SARANTIS (SRSr. AT) € 6.56

HOUSEHOLD/COSMETICS (Consumer Products)

11/10/2005

Distribution is the key… Strong Earning Potential…

Initiating coverage with a BUY **TP: € 9.00 – € 10.00**

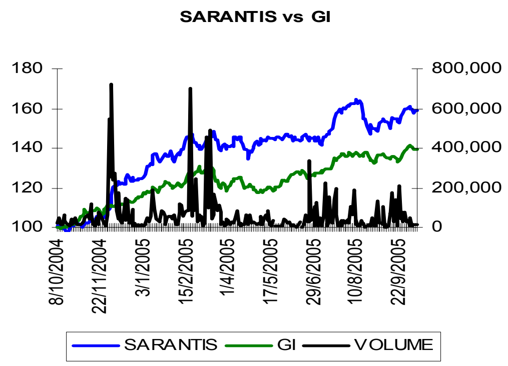
Research Dept: Vassilis Vlastarakis,30-210 6478 900 analisi@beta.gr
International Institutional Sales: Antoine R Crassa +30 210 64 78 900 arcrassa@beta.gr

Key Data

Reuters Code	SRSr.AT
Bloomberg Code	SARANTIS GA
Mkt Cap €mil.	250.24
Shares outstanding	38,146,940
Free Float	51%
52 weeks high	€ 6.80
52 weeks low	3.99

	1m	3m	12m
Daily Avg Volume	49,304	49,174	60,984
Absolute Perf	3.8%	8.3%	54.2%
GI performance	3.1%	7.6%	39.4%

Price OCT 04 –OCT 05



Year to Dec (EUR mn)	2004A	2005E	2006F	2007F
EPS	0.44	0.45	0.47	0.55
EPS growth		0.01	0.05	0.17
P/E	14.8	14.6	13.9	11.9
EV/Revenue	1.8	1.7	1.5	1.3
EV /EBIT	14.1	13.3	11.2	9.9
EV/EBITDA	12.3	11.7	10.0	8.8
P/BV	6.8	5.4	3.8	3.2
Div Yield	1.5%	1.7%	1.8%	2.2%
Net Debt (Euro mn)	95.8	97.1	86.3	84.2
EV (Euro mn)	346.1	347.3	336.5	334.4

Source Company & Beta estimates

Highlights:

- ***Clear strategy:*** Growth through geographical and product expansion. SARANTIS is adapting a two pronge strategy: expansion of its activities in the Eastern European markets and increase the production of its own brands. This strategy shall eclipse the slowdown in the Greek markets offering a growth rate in excess of 13% per year for the next five years). SARANTIS should attain over 50% of its revenues from international markets by 2008.
- ***Strong distribution system:*** With the latest technological and logistical functions, SARANTIS has the most modern automated warehousing and distribution facilities in Eastern Europe. It owns its own factory and warehouses (over 220 000 cubic meters), while it has the ability to double its capacity at very limited expense.
- ***Strong management***: Grown internally and focused, Sarantis has the ability to provide front line management for the fulfillment of its strategic plans. Backed by modern technology, Management has strict inventory controls, on time cost and efficiency controls in its manufacturing and distribution facilities.
- ***Brand Recognition:*** SARANTIS proprietary brands have leading market shares in Eastern Europe**.** An efficient sales force ensures that its products are always on the front of every supermarket and store both in Greece and Eastern Europe. Strong and focused advertising campaign as well as strong servicing of its accounts maintains high margins and continuity. Continuous investments in R&D ensures a constant flow
- ***Long-Term Appreciation:*** Despite of its outperformance against the Greek markets (26.8% vs. 18.8%), Sarantis is still trading at a large discount to its European peer group. With an accelerated growth rate of 13% and a low evaluation, SARANTIS offer a strong investment opportunity.

Scope of business

The Sarantis Group (SARANTIS) is the leading producer, wholesaler and distributor of Mass Market Cosmetics (Eau de toilette, after-shave lotions and deodorants) and household products (food packaging, shoe polish and cleaning products) in Greece and Eastern Europe. The company was established in 1930 in Istanbul by Mr. Gregory Sarantis, grandfather of Messrs. Kyriakos & Gregory Sarantis the main shareholders of the company (over 40%). In 1956, due to the prevailing political situation in Turkey, the group relocated to Athens, Greece. In the late 1970's, SARANTIS started a cooperation with Estee Lauder, which still stands through a joint venture that took place in 2001. The Estee Lauder joint venture makes an important contribution to the company's effort to dominate the luxury cosmetic sector activity. In addition to its own proprietary brands, SARANTIS also distributes Johnson & Johnson and Procter & Gamble products in Eastern Europe. Among its clients It services, major supermarket chains such as Carrefour, AB Vassilopoulos, Metro, Macro count among them as well as smaller family owned shops. SARANTIS has a well diversified and loyal customer base which it services with its own internal marketing force.

Sectors of activity

SARANTIS services the consumer through the following six business units:

I. Mass Market Cosmetics
The mass-market cosmetics division is comprised of more than 20 brand names, the majority of which are proprietary. Mass market cosmetics are affordable products distributed through supermarkets, pharmacies and cosmetics shops. In addition, SARANTIS has formed partnerships with several global consumer good companies such as Johnson & Johnson and Procter & Gamble, for the exclusive distribution of their products in Bulgaria, Romania as well as Greece. SARANTIS has its own R&D department geared toward the region introducing new products on a regular basis (one of the most recent and successful re-launches was the introduction of the male care products STR8).

Mass-market cosmetics accounted for € 34.7m or 34.9% of total turnover for the 1H2005. Product innovation, mass advertising and tight line of sales and servicing keep this division at the avant -guarde of its sector.

The mass-market cosmetics division is the strongest one in the group. SARANTIS holds leading market shares in Romania, Bulgaria and Serbia for its own brands (STR8, Dare, Xpose, C-Thru, BU). It also has over 50% market penetration in Greece. While the Greek market is rather stagnant, SARANTIS is developing a strong distribution network for its existing line in the Balkans and Eastern Europe. Ukraine and Turkey are already operational while Russia is to be added in the immediate future. This means an additional 380 million consumers to be exposed to SARANTIS' brands and products.

II. Luxury Cosmetics
In addition to its joint venture with Estee Lauder, SARANTIS distributes exclusively more than 30 well known luxury cosmetics brands.. SARANTIS distributes and has agreements with other well-known luxurious brands such as Clinique, Tommy Hillfiger, Donna Karan, Giorgio of Beverley Hills to name a few.

Luxury cosmetics accounted for € 6.6m or 6.6% of total turnover for the 1H2005. Sarantis has established a joint venture with Estee Lauder for the exclusive distribution of its luxury cosmetics in Greece, Romania and Bulgaria. The revenues of the JV (over € 70 m) are not consolidated in the accounts due to IFRS rules. SARANTIS accounts for it under the equity method. While SARANTIS owns 49% of Estee Lauder JV, it has total control of its management and operation. As a matter of fact, the Chairman of the Company dedicates himself entirely to the JV. This venture should last until 2021 and should be the launch pin for several other similar ventures in different markets.

III. Household Products
This division deals in more than 10 proprietary brands. Household products accounted for € 38m or 38.2% of total turnover for the 1H 2005. While utilizing China to import some of them, SARANTIS has its own manufacturing facilities. SARANTIS is considered to be the largest manufacturer of aluminum foil in Eastern Europe. SARANTIS enjoys leading positions in Greece & Poland for products such as aluminum foil, food bags, and shoe care products etc. It also is setting up private label facilities for some of its clients.

IV. Health Care Products
With significant activity in the Greek and Eastern Europe markets, the group distributes leading brands in the vitamins' and parapharmaceutical products' markets. Under the brand names of Lanes, Ortis, Perlier, Korff and 3M, this sector represents approximately 6% of sales and 7% of EBIT for 2004.

V. Car Accessories
This sector consists of more than 10 brands of car accessories. Through its subsidiary K. Theodoridis S.A., Sarantis represents and distributes a wide selection of products i.e. protection and security care and decoration,. Some of these products are considered seasonal. SARANTIS aims to grow the product line as well as the distribution of these products through its existing channels. This sector offers strong upside potential and is not reflected in our estimates. Car accessories accounted for €6m or 6% of total turnover for the 1H 2005 demonstrating a solid growth rate of 13.9% y-o-y based on Q105 figures.

VI. Pet Business

While the pet products division is profitable and consists of more than 10 brands, SARANTIS has decided to exit this segment and divest itself from this activity. Sarantis revenues from pet division accounted for € 3.4m or 3% of total turnover for the 1H 2005. This loss of revenues will be more than compensated by the growth in international and in brand names.

While controlling to a large degree its channels of distribution and having at its disposal one the largest warehouses in Europe, SARANTIS merchandises at present more than 55 brand names in Eastern Europe. Some of these products are listed in the following table:

Table 1. Illustration of Sarantis Products

Mass market cosmetics/ Household products produced & distributed by Sarantis Gr	
Male fragnances	STR8, DARE, PROSAR
Female fragnances	C-THRU, BU, BU TEASE, XPOSE,99 CLOCHARD
Sun Care	CARROTEN
Food Bags	Sanitas, Fino,Jan Niesbedny, Grozik
Aluminium Foil	Sanitas, Fino,Jan Niesbedny, Grozik
Garbage Bags	Sanitas, Fino,Jan Niesbedny, Grozik
WC Blocks	Afroso, Riva
Shoe care products	Camel
Pesticides	Teza, Pyrox, Bisbardi
Fabric Whiteners	Skot, Rivex
Air Freshners	Afroso, Riva
Diswhashing Liquids	Trylet, Savonit
Pipe cleaners	Tuboflo
Products distributed & represented by Sarantis Group	
Company	**Brand names**
Artsana Group	Korff
Boots	Clearasil
Cartier	Cartier
Church & Dwight	Trojan, Pearl Drops, Nair
Coty	Adidas
Creation Pacific Parfum	Lolita Lempicka, castel bajac
Diana De Silva	Montana
Estee Lauder	Estee Lauder, Clinique, Aramis, Tommy Hilfiger, DKNY
Iams	Eukanuba
ITF Spa	Roberto Cavalli, R. Gigli, GFF
Johnson & Johnson	Jonhnson & Jonhnson
Juvena Swizerland	Juvena
Lalique	Lalique
Maneti Roberts	Neutro Roberts
Orlane Paris	Orlane
Procter & Gamble	Clairol Color
Puig	Nina Ricci, Diabolo
Pupa	Pupa
Versace	Versace

Source: Sarantis

International Operations

International operations is an integral part of the SARANTIS strategy. Having captured over 50% of the Greek market for cosmetics and household products, SARANTIS has begun to expand its operations into its neighboring markets since 2001. SARANTIS already operates in Eastern Europe through 8 wholly owned subsidiaries in: Poland, Romania, Bulgaria, Serbia , FYROM, Czech Republic, Turkey and Ukraine. Moreover Sarantis plans its penetration in the Russian market through the establishment of a new subsidiary in early 2006. Having the depth in management and the logistical advantage, it is able to immediately penetrate those local markets, which are supplied from a steady uninterrupted supply chain in Greece. SARANTIS has the ability to double its warehousing and manufacturing facilities without incurring any major capital expenditures.

Further to those eight operations, SARANTIS holds direct exports in more than 20 countries: Albania, Belarus, Croatia, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Moldova, Portugal, Russian Kaliningrad, Slovakia, Slovenia, etc through local distributors. The company holds leading positions in mass market cosmetics and household products in Eastern Europe. When its sales reach a critical mass, SARANTIS moves cautiously to acquire the necessary infrastructure to establish a stronger presence in these markets. It is at present negotiating to expand in Russia. With the recent addition of Ukraine and Turkey, this represents over 380 million consumers in virtually virgin markets. Based on proven and able management, SARANTIS does not venture in these markets unless it is assured of a client distribution network.

The expansion of Sarantis activities the in these countries offers the opportunity to SARANTIS to expand its product line and distribute its cosmetics and household product lines. Sarantis has already acquired the exclusive distribution rights for Estee Lauder cosmetics for Romania and Bulgaria till 2021. Strong and focused management will help SARANTIS to achieve above average growth rate in a highly competitive environment.

The following is a brief description of the operations of SARANTIS in each of its countries of operation.

Poland (est.1991 based in Warsaw)

Activities:

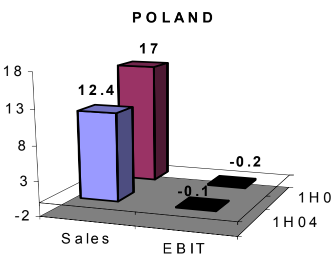
<u>Production & distribution</u>: plastic items (garbage bags, ice bags), paper items (food bags, cooking paper).
<u>Distribution:</u> produced by Sarantis: mass-market cosmetics (male fragrance STR8, female fragrance C-THRU, X-Pose and BU), shoe care products (Camel) and the Fino line. Other companies' products: (Antonio Puig, Manetti Roberts)

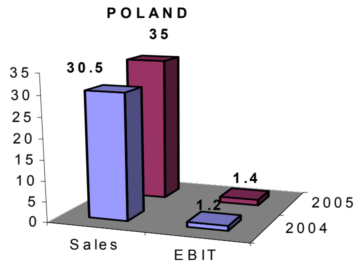
Distribution Network:

SARANTIS feeds its 10 storage houses in Poland from its main warehouse in Greece**.** It has some manufacturing facilities in the country and plans to expand them. At present, it pre-orders on a monthly basis. Its inventory lag time is approximately 129 days.

The Market:

Poland has over 5x the population of Greece and 4x its labor force. Per capita spending is considered low with respect to the EU, while GDP per capital is expected to follow robust growth through the next five years. The country continues to be one of the major Eastern Europe's growth drivers. SARANTIS' revenues are expected to reach €35m in calendar 2005 (+15% yoy). The Company is spending heavily to penetrate this market. In addition to the revenue growth, margins should expand as initial costs subside and revenues expand.





Romania (est. 1996 based in Bucharest)

Activities:

SARANTIS does not have any manufacturing facilities in Romania. Romania is less than a 24-hour drive from Athens. Therefore, the distribution center in Athens is able to fulfill the needs of the Romanian market.

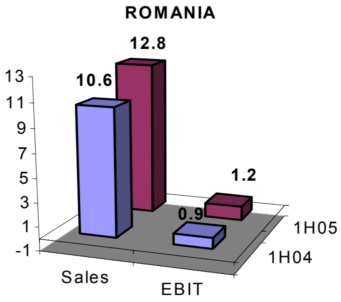
Distribution: Produced by Sarantis: mass-market cosmetics (male fragrance STR8, the female fragrances C- THRU, X-Pose & BU), shoe care products (Camel) and the Fino line. Luxury products such as Juvena, La Prairie and PUPA, toiletries by the Bolton Group, the Antonio Puig fragrance products and the Georgia Pacific paper line under the brand Delica as well as other products of Johnson & Johnson, Glaxo SmithKline, and Procter & Gamble.

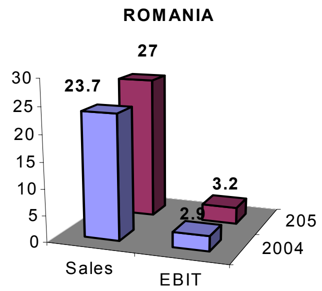
Distribution Network:

SARANTIS has 7 distribution centers in Romania and is looking to further expand.

The Market:

Romania has approximately twice the population and labor force of Greece. It is the second most profitable market after Greece (based on EBITt) despite that Poland enjoys higher revenues. The possible entrance of Romania in EU in 2007 will give a further boost to the country's economy.





Bulgaria (est. 1994 based in Sofia)

Activities:

SARANTIS does not have any manufacturing facilities in Bulgaria. Which is a few hours drive from Athens. Therefore, the distribution center in Athens is able to fulfill the needs of the Bulgarian market.

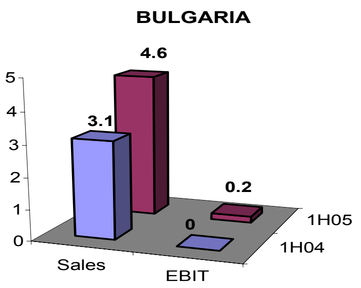
Distribution: Products produced by Sarantis (male fragrance STR8, the female fragrance C- THRU, X-Pose and BU), shoe care products (Camel) and the Fino line. Products produced by J& J and Procter & Gamble; Georgia Pacific paper products; the fragrance of Antonio Puig; and luxury products Juvena, La Prairie and Nina Ricci.

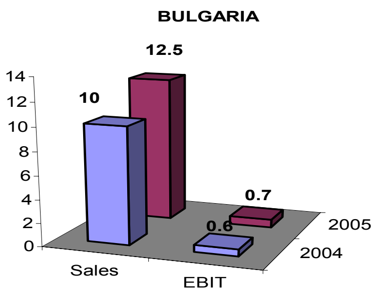
Distribution Network:

The company owns a distribution network that has been augmented by 20% in 2004 with 4 additional distribution centers.

The Market:

Bulgaria like Romania is a candidate for joining the EU in 2007 with high potential of economic growth. Regardless of them joining, both markets offer tremendous growth potential both in revenues and margins. We expect the market to continue at an above average rate as these two markets are still young and are not penetrated properly. SARANTIS has the infrastructure to do so.





Serbia & Montenegro (est. 1997 based in Belgrade)

Activities:

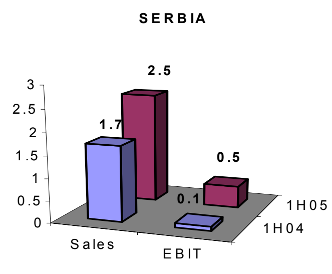
Distribution: Products produced by Sarantis (male fragrance STR8, the female fragrance C- THRU, X-Pose and BU), shoe care products (Camel) and the Fino line. Distribution of Antonio Puig fragrance line

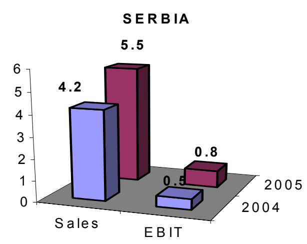
Distribution Network:

SARANTIS holds 3 distribution centers in Bulgaria. SARANTIS provides for product from its distribution center in Athens within hours

The Market:

Serbia & Montenegro have a combined population of over 8 million. Eventually these markets will be admitted in Europe. Hence there is great demand for products difficult to obtain in the international markets. The Company is strategically located to expand at the right time.





FYROM (est. 1997 based in Skopje)

Activities:

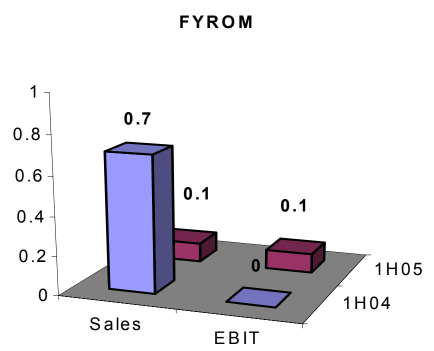
Distribution: Products produced by Sarantis (male fragrance STR8, the female fragrance C- THRU, X-Pose and BU), shoe care products (Camel) and the Fino line. Distribution of Antonio Puig fragrance line

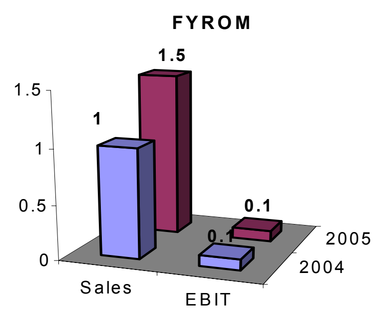
Distribution Network:

The company holds 1 distribution center and is entirely served from its Athens warehouse in less than a day.

The Market:

Smaller in size than most of its neighbors, FYROM is landlocked and depends to a very large extent on its neighbors in the South to provide them with several of the needed goods. FYROM has applied to join the EU but still talks have not started. It has a population of over 2.5 million.

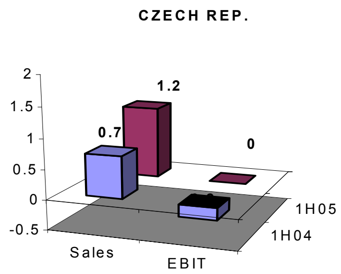


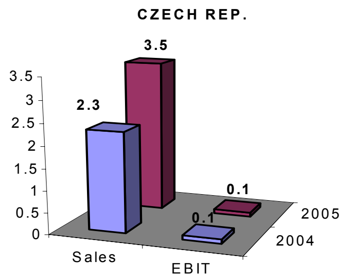


Czech Republic (est. 1998 based in Prague)

Activities:

<u>*Distribution:*</u> Mass market products produced by Sarantis ((male fragrance STR8, the female fragrance C- THRU, X-Pose and BU) and household products by its direct parent such as the Jan Niezbedny & Korunka products.





Expected in 2006 or earlier:

During 2006, SARANTIS is expected to further expand its operations in Ukraine and Turkey and start to operate in Russia,. There is a possibility that Russia may start operations sooner than expected. In Russia, SARANTIS is negotiating with a local distributor to establish a joint venture. We await for the announcement at any time.

Ukraine has already been established and is expected to post positive earnings from 2006 onwards.

Turkey has also started to operate and is expected to post slight losses or break even in 2006. According to management, turnover in these two markets is estimated to be as follows:

<u>***Table 2. Estimates of sales for Ukraine & Turkey***</u>

in mil€	2005	2006	2007
Ukraine	0.86	2.5	>5
Turkey	2.7	8	10-12

source: Sarantis

Operating environment

Regional Economies…

The region has just been exposed to Western economics and consumer demand and spending. To a large extent, the Eastern European consumer has a much greater appetite and need for consumer goods than his counterpart in the rest of Europe with the exception of Greece. He is afforded less of a choice and quality. Good quality, efficient distribution and choice are rewarded in Eastern Europe. Due to the Olympics, the Greek economy has furnished itself with on of the most modern infrastructures in the region. The rail as well as its highway network financed by the EU offers a unique advantage to Greece. Government policy should keep powering it ahead based on solid consumption spending, and broad based structural changes aiming at strengthening the private sector and pull back the boundaries of the state. Credit expansion is still not fully extended like in the rest of Europe and purchasing power is increasing.

The structural changes initiated by the Greek government are focused on improving the competitiveness of the Greek economy. An honest attempt is being made to liberalize labor laws and the gradual reduction of corporate tax rates. The government is also tackling the pension issue. Greece has to be looked upon as the hub to service the Balkans and Eastern Europe. Its improved infrastructure and stronger network in the region has made Greece the largest investor in Albania, Serbia, Romania and Bulgaria.

Greece's macroeconomic environment is regarded as stable. With the Euro as its currency, a modern, flexible banking system constitutes the main pillar for a gradually improving economy. The strict monetary and fiscal policy, huge capital inflows from the European Union will further enhance the competitiveness of the private sector and establish Greece in an advantageous position in the region. Last not least, an almost invaluable management expertise has been acquired in the Balkan states since the end of World War II.

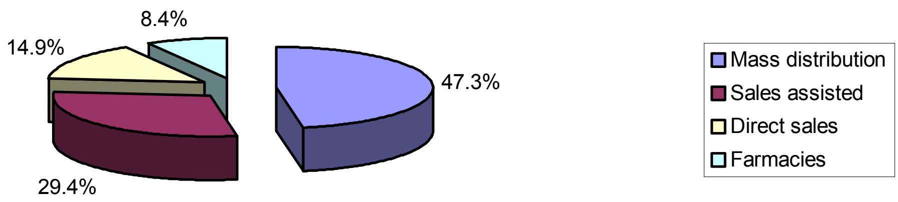
Some key drivers of the above average growth rate for the Greek and the neighboring economies:

- Fast rate of credit growth and focus on retail lending by the Greek banks in the region
- Strong Labor and Pension reforms
- Ongoing efforts to speed up privatizations (recent developments include successful placements in all Greek major Banks, OTE, OPAP, PPC, ATE. Further privatizations are in the pipeline like: Greek Post Savings Bank, Olympic Airways, Hellenic Post, Elevtherios Venizelos International Airport, Attiki Bank etc. This trend is also in the neighboring countries
- Continuing impact of market liberalization with extensive sectors of the economy still awaiting deregulation and privatization (electricity, gaming, transportation, telecom etc.)

While the Greek budget deficit is expected to decline due to stricter fiscal discipline, the resilience of the Greek economy as evidenced by the solid quarterly growth figures will be due mainly from consumer spending and delayed infrastructure projects. The other two main countries Bulgaria and Romania have to adhere and impose strict fiscal discipline to enable them to join the EU. The GDP growth is expected to reach 3.6% for Greece for the current year, almost double the expected GDP growth rate for the 15 Eurozone countries. The increase in exports especially to Turkey and the Balkan states and the increase by 13% of tourists' visits to Greece double original estimates have all contributed to the growth of the Greek economy. The rest of the region is just virgin territory for consumer demand and appetite.

Macroeconomics

- Demand for cosmetics is estimated to increase internationally by 5% annually for the following years.
- Domestic production has an average growth rate of 8.1% per year for the period 1991-2004.
- The biggest distribution channel in the cosmetic industry is through super markets as shown in the following pie. Sarantis sales come mainly from mass merchandise through this channel. Sales through this distribution channel have increased by 8.6% annually since 2001.
- Greek consumption in cosmetics per capita is below European average.
- Greek exports have increased on average by 26.9% per annum for the period 1998-2003 and exporting companies, such as Sarantis, do invest heavily on advertising and promoting to aid further their sales abroad.

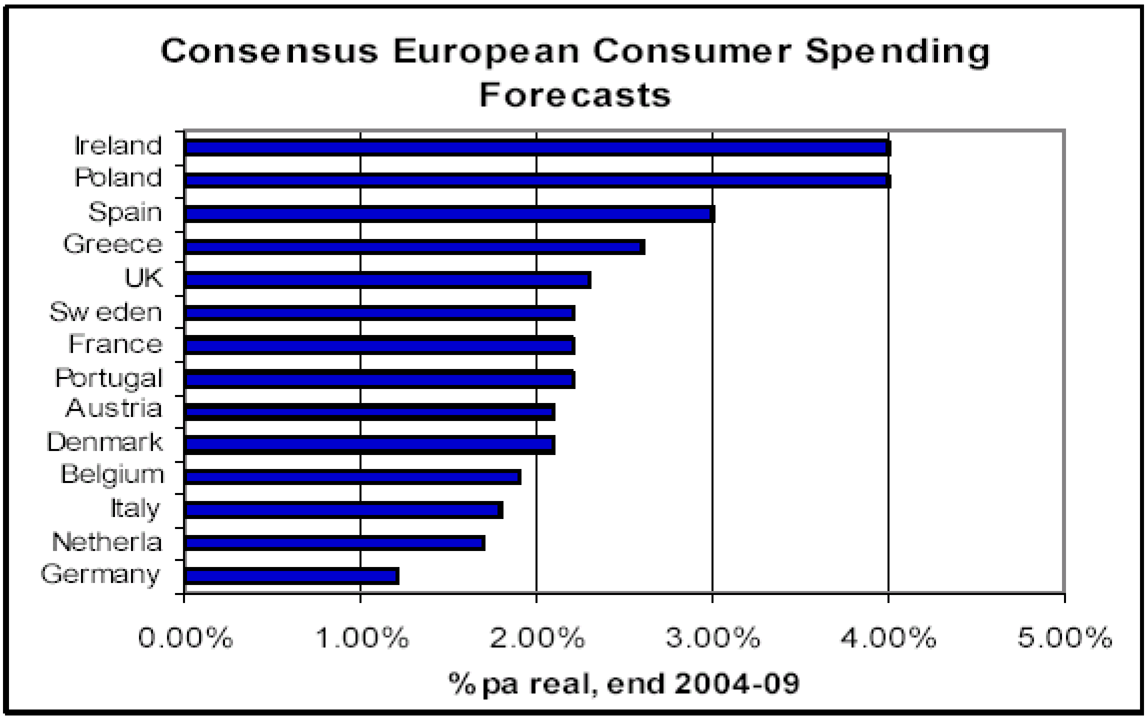


- As per capita income increases, so does per capita spending. Figures concerning the population and purchasing power in the country that the company operates are shown in the following table:

	Population	Labor Force	GDP per capital in pps		
	in mil	in mil	**2004**	**2005e**	**2006e**
Greece	10.96	4.40	81.8	82.5	83.0
Poland	38.21	17.02	46.8	48.0	49.1
Romania	22.33	9.66	31.7	32.9	34.0
Bulgaria	7.45	3.40	29.9	31.2	32.0
Czech Republic	10.21	5.25	70.1	71.4	72.7
FYROM	2.05	0.86		na	
Serbia	10.83	3.20		na	

Source: Eurostat

Table 3. Illustration of Consensus European Spending



Source: Consensus Forecasts

Competition & Market shares

In Greece, SARANTIS is the undisputed market leader in luxury cosmetics including its 49% stake in Estee Lauder with a market share between 15.8% and 67.2% depending on the respective product category. Based on 2004 figures, SARANTIS holds 37% market share in EDT for Men, 20% in ASL for Men, 15.8% in Deodorants for Men and 67.2% in Perfumes for Women. The Sun Care product category holds a 29% market share while Aluminum Foil is 14.1% and Food Bags 45%. Shoe Care products hold a respectable 53% market share.

Data is not yet available for the respective market shares in the other 5 countries of operation. The group is facing a similar situation as in Greece in the late 80's, when it entered a time period of rapid growth and continuous market share gains. Those markets are still relatively new and young. Due to major spending in the infrastructure of these markets and further exposure to the new economies, SARANTIS should be able to increase its sales at the same time as it increases its market share and establishes a dominant position as it has in Greece. It should start reaping the fruits within the next couple of years.

Large international cosmetics companies lack the local knowledge and are rather reluctant to invest in these local markets. SARANTIS has a definite advantage with an established distribution chain and experience in the relevant economies. SARANTIS faces the challenge of gradually increasing its market share making use of extensive advertising budget and establishing new broadly recognized brand names, a strategy, which has paid off in Greece.

The Company has four main advantages, which enable it to better, compete and establish leadership for these markets:

a **Defined expansion policy:** SARANTIS has focused on the Eastern European markets since the early nineties identifying growth opportunity supported by the convergence of the respective economies within the Eurozone. Expansion with own subsidiaries started in the early nineties in Bulgaria, Romania, Serbia, Poland, and FYROM. Today only Austrian and Greek companies maintain a relatively high exposure in the Eastern European countries. This strategy is already paying off in Poland and Romania.

b. **Seasoned management team**: SARANTIS relies on its seasoned management team, which counts professionals with an in-depth knowledge not only of products but also of markets. Its new CEO Mr. Georgios Koletsos has been with the company since 1999 as General Manager of the Group's subsidiary in Poland. After the successful accomplishment of the 2-year assignment in Poland, he was promoted as General Manager of Sarantis' International Division. In February 2005, he assumed the position of Group's General Manager. All head of country units are either Sarantis employees or have been trained thoroughly by the Group for at least a couple of years.

c. **Strong brand recognition**: SARANTIS relies on strong proprietary brands in the Balkans and Eastern Europe, especially Poland and Romania where the main bulk of a € 34m advertisement budget is headed. The enormous (40% of total sales) advertisement budget is fully justified despite erosion of respective profit margins. SARANTIS has taken the strategic step to spend relatively higher amounts in the initial stages trying to gain market share, which should result in higher volumes better margins and hence sustain profitability in the long term.

d. **Best distribution chain in Eastern Europe:** SARANTIS has the most efficient and modern warehousing facility in Greece and Eastern Europe. With room to expand, SARANTIS has both its warehousing and manufacturing facilities adjacent to each other. It has an additional 10 acres of land where it can further expand as it sees fit. SARANTIS relies on its own internally dedicated and trained sales force of approximately, 2,000 professionals to service its accounts throughout Greece, the Balkans and Eastern Europe. Most of them assume merchandising responsibility caring for the appropriate presentation and the impeccable condition of the display of products on the shelves plus the uninterrupted product flow to the end-consumer. Remote stores are served through local wholesalers who have to meet the stringent Sarantis criteria. The majority of them has a long-term business relationship with the group and sees it advantageous in maintaining the link with Sarantis.

New markets & New Products

During the second half of 2005, SARANTIS started operations in two new countries (Ukraine and Turkey) while it is expected to announce momentarily the future establishment of the Russian subsidiary. Given the management's expertise and ability to exploit market opportunities, we remain confident of these new ventures in population-rich countries where the living standards have to catch up with Western Europe and the U.S.

In the next two years, SARANTIS is going to further expand its product portfolio with new products. Several of these products are in the pipeline.

Table 4. Illustration of Sarantis Market Share by product by country

Market Cosmetics	Country	Market Size (mil.€) 2003	2004	Market Share 2003	2004	Position 2003	2004	Products
EDT (eau de toilette) for Men	Greece	6.10	6.00	41.3%	36.9%	1	1	STR8, DARE
	Poland	20.90	21.30	7.5%	8.0%	2	2	STR8, DARE
	Romania	1.50	2.00	33.3%	29.0%	1	1	STR8, DARE
	Bulgaria	2.60	2.70	25.9%	20.5%	1	1	STR8, DARE
	Serbia	na	0.90	na	33.0%	na	1	STR8, DARE
	Total	**31.10**	**32.90**					
ASL (after save lotion) for Men	Greece	7.00	6.50	21.2%	20.0%	2	2	STR8, DARE, PROSAR
	Poland	30.20	27.80	5.3%	6.6%	5	5	STR8, DARE
	Romania	4.70	5.40	10.0%	11.0%	3	3	STR8, DARE
	Bulgaria	3.60	3.60	9.3%	8.5%	3	5	STR8, DARE
	Serbia	na	3.10	na	5.0%	na	4	STR8, DARE
	Total	**45.50**	**46.40**					
Deodorants for Men	Greece	9.00	8.80	15.9%	15.8%	2	2	STR8, DARE
	Poland	37.40	36.70	4.9%	6.2%	6	6	STR8, DARE
	Romania	12.40	12.90	6.0%	6.0%	6	5	STR8, DARE
	Bulgaria	6.80	7.30	7.9%	8.8%	4	3	STR8, DARE
	Serbia	na	6.80	na	4.0%	na	8	STR8, DARE
	Total	**65.60**	**72.50**					
Perfums for Women	Greece	4.50	4.40	67.0%	67.2%	1	1	C-THRU, BU,XPOSE,99 CLOCHARD
	Poland	37.50	39.50	5.3%	4.4%	3	4	XPOSE,BU/BUTEASE/99 C-THRU
	Romania	3.80	4.00	24.1%	27.0%	2	2	XPOSE,BU/BUTEASE/99 C-THRU
	Bulgaria	5.90	4.80	15.6%	14.7%	1	1	XPOSE,BU/BUTEASE/99 C-THRU
	Serbia	na	0.14	na	38.0%	na	1	XPOSE,BU/BUTEASE/99 C-THRU
	Total	**51.70**	**52.84**					
Sun Care	Greece	12.20	13.60	23.3%	28.9%	1	1	CARROTEN

Source: Sarantis

Market Household	Country	Market Size (mil.€) 2003	2004	Market Share 2003	2004	Position 2003	2004	Products
Aluminium Foil	Greece	14.50	14.10	50.0%	52.0%	1	1	Sanitas, Fino
	Poland	7.00	7.80	27.0%	25.0%	1	1	Jan Niezbedny, Grosik
	Romania	na	na	na	na			FINO
	Bulgaria	na	na	na	na			FINO
	Serbia	na	na	na	na			FINO
	Total	**21.50**	**21.90**					
Food Bags	Greece	7.70	7.60	49.0%	45.0%	1	1	Sanitas, Fino
	Poland	1.20	1.20	43.0%	38.0%	1	1	Jan Niezbedny, Grosik
	Romania	na	na	na	na			FINO
	Bulgaria	na	na	na	na			FINO
	Serbia	na	na	na	na			FINO
	Total	**8.90**	**8.80**					
Garbage Bags	Greece	15.70	17.60	9.0%	10.0%	3	3	Sanitas
	Poland	14.00	14.60	30.0%	32.0%	1	1	Jan Niezbedny, Grosik
	Romania	na	na	na	na			FINO
	Bulgaria	na	na	na	na			FINO
	Serbia	na	na	na	na			FINO
	Total	**29.70**	**32.20**					
WC Blocks	Greece	12.00	11.70	28.0%	29.0%	1	1	Afroso
	Poland	na	na	na	na			
	Romania	na	na	na	na			Afroso
	Total	**12.00**	**11.70**					
Shoe Care Products	Greece	7.30	8.00	61.0%	53.0%	1	1	Camel
	Poland	na	9.50	na	0.05	na	3	Camel
	Romania	na	na	na	na	na	na	Camel
	Total	**7.30**	**17.50**					
Cockroach Killers	Greece	10.60	9.90	31.0%	31.0%	1	1	Teza
Insecticides	Greece	25.00	21.10	0.09	0.10	5.00	3	Pyrox
Drain Pipe Cleaners	Greece	.3.8	na	0.67	na	1.00	na	Tuboflo
Moth Repellents	Greece	10.70	10.70	4.0%	4.0%	4	5	Teza, Veto, Bisbardi
Dishwashing Liquids	Greece	50.50	47.00	0.05	0.04	5.00	6	Trylet, Savonit
Fabric Whiteners	Greece	na	na	na	na	na	na	Skot, Rivex
Air Freshners	Greece	20.10	20.40	4.0%	4.0%	4	4	Afroso

Source: Sarantis

Financial Review

GROSS PROFIT AND EBIT MARGINS (%OF SALES)

The margins are based on 2004 results. First Half 2005 has maintained the same margins. These margins were impacted by expenditures in advertising to establish the brand names in the respective new markets. Capital expenditures are at a minimal. The chart below illustrates the profit margins by line of business as well as contribution to over all profitability.

Table 5. Illustration of Sarantis Gross Profits by main activity and country (fiscal 2004)

%GROSS PROFIT	MASS MARKET COSMETICS	LUXURY COSMETICS	HOUSEHOLD	HEALTH & CARE	CAR ACCESSORIES	PET PRODUCTS	TOTAL
Greece	61.6%	79.3%	47.1%	57.8%	59.7%	40.7%	*65.1%*
Poland	56.3%		35.7%				*41.1%*
Romania	38.0%	52.5%	30.7%	35.1%	27.5%		*36.8%*
Bulgaria	40.3%	50.3%	38.4%		18.6%		*37.0%*
Serbia & Montenegro	44.7%	36.6%					*43.2%*
Czech Republic	59.2%		28.7%				*42.1%*
FYROM	48.9%		40.2%				*47.1%*
Total	**51.2%**	**78.3%**	**41.3%**	**57.7%**	**51.6%**	**40.7%**	**57.4%**

Source: The Company

It is obvious from the following chart that the profit margins (as % of sales) are substantially higher in the Greek market than in the emerging markets of Eastern Europe. The Greek consumers have recognized the added value of the company's products, but since Greece can be assumed to be a mature market, it is difficult to expand them. SARANTIS aims at improving margins in the emerging markets by means of advertising and increasing sales volumes. SARANTIS has to deal with initial costs for penetrating those local markets. Brand recognition is a major factor in all markets but more so in new ones.

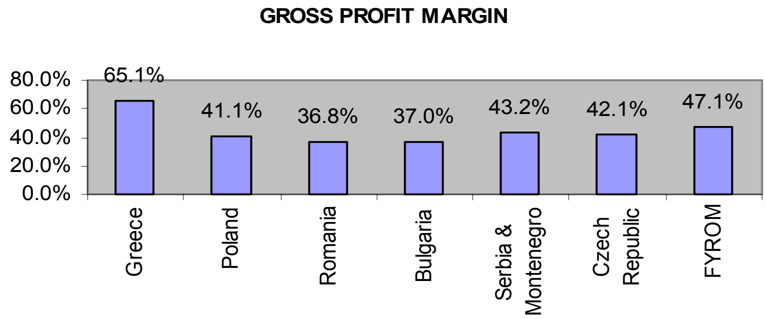
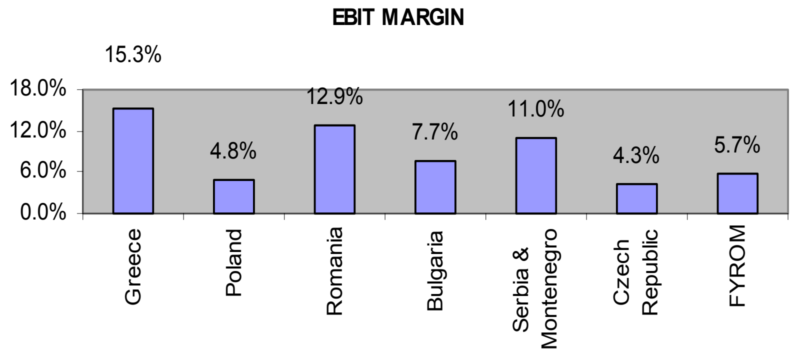


Table 6. Illustration of Sarantis EBIT by main activity and country (fiscal 2004)

%EBIT MARGIN	MASS MARKET COSMETICS	LUXURY COSMETICS	HOUSEHOLD	HEALTH & CARE	CAR ACCESSORIES	PET PRODUCTS	TOTAL
Greece	7.1%	18.7%	18.7%	14.7%	9.3%	0.6%	*15.3%*
Poland	10.0%		2.9%				*4.8%*
Romania	14.5%	17.6%	7.7%	20.3%	11.9%		*12.9%*
Bulgaria	8.0%	16.1%	1.8%		4.0%		*7.7%*
Serbia & Montenegro	13.8%		-1.5%				*11.0%*
Czech Republic	5.4%		3.4%				*4.3%*
FYROM	9.5%		-8.4%				*5.7%*
Total	**9.9%**	**18.6%**	**11.7%**	**14.7%**	**8.4%**	**0.6%**	**13.2%**

Source: (the Company)

Regarding EBIT margins, the Greek operations outperformed those in other countries only in total figures. On the other hand, Mass Market Cosmetic's margins were lower due to higher advertising and administrative expenses, since the central planning of these products is in Greece. The margins in the emerging markets are, however, expected to contract in the short-run due to the planned adverting and promotion campaign in the respective markets. Nevertheless, the benefits should be felt in the future due to the gradual improvement in brand awareness and loyalty being translated in better revenues.



Advertising & Promotion Costs

Advertising and promotion are of the highest priority for SARANTIS and therefore management pays special attention to its promotional programs in order to build strong brand recognition, especially in the emerging markets of Eastern Europe. Perfumes, packaging materials, hygiene and shoes care products are the sectors of activity that SARANTIS is focusing on simultaneously increasing its points of sales in those markets. To support its strategic marketing plan, SARANTIS has earmarked 40% of the revenues in the emerging markets for advertising and promotion.

Liquidity & Efficiency

SARANTIS enjoys good liquidity for 2005-2006 with the current liquidity ratio 1.7:1 and cash & cash equivalents accounting for 40% of total current liabilities. Moreover, the interest coverage ratio is at 8.2:1 giving SARANTIS a very healthy balance sheet and the ability to leverage itself. Sarantis maintained its financial health throughout 2004 and 2005 and is not perceived to face any liquidity crises in the future. The group, however, faced some short-run liquidity problems due to the high increase in inventories and in customer receivables, which resulted in negative operating cash flow in 1H05. Although there was no increase in liabilities to debtors, the group had to resort to an immediate increase in the working capital by €2.4 mil. financed by short term financing. This liquidity squeeze is not permanent and had no major impact on operations. The group receives its receivables within 143 days whereas it pays its creditors within 156 days. It has obtained very advantageous credit lines at 0.90 above Eurobor.

A key point in the overall efficiency is the high inventory turnover. For 2005, it is estimated that the days in inventory will be on average 65, with further improvement in the following years. Although the company has spread its activities all over Eastern Europe, it can maintain its high efficiency in inventory management due to its full control of a most modern and efficient distribution system and logistics automated procedures. The ability of management to fully utilize this state of the art logistics operation is one of the company's comparative advantages that enable it to retain high liquidity and financial health.

Financial Structure

Concerning its long-term financial health, SARANTIS has forecasted to improve its solvency ratio (equity to total assets ratio) in the future by reducing future its bank debt. The Company is still a holder of Hellenic Duty Free stake valued at over 10 million Euros. It is considering selling the stake to reduce debt. In addition to the free cashflow generated by the operations minus its capital expenditures (estimated to be € 25 million for the next three years) should enable SARANTIS to further reduce its debt and not have to face any other liquidity issues.

SARANTIS has decided to reduce its debt, which should have a negative impact on its profitability ratio but reduce its risk profile. As illustrated in the following table, the return on equity is reduced for 2006 and 2007 while the return on capital deployed increases due to lower financing cost. In an uncertain interest rate environment, this brings clarity and visibility for earnings

Ratio Analysis on BS	2004A	2005E	2006F	2007F
Liquidity & Efficiency:				
Current Ratio	1.9	1.9	1.9	2.0
Cash position	0.5	0.5	0.5	0.5
Interest cover margin	9.5	8.2	6.7	7.0
Days receivable	139	143	136	130
Days in inventory	65	69	68	66
Creditors Turnover(in days)	166	156	148	142
Financial Structure:				
Solvency	0.2	0.2	0.3	0.3
Bank debt to equity	2.7	2.2	1.4	1.2
Net debt/Equity	2.5	2.0	1.3	1.0
Fixed to Total Assets	33.2%	32.7%	32.8%	33.4%
Profitability				
ROEavg		41.4%	32.0%	29.1%
Return On Capital Employed avg		17.8%	19.0%	20.0%
Real interest rate	5.4%	5.6%	5.3%	5.0%
Return on total assets	8.8%	8.2%	8.1%	8.9%

Source Company & Beta estimates

Review of 1H 05 results

1H results use the equity method and exclude Estee Lauder JV. It utilizes IFRS rules and therefore is more transparent. Revenues grew to €99.6m (+13%yoy). Gross margin significantly improved to 48.3% from 40.1% due to more efficient product mix and cash management. EBITDA reached €15.8m (+10.9% yoy) with the respective EBITDA falling by 0.03 bps due to higher marketing and promotion expenses. EBT surged to €12.7m (+13.2% yoy). EAT after minorities' interests posted a 15.1% increase reaching €9.9m.

Income Statement

(EUR mn)	1H 05(IFRS)	1H 04 (IFRS)	% change
Revenues	99.6	88.1	13.0%
Gross Profit	48.3	40.1	20.3%
Gross Profit margin (%)	48.5%	45.5%	+3pps
EBITDA	15.8	14.3	10.9%
EBITDA margin (%)	*15.9%*	*16.2%*	-0.3pps
EBIT	14.0	12.3	13.4%
EBIT margin	*14.0%*	*14.0%*	0pps
EBT	12.7	11.3	13.2%
EBT margin	*12.8%*	*12.8%*	0pps
EATAM	9.9	8.6	15.1%
EAT margin	*9.9%*	*9.7%*	+0.2pps

Source: Sarantis

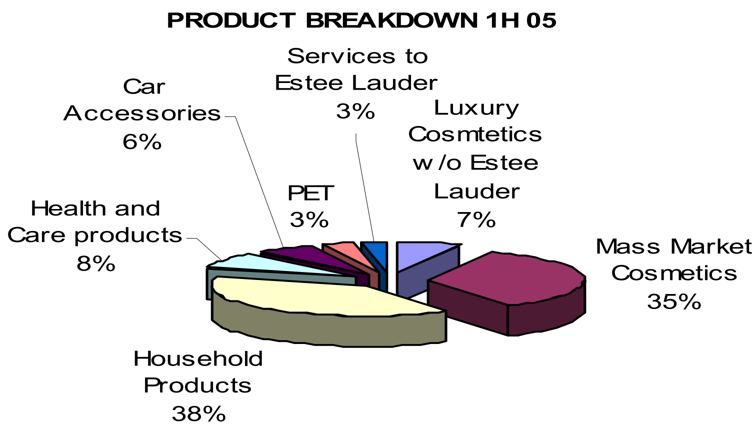
Per business activity:

Mass Market Cosmetics division and Household Products were the major contributors to Group sales, due to satisfactory performance by the Group's own product portfolio in Eastern Europe. The Mass Market Cosmetics division posted a 24.1% increase yoy while Household Products posted 17.3% increase yoy. Both divisions accounted for 73.1% of total sales. Pet division is considered as non-core and the management expressed its intention to withdraw from this activity.

Consolidated Turnover Breakdown

(EUR mn)	1H 05(IFRS)	1H 04 (IFRS)	%Δ	% on total 1H 05 turnover
Luxury Cosmtetics w/o Estee La	6.6	6.0	10.2%	6.6%
Mass Market Cosmetics	34.7	28.0	24.1%	34.9%
Household Products	38.0	32.4	17.3%	38.2%
Health and Care products	8.2	8.4	-1.8%	8.2%
Car Accessories	6.0	5.3	13.9%	6.0%
PET	3.4	4.5	-25.6%	3.4%
Services to Estee Lauder	2.7	3.6	-25.4%	2.7%
Total Turnover	**99.5**	**88.1**	13.0%	100.0%

Source: Sarantis



EBIT posted a positive performance with Mass Market Cosmetics posting the strongest growth rate (50.7% yoy).

Consolidated ebit

(EUR mn)	1H 05(IFRS)	1H 04 (IFRS)	%Δ	% on total 1H 05 turnover
Luxury Cosmtetics w/o Estee La	-0.2	-0.2	4.5%	
Mass Market Cosmetics	5.3	3.5	50.7%	5.3%
Household Products	2.8	2.7	4.5%	2.8%
Health and Care products	1.3	1.2	7.7%	1.3%
Car Accessories	0.3	0.6	-49.1%	0.3%
PET	-0.1	0.0		
Services to Estee Lauder	0.0	0.1	-85.7%	0.0%
Income from affiliates	4.6	4.5	2.9%	4.7%
Total Turnover	**14.0**	**12.3**	13.2%	14.4%

Source: Sarantis

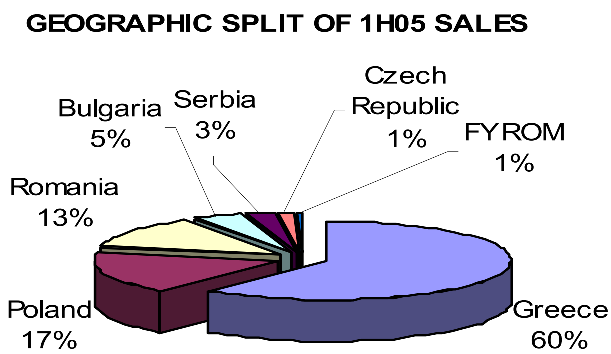
Per geographical markets:

Greece remained a mature market, as compared to Eastern Europe. The new Eastern European markets showed strong growth in particular in the area of Mass Market Cosmetics and Household Products. Among the countries with significant growth and contribution to total turnover were Poland and Romania with growth rates of 36.8% and 20.4% respectively. Greece participation in total turnover decreased to 61.1% from 67% yoy. By the end of 2005, SARANTIS will add two new markets to its revenues: Turkey and Ukraine. It should also have signed a definite agreement by then with Russia.

Consolidated Turnover per Geographic Market w/o Estee Lauder

(EUR mn)	1H 05(IFRS)	1H 04 (IFRS)	%Δ	% on total 1H 05 turnover
Greece	60.8	59.1	2.9%	61.1%
Poland	17.0	12.4	36.8%	17.0%
Romania	12.8	10.6	20.3%	12.8%
Bulgaria	4.6	3.1	49.4%	4.7%
Serbia	2.5	1.7	44.8%	2.5%
Czech Republic	1.2	0.7	64.8%	1.2%
FYROM	0.7	0.4	56.8%	0.7%
Total Turnover	**99.5**	**88.1**	13.0%	100.0%

Source: Beta / Sarantis



Regarding EBIT, Greece remains the most important market while Eastern Europe contributed to a smaller extent, as promotion expenses were relatively high.

Consolidated EBIT per Geographic Market w/o Estee Lauder

(EUR mn)	1H 05(IFRS)	1H 04 (IFRS)	%Δ	% on total 1H 05 EBIT
Greece	12.5	11.6	7.8%	89.3%
Poland	-0.2	-0.1	-100.0%	-1.4%
Romania	1.2	0.9	33.3%	8.6%
Bulgaria	0.2	0.0	nm	1.4%
Serbia	0.5	0.1	400.0%	3.6%
Czech Republic	0.0	-0.2	nm	0.0%
FYROM	-0.2	0.0	nm	-1.4%
Income from affilitates				0.0%
Total Turnover	**14.0**	**12.3**	13.8%	100.0%

Source: Beta / Sarantis

Financial Forecasts

P&L Estimates

We estimate sales to rise by 11.4% to €209m in 2005, 10.5% to €231m in 2006 and 11.7% to €258m in 2007. We estimate slight increases in COGS from 2005 onwards as the successful product mix should be sustained and relative advertising and promotion should decline as a percentage of sales. Earnings after Tax should rise by a slight 11.4% to €17.1m in 2005, 4.5% to €17.9m in 2006 and 16.9% to €21m in 2007. This improvement from 2005 onwards is partly due to lower effective tax rates. We believe that these numbers are conservative and have tremendous upside potential should the advertising campaign prove more effective.

Balance Sheet Estimates

- Inventory increase is due to forecasted increase in sales. These are required inventory levels to back up sales and maintain efficient inventory turnover. Inventory is about 17% of forecasted sales and days in inventory should steadily decrease to 66. By developing a more efficient distribution chain and logistic support system (which the Company is actively working on), these inventory days may be reduced even further.
- More efficient debt management and collection should improve. Its receivable collection days should steadily decrease from present levels to an average of 143, 136 and 130 days for 2005, 2006 and 2007 respectively.
- Bank debt reduction estimated to be in 2007 €96.7m, or 1.2 x equity, is estimated to increase marginally.
- A steady decrease in creditors and in creditors turnover, due to higher liquidity in the following years

(Left blank intentionally)

Table 7. Financial Model for Sarantis Group and estimates

Income Statement (IFRS)

Year to Dec (EUR mn)	2004A	2005E	2006F	2007F
Revenues	**187.6**	**209.0**	**231.0**	**258.0**
% change		*11.4%*	*10.5%*	*11.7%*
Cost of sales	98.0	104.5	114.3	126.0
COGS as % of revenue	*52.2%*	*50.0%*	*49.5%*	*48.8%*
Gross Profit	**89.6**	**104.5**	**116.7**	**132.0**
Gross profit margin (%)	*47.8%*	*50.0%*	*50.5%*	*51.2%*
Adiministration expenses	63.3	76.0	84.0	95.0
As % of revenue	*33.8%*	*36.4%*	*36.4%*	*36.8%*
Distribution expenses	11.1	12.0	13.5	15.3
As % of revenue	*5.9%*	*5.7%*	*5.8%*	*5.9%*
Other operating income	1.8	2.0	2.1	2.2
As % of revenue	*1.0%*	*0.9%*	*0.9%*	*0.9%*
Income from affiliated companies	*11.1*	*11.2*	*12.5*	*13.9*
As % of revenue	*5.9%*	*5.4%*	*5.4%*	*5.4%*
EBITDA	**28.1**	**29.7**	**33.7**	**37.8**
% change		*5.7%*	*13.6%*	*12.1%*
EBITDA margin (%)	*15.0%*	*14.2%*	*14.6%*	*14.7%*
Depreciation & Amortization	3.5	3.7	3.7	4.0
EBIT	**24.6**	**26.0**	**30.0**	**33.8**
% change		*6.0%*	*15.4%*	*12.6%*
operating margin	*13.1%*	*12.4%*	*13.0%*	*13.1%*
Financial expenses (net)	*2.6*	*3.2*	*4.5*	*4.8*
Extraordinary profit (loss)	0.0	0.0	1.1	1.0
Pre-tax profit	**22.0**	**22.8**	**24.4**	**28.0**
% change		*4.0%*	*7.0%*	*14.6%*
Tax	4.6	5.2	5.7	6.2
Eff. Tax rate (%)	21.1%	22.8%	23.1%	22.0%
EAT	**17.3**	**17.6**	**18.8**	**21.8**
Minorities	0.4	0.5	0.8	0.9
% of EAT	1.7%	2.2%	3.4%	3.1%
EAT after min	**17.0**	**17.1**	**17.9**	**21.0**
% change		*1.1%*	*4.7%*	*16.9%*
EAT after min margin	*9.0%*	*8.2%*	*7.8%*	*8.1%*
Dividend	3.8	4.3	4.6	5.5
Payout	*22.5%*	*25.1%*	*25.6%*	*26.2%*
EPS in €	**0.44**	**0.45**	**0.47**	**0.55**
% chg		*1.1%*	*4.7%*	*16.9%*
DPS in €	**0.10**	**0.11**	**0.12**	**0.14**
% chg		*12.7%*	*7.0%*	*19.6%*

Balance Sheet (IFRS)

Year to Dec (EUR mn)	2004A	2005E	2006F	2007F
Non current assets	**64.2**	**67.8**	**72.8**	**78.8**
Tangible assets	44.4	48.0	53.0	59.0
Intangible Assets	0.0	0.0	0.0	0.0
Investments in affiliated companies	13.4	13.4	13.4	13.4
Other assets	6.4	6.4	6.4	6.4
Current Assets	**128.5**	**139.4**	**148.6**	**156.1**
Inventory	33.3	37.6	40.8	42.3
Days Inventory	*65*	*69*	*68*	*66*
Trade & other receivable	71.5	76.0	80.0	85.0
Days receivable	*139*	*143*	*136*	*130*
Marketable securities	*16.8*	*16.8*	*16.8*	*16.8*
Cash & cash equivalents	*7.0*	*9.0*	*11.0*	*12.0*
Transitory accounts	**0.4**	**0.5**	**0.6**	**0.7**
TOTAL ASSETS	**193.1**	**207.7**	**222.0**	**235.6**
Shareholders' Funds	**36.6**	**46.2**	**66.0**	**78.0**
Minorities	**1.9**	**2.1**	**1.8**	**2.4**
Long-term Liabilities:				
Bank Loans	96.0	96.2	89.3	89.3
Other	7.0	7.0	7.0	7.0
Deferred Tax Liabilities	0.8	0.8	0.8	0.8
Total Long term Liabilites	**103.8**	**103.2**	**96.3**	**96.3**
Current Liabilities:				
Bank Loans	*6.8*	*9.9*	*8.0*	*6.9*
Trade Creditors	*44.6*	*45.0*	*48.0*	*50.0*
Total current Liabilities	**51.4**	**54.9**	**56.0**	**56.9**
Transitory accounts	**1.3**	**1.4**	**1.9**	**2.0**
TOTAL LIABILITIES & EQUITY	**193.1**	**207.8**	**222.0**	**235.6**

Source: company, Beta Securities

Quantitative Evaluation

Relative cheap evaluation: We have performed a peer group analysis demonstrating an under-valuation which in terms of the P/E multiple amounts to approximately 35%. 31.4% and 34.8% for the years 2005, 2006 and 2007 respectively and in terms of the EV/EBITDA multiple amounts to approximately 53.8%, 56.6% and 57.6% for the years 2005, 2006 and 2007 respectively.

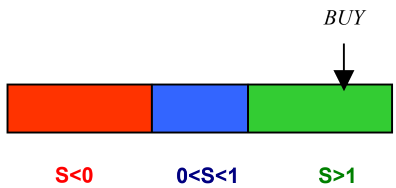
To determine the value of the company, a DCF model is devised. The unlevered free cash flows of the firm (FCFF) discounted in the foreseeable future are the forecasted Net Operating Profits After Taxes deducted from the earning model minus the forecasted Net Investments for the following years. The management has planned to make a net investment of €20 million in the following 4 years. Concerning the unforeseeable future we consider a growth rate of 2.5%, which mainly comes form operations in highly growing markets in Eastern Europe, whereas the Greek markets are considered mature and overall stable. The risk premium demanded is set between 6.0% and 6.5% due to the high deviation in the market returns. The risk-free rate is set at 4,5% applied to the longer-term assumption. Based on these premises a fair value issue of €8.0 to €10.50 is calculated, yielding an upside movement of 21.95% to 60%. We set an arbitrary initial price target of € 9.00 at present considering the sensitivity of our assumptions we have performed a sensitivity analysis of the stock’s target price to perpetuity growth and market risk premium, shown above.

Stock Price(in Euro) risk premium	growth EAT %			SENSITIVITY ANALYSIS						
	-1,00%	-0,50%	0,00%	1,00%	2,00%	2,50%	3,00%	4,00%	4,50%	5,00%
2,50%	6,8	7,5	8,3	10,4	13,6	16,0	19,4	32,5	48,1	90,3
3,00%	6,5	7,1	7,8	9,7	12,6	14,7	17,5	27,8	38,7	62,6
3,50%	6,2	6,7	7,4	9,1	11,7	13,5	15,9	24,2	32,3	47,7
4,00%	5,9	6,4	7,0	8,6	10,9	12,5	14,6	21,4	27,6	38,4
4,50%	5,6	6,1	6,7	8,1	10,2	11,6	13,4	19,1	24,0	32,0
5,00%	5,4	5,9	6,4	7,7	9,6	10,8	12,4	17,3	21,3	27,4
5,50%	5,2	5,6	6,1	7,3	9,0	10,1	11,6	15,7	19,0	23,9
6,00%	5,0	5,4	5,8	7,0	8,5	9,5	10,8	14,4	17,2	21,1
6,50%	4,8	5,1	5,6	6,6	8,0	9,0	10,1	13,3	15,6	18,9
7,00%	4,6	4,9	5,3	6,3	7,6	8,4	9,5	12,3	14,3	17,1

Valuation & Performance

DCF assumptions	
Risk Free	4,5%
Beta	0,71
Risk Premium	6,5%
Perpetuity growth	2,5%
Cost of Dept	3,9%
Results	**(mil. Euros)**
Equity Value	341,80
Number of Shares	38,15
Target Price (in Euro)	9,0
Current Price (in Euro)	6,56
Upside	37%

In order to evaluate the anticipated relative performance of the stock compared to that of the market, we performed a Sharpe ratio analysis explained in the Disclosure Appendix, obtaining a value of 3.0 for the index **S** positioning the stock as a strong **BUY**, which means that not only the shares are worth more than the market currently assumes, but also should outperform it by far in terms of expected return and risk.



Peer group analysis

The peer group analysis of SARANTIS to other US and European household/personal care companies demonstrates that it trades on considerable discounts on all valuation multiples. The company can only be compared partially to its peers, as there are considerable differences in size and scope. The lack of exposure and lack of liquidity may justify such a discount. But eventually the markets will recognize the value and the growth potential of SARANTIS.

Companies		currency	price	# shares (ml)	mcap	revenues 05	revenues 06	revenues 07	pe 05	pe 06	pe 07	p/bv	ev/ebitda 05	ev/ebitda 06	ev/ebitda 07	dps 05	D yield %
Beiersdorf	Germany	€	94.8	84.0	7,965.7	4,732.1	4,961.4	5,219.4	21.0	19.6	17.8	7.0	11.4	10.7	10.0	1.7	1.8%
Body Shop*	UK	GBP	2.0	215.0	438.5	419.0	462.0	497.0	13.7	13.0	12.0	2.8	7.6	7.1	6.4	0.1	2.9%
Clarins	France	€	54.5	34.8	1,893.9	1,008.4	998.6	1,055.2	21.3	19.9	18.5	3.0	12.2	11.4	10.5	0.9	1.6%
Estee Lauder*	USA	$	35.0	134.4	4,705.7	6,336.0	6,713.6	7,090.8	18.4	17.6	15.4	4.7	5.0	4.8	4.4	0.4	1.2%
Gillette	USA	$	53.9	998.1	53,766.6	11,442.4	12,074.3	13,059.0	27.8	24.8	21.9	19.0	16.1	14.6	12.5	0.7	1.2%
Colgate Palmolive	USA	$	52.3	519.4	27,145.4	11,379.9	11,910.8	12,451.4	19.9	17.8	16.2	23.9	9.1	8.5	7.9	1.1	2.2%
Henkel	Germany	€	74.5	59.4	4,423.4	11,626.1	12,016.3	12,419.3	14.2	12.8	11.7	2.4	2.0	1.9	1.8	1.4	1.9%
Kimberly Clark	USA	$	58.0	476.3	27,629.6	15,992.0	16,625.0	16,952.7	15.3	14.1	12.9	4.4	7.8	7.3	6.6	1.7	3.0%
L'Oreal	France	€	64.4	658.8	42,424.1	14,846.0	15,774.1	16,637.8	25.6	23.0	20.9	4.1	15.3	14.1	13.0	0.9	1.4%
*MC Bride**	*UK*	*GBP*	*1.5*	*177.0*	*272.6*	*537.1*	*548.9*	*565.8*	*11.6*	*11.3*	*10.1*	*2.8*	*5.1*	*5.1*	*4.9*	*0.1*	*3.6%*
Mirato SPA	*ITALY*	*€*	*8.4*	*17.2*	*144.3*	*156.0*	*160.0*	*161.9*	*19.1*	*17.9*	*17.5*	*2.6*	*na*	*na*	*na*	*0.3*	*3.1%*
Procter & Gamble*	USA	$	55.8	2443.3	136,433.9	56,741.0	59,975.2	63,022.2	22.1	19.9	18.0	8.7	9.0	8.8	8.2	1.2	2.1%
Reckitt Benckiser	GB	GBP	17.4	726.1	12,612.5	4,156.0	4,395.0	4,651.5	21.4	20.2	18.1	7.4	14.7	13.8	12.7	0.4	2.2%
Robertet	*France*	*€*	*109.5*	*2.1*	*226.7*	*203.0*	*210.5*	*NA*	*15.7*	*14.2*	*na*	*2.2*	*0.0*	*0.0*	*na*	*2.0*	*1.8%*
Weighted Average									22.5	20.3	18.3	10.1	11.3	10.6	9.6		1.9%
Sarantis	**GR**	**€**	**6.56**		**250.2**	**209**	**231**	**258**	**14.6**	**13.9**	**11.9**	**6.8**	**5.2**	**4.6**	**4.1**		1.7%
Discount (-) Premium (+)									**-35.0%**	**-31.4%**	**-34.8%**	**-32.7%**	**-53.8%**	**-56.6%**	**-57.6%**		

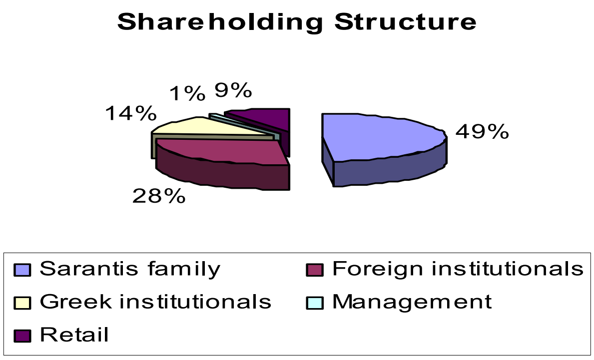
*Actual results refer to June04- June05 period
Source: Thomson Finance , Beta Securities
Prices as of 10/10/05

Recommendation:

We remain very positive on the stock focusing on the management's strategy to expand in Eastern Europe. Strong brand recognition, strong finances and strong management offers a unique opportunity to participate in this ever growing consumer market when so many other markets are stagnating. We are confident of management's ability to execute the strategy and produce double digit EPS growth for the next 3-4 years. Based on current prices the company's stock trades at 14.5x of 2005 EPS estimates and almost a 35% discount to its peer group. We would overweight our positions in the stock.

Shareholding Structure

Shareholder's capital is distributed into approximately 38 million stocks, 49 % of which are held by Sarantis family and a large percentage of the rest by Greek and foreign institutional investors.



Disclaimer

Beta Securities SA does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm might have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision."
Beta Securities SA has prepared the above research material and its contents are for information purposes only and should not be construed as an offer to sell or a solicitation to buy any securities. Beta Securities SA or persons connected with it and/or directors and/or employees and/or clients may have a position, make markets, or engage in transactions in any of the securities mentioned herein or any related investment, or solicit business from any company mentioned herein. The information or opinions contained in this report have been obtained or compiled from sources that Beta Securities SA believes to be reliable, but their accuracy, completeness or correctness cannot be guaranteed and are subject to change without further notice. The report is intended for professional investors only and it is not to be reproduced or copied or reprinted or transmitted for any purpose. Beta Securities SA does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or this contents. This publication is issued in Greece by Beta Securities SA, which is a member of the Athens Stock Exchange regulated by the Hellenic Capital Market Commission and the Athens Exchange authorities.

BETA SECURITIES SA – Alexandras Avenue 29, PC 114 73, Athens, Greece, Tel: +30-210-6478900, Fax +30 – 210-6448791

Disclosure Appendix

Analyst Certification
The analyst responsible for the content of this research report (in whole or in part), certifies that a) all the views about the companies and securities contained in this report accurately reflect our personal views and b) no part of our compensation was or will be directly or indirectly related to the specific recommendations or view of this report

Important Regulatory Disclosures on Subject Company
The information and opinions in this report were prepared by Beta Securities SA, a member of the Athens Exchange SA and regulated by the Hellenic Capital Market Commission.

Company Mentioned: Sarantis

Rating: Buy
Price: €6.56
Target Price: €9.00 – 10.00
Disclosures: None

1. Beta Securities SA owns 5% or more of the total share capital of the company
2. The company covered in the report and its affiliated companies own 5% or more of the total share capital of Beta Securities SA
3. Beta Securities SA acts as a market maker for the securities of the company
4. Beta Securities SA has provided underwriting services to the company covered in the report
5. Beta Securities has received compensation from the company for financial advisory services during the past 12 months
6. Beta Securities has received compensation from the company for the preparation of the research report
7. The research analysts who prepared this report have financial interests in the company

Internal procedures: a) The research department is situated in an area where only employees of the department have access in order to ensure secured confidentiality. The data and records of the department are out of reach of the other departments. Chinese Walls are set between the research department and other departments so that Beta Securities SA can abide by the provisions regarding confidential information and market abuse.

Analyst Stock Ratings
In purpose of determining the relative performance of the stock a Sharpe ratio analysis is used.
Stock Sharpe ratio=(Upside potential-risk free rate)/volatility of the stock
Market Sharpe ratio=Risk premium/volatility of the market
S=Stock Sharpe ratio/Market Sharpe ratio
The volatility is calculated using historical data

Buy: S>1
Hold: 0<S<1
Sell: S<0

S<0 0<S<1 S>1