets to be realized in the following years, in an effort to speed up market penetration for the Group.

VALUATION

Based on our estimation for the coming 5-years, and applying the Discounted Free Cash Flow Method, the fair price for the share is €347.21 mn, or €9.10 per share.

(in €million)	2006 E	2007 E	2008 E	2009 E	2010 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	11.1%	13.5%	13.7%	12.5%	10.9%	2.5%
EBIT Margin	13.6%	13.6%	13.7%	14.0%	14.3%	14.6%
Tax Rate	22.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Ch. in Working Capital (% of sales)	5.1%	5.0%	5.1%	5.0%	4.5%	4.0%
Capex (% of sales)	3.9%	3.7%	2.0%	1.5%	1.3%	1.5%
Cost of Capital	6.2%	6.7%	7.2%	7.7%	8.1%	8.2%
Depreciation (% of sales)	1.1%	1.7%	1.7%	1.6%	1.5%	1.5%
CASH FLOW STATEMENT						
Turnover	231.8	262.9	299.0	336.5	373.2	382.5
EBIT	31.5	35.6	41.1	47.2	53.4	55.9
Less: Adjusted Tax	6.2	6.4	7.5	8.8	10.1	10.5
Adjusted Operating Profit	25.3	29.2	33.5	38.4	43.4	45.4
Plus: Depreciation	3.8	4.4	4.8	5.2	5.4	5.7
Operating Cash Flow	29.2	33.6	38.4	43.6	48.8	51.1
Less: Change in Working Capital	11.9	13.1	15.2	16.7	16.8	15.3
Less: Capex	9.1	9.6	6.0	5.0	5.0	5.7
Cash Flow to the Firm (FCFF)	8.2	10.8	17.2	21.8	27.0	30.1
Discount Factor	0.94	0.88	0.81	0.74	0.68	0.68
Present Value of Cash Flows	7.72	9.50	13.96	16.24	18.32	
Accumulated Present Value	7.72	17.22	31.19	47.42	65.75	
Residual Value						531.9
Present Value of Residual Value						359.4

VALUATION

Enterprise Value	425.18
% Residual Value of Total	84.5%
Less: Net Debt	77.97

Value of firm	347.21
Outstanding # of shares (000)	38,147
Value of share	9.10

WACC CALCULATION

	L-T Assumpt.
Risk Free Rate	4.5%
Beta Factor	1.2
Market risk Premium	5.0%
Cost of Equity	10.5%
Debt / Debt + Equity	35.2%
Cost of Debt	4.8%
Tax Rate	20.0%
Weighted Average Cost of Capital	8.2%

Source: VRS Estimates

Applying a sensitivity analysis to the above DCF model, trying different growth rates and different values for weighted average cost of capital (WACC) we end up with the following table.

Parameters		WACC				
		6.2%	7.2%	8.2%	9.2%	10.2%
Sales Growth	1.00%	9.86	8.62	7.02	5.83	4.91
	2.00%	13.69	10.45	8.29	6.76	5.61
	2.50%	15.68	11.67	9.10	7.33	6.03
	3.00%	18.31	13.18	10.07	7.99	6.51
	3.50%	21.93	15.10	11.24	8.77	7.06

Stock Data (historic & projected figures)

	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Price (in €, as of 24/06/2006)	€7.94					
Shares Outstanding	38,146,940					
Market Capitalization (in €)	302,886,704					
EPS (in €)	0.51	0.55	0.64	0.76	0.89	1.02
Book Value / Share (x)	1.6	2.0	2.5	3.0	3.7	4.4
EV (in €mn)	377.08	380.86	383.50	381.04	375.69	367.04
P/E (a.t.& m.i)	15.67x	14.55x	12.31x	10.43x	8.90x	7.76x
P/BV	4.97x	3.98x	3.23x	2.64x	2.17x	1.81x
EV/EBITDA	11.94x	10.78x	9.59x	8.30x	7.17x	6.24x
EV/Sales	1.81x	1.64x	1.46x	1.27x	1.12x	0.98x
Dividend / Share (in €)	0.13	0.15	0.18	0.21	0.25	0.29
Dividend Yield	1.6%	1.9%	2.3%	2.6%	3.1%	3.7%

Source: Company Data & VRS Projections

COMPARATIVE RATIOS

We compare Sarantis Group with a peer group of international household/personal care companies. The analysis demonstrates that its earnings multiples trade lower compared to its peers (based on projected fiscal 2006 multiples P/E). The company can be partially compared to its peers, as there are considerable differences in size and scope.

Company	Country	Mkt Cap (mn)	P/E '06	P/BV '06
Procter & Gamble Co	US	183.99	21.34	3.50
Colgate Palmolive	US	31.95	21.49	30.63
Kimberly Clark Corp	US	27.15	15.22	4.79
Estee Lauder	US	7.71	19.21	5.89
L' Oreal	France	49.57	25.80	3.31
Henkel	Germany	11.93	13.57	2.12
Adjusted Average			20.63	7.17

Data: Bloomberg estimates for fiscal 2006. Share prices as of July 24th 2006

KEY FINANCIAL FIGURE ANALYSIS

- **Revenue Growth Potential**

We believe that Sarantis Group will post strong growth rate in the next 5-year period, attributed mainly to the Eastern Europe operations, given countries' economic prospects and Group's organized and effective distribution network.

By 2010, we expect international operations to account for 67.34% and 55.42% of Group turnover and EBIT respectively, with Poland and Romania remaining the major contributors.

During 2005, the Group initiated operations in Turkey and Ukraine and during 2006 in Russia and Hungary, making way for new development opportunities. These markets constitute a very challenging opportunity due to their size. With a population that reach about 300 mn. inhabitants (more than doubling Group's existing target market) and growth rate exceeding 6%, even a conservative expansion may be sufficient to add significantly to Group's financials.

Sarantis entered Turkey with selected lines of its household products (such as packaging and shoe polish) and Ukraine with household and mass cosmetics products with the potential to introduce other product lines in the future from the rest of its portfolio. These two markets are expected to post a loss this year but are expected to turn profitable from fiscal 2007 and on. In Russian market, Sarantis reached last October an agreement with Reiting (a leader distributor of consumer products) for the establishment of a subsidiary. The company will have a 65% stake in Sarantis Russia, with Reiting owing the remaining 35%.

- **Profit Margin Improvement**

The Group's strategic plan include the gradual improvement of profit margins through changing the product mix in the Group's portfolio, despite current pressures due to high promotional and start-up costs in East Europe.

- **Bank Debt / Equity improvement**

Total bank debt is expected to range in the €100 mn level. The ratio 'bank debt / equity' is expected to gradually reduce below 1x (0.7x at end 2010 from 2.9x at end 2005), changing against Group's strong cash flow increase.

- **CAPEX**

According to the management, the Group will invest at least €25m in the next 3 years, of which only €5m is maintenance and the remaining €20m could involve investments in Turkey, Ukraine and Russia.

Historic & Projected Profit & Loss Account

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Turnover	187.63	208.66	231.76	262.94	298.97	336.48	373.17
y-o-y Change. %		11.21%	11.07%	13.45%	13.70%	12.55%	10.91%
Cost of Sales	101.55	108.57	122.35	141.46	164.34	188.78	213.82
% of Turnover	54.12%	52.03%	68.92%	67.44%	54.97%	56.10%	57.30%
y-o-y Change. %		6.91%	12.69%	15.62%	16.17%	14.87%	13.27%
Gross Operating Results	86.08	100.09	109.41	121.48	134.63	147.70	159.35
Gross Operating Margin	45.88%	47.97%	47.21%	46.20%	45.03%	43.90%	42.70%
y-o-y Change. %		16.28%	9.31%	11.04%	10.82%	9.71%	7.89%
Other op. income/expense	10.67	11.92	10.42	8.92	7.42	5.92	5.00
Operating Expenses	69.22	80.42	84.49	90.40	96.14	101.25	105.49
% of Turnover	36.89%	38.54%	36.45%	34.38%	32.16%	30.09%	28.27%
y-o-y Change. %		16.19%	5.05%	7.01%	6.34%	5.32%	4.18%
EBITDA	27.53	31.59	35.34	40.00	45.91	52.37	58.86
EBITDA Margin	14.67%	15.14%	15.25%	15.21%	15.36%	15.56%	15.77%
y-o-y Change. %		14.76%	11.87%	13.17%	14.79%	14.06%	12.40%
Depreciation	2.98	3.44	3.83	4.36	4.83	5.16	5.45
% of Turnover	1.59%	1.65%	1.65%	1.66%	1.62%	1.53%	1.46%
EBIT	24.55	28.15	31.51	35.64	41.08	47.21	53.42
% of Turnover	13.08%	13.49%	13.60%	13.55%	13.74%	14.03%	14.31%
y-o-y Change. %		14.68%	11.94%	13.10%	15.27%	14.93%	13.14%
Net Financial Results	-2.59	-2.87	-3.41	-3.49	-3.42	-3.21	-3.08
Net Results Before Taxes	21.95	25.28	28.11	32.15	37.66	44.00	50.33
EBT Margin	11.70%	12.12%	12.13%	12.23%	12.60%	13.08%	13.49%
y-o-y Change. %		15.17%	11.17%	14.39%	17.15%	16.83%	14.39%
Tax income	4.39	5.42	6.18	6.43	7.53	8.80	10.07
Effective Tax Rate	19.99%	21.44%	22.00%	20.00%	20.00%	20.00%	20.00%
Deferred Taxes	0.25	699	200	100	0	0	0
Net Results After Taxes	17.32	19.16	21.72	25.62	30.13	35.20	40.27
EAT Margin	9.23%	9.18%	9.37%	9.74%	10.08%	10.46%	10.79%
y-o-y Change. %		10.67%	13.35%	17.94%	17.61%	16.83%	14.39%
Minority rights	0.35	-0.17	0.90	1.02	1.10	1.18	1.26
Net Results (a.t.&m.i.)	16.97	19.33	20.82	24.60	29.03	34.02	39.01
Net Margin	9.04%	9.26%	8.98%	9.36%	9.71%	10.11%	10.45%
y-o-y Change. %		13.93%	7.72%	18.14%	18.01%	17.19%	14.66%

Source: Company Data & VRS Projections

Historic & Projected Balance Sheet

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Assets							
Net Intangible Assets	0.03	0.00	0.00	0.00	0.00	0.00	0.00
Net Tangible Assets	44.39	44.79	50.06	55.31	56.50	56.37	55.95
Investments in Associates	13.35	21.41	23.98	26.85	30.08	33.68	37.73
Other L-term assets	19.74	25.22	27.60	30.30	33.35	36.79	40.68
Total Non-Current Assets	64.16	70.01	77.66	85.61	89.85	93.16	96.63
% Total Assets	33.22%	32.18%	31.89%	31.97%	30.25%	28.66%	27.04%
Inventories	33.27	40.04	45.59	53.10	62.13	71.89	82.01
Trade Receivables	46.70	55.76	65.40	76.36	89.28	103.25	117.57
Other Receivables	25.20	25.33	25.83	26.35	26.88	27.55	28.24
Cash in bank and at hand	23.81	26.42	29.03	26.39	28.85	29.20	32.84
Total Current Assets	128.97	147.55	165.85	182.20	207.14	231.89	260.67
% Total Assets	66.78%	67.82%	68.11%	68.03%	69.75%	71.34%	72.96%
TOTAL ASSETS	193.13	217.56	243.51	267.80	296.99	325.05	357.30
Equity & Liabilities							
Shareholder's Equity	34.65	60.93	76.03	93.76	114.78	139.27	167.21
Minority Rights	1.99	1.85	2.48	3.19	3.96	4.79	5.67
Total Equity	36.64	62.78	78.51	96.96	118.75	144.06	172.88
% Total Equity & Liabilities	18.97%	28.86%	32.24%	36.20%	39.98%	44.32%	48.39%
L-Term Bank Loans	96.00	92.80	100.00	100.00	100.00	95.00	90.00
Provisions for Staff Retirement	2.53	2.38	2.44	2.51	2.57	2.63	2.70
Deffered Tax Liabilities	0.79	0.02	0.02	0.02	0.02	0.02	0.02
Other long term debts	4.46	3.11	3.05	2.99	2.99	2.99	2.99
Total L-Term Liabilities	103,774	98,318	105,513	105,511	105,573	100,637	95,702
Suppliers	33.24	38.29	42.48	48.34	55.26	62.44	70.30
Banks	6.83	7.81	7.00	7.00	7.00	7.00	7.00
Taxes-duties	2.70	3.30	3.09	3.21	3.77	4.40	5.03
Other Receivables	9.94	7.06	6.92	6.78	6.65	6.51	6.38
Total Current Liabilities	52.72	56.46	59.49	65.34	72.67	80.35	88.71
Total Liabilities	156.49	154.78	165.01	170.85	178.24	180.99	184.42
% Total Equity & Liabilities	81.03%	71.14%	67.76%	63.80%	60.02%	55.68%	51.61%
Total Equity & Liabilities	193.13	217.56	243.51	267.80	296.99	325.05	357.30

Source: Company Data & VRS Projections

NOTES

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	100%	Expected to Outperform the Index by more than 10%
Neutral	0%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.
2/ Benchmark Index: ASE General Index.
3/ Stock Universe: 40 Companies.
4/ Current Stocks Covered: 1 Company.

Ratings History

Date	Rating	Target Price
27/07/2006	Outperformed	€9.10

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