

MANAGEMENT STATEMENT FROM THE OPERATION OF THE COMPANY FOR THE PERIOD FROM  
01.01.2017 TO 31.12.2017

**1. Legal basis upon which the Company's activity is based. Legal and organizational matters.**

The business of the company Sarantis Polska S.A. , hereinafter referred to as statement "Company", is mainly the sales activity in the scope of household articles made of artificial materials and skin care cosmetics.

The Company was registered on 24.01.1991 by the District Court in Warsaw under the number RHB 25872.

The Company was entered in the National Court Register of Entrepreneurships on 16.11.2001 under the number 0000050586.

On 24.04.2003 the Company was transformed to Joint Stock Company – entered in the National Court Register of Entrepreneurships under the number 0000158603.

On 24.10.2004 the Company changed its name to Sarantis Polska S.A.

Up to the date 31.12.2017 the Management of the company was : Kyriakos Sarantis – President of the Board, Konstantinos Rozakeas – Vice President of the Board, Konstantinos Stamatou – Vice President of the Board, Meintanis Vasileios - Member of the Board, Antonios Ayiostratitidis- Member of the Board, Grigorios Sarantis- Member of the Board, Elpiniki Sarantis- Member of the Board, Grigorios Sarantis- Member of the Board. Representative were President of the Board acting by oneself or two Vice-Presidents acting jointly or Member of Board with President of the Board jointly.

**2. General market situation of the company and elements of strategy.**

The Company continued sales of cosmetics and FMCG manufactured goods.

Main product groups:

- household products (most important: garbage bags, aluminum foil, fresh keeping foil, wipes, sponges, sandwich paper, paper hygiene products, plastic products). Those products are sold under the brand names: JAN NIEZBEDNY (higher quality products), GROSNIK (cheapest products) and East-Middle European brand "FINO and products exclusively for particular clients called "Private Labels",
- skincare products and sun protection cosmetics – own brand of KOLASTYNA,
- packaging for retail sale (mainly HDPE bags, and HDPE and LDPE plastic bags),
- disposable products for gastronomy (mainly: paper plates, bowls, cutlery, cups, napkins, and straws),
- feminine and masculine cosmetics (EDTs, deodorants, aftershaves, skin hygiene articles) sold under the brand names: STR8, C-THRU, BU, DENIM
- dental and intime hygiene products PEARL DROPS, SPIN BRUSH, FEMFRESH
- soaps ARKO,
- selective products under brands LA'PRAIRE, RIHANA, PIERRE CARDIN
- insecticides products under brand TEZA
- sewer products SEPTIFOS.

Thanks to a wide range of products the company is strengthening it's market position. Expenditures connected with mass media promotion and investment in long term cooperation with main customers were optimized.

This affects significantly on improvement of brand recognition on the Polish market.

### **3. Results and the financial condition of the Company.**

Within 2017 the Company achieved sales of 302 million of PLN.

Sales of the household goods constituted 61% of the total sales. The share of cosmetics in total sales accounted for 39%. Sales and operational costs 2017 were about 3% lower than in 2017.

There was continued correct and successful management of working capital, „bad debts” and obsolete stock was minimized. The expenses connected with bad debts and bad/obsolete stock were inessential, and all risks were secured by relevant reserves.

Average inventory turnover is about 78 days (its average time, how long goods lie in warehouse). Company in safety way ensures supply of goods for sales, and avoid extra collecting of goods. Stable control of slow moving stock allows to keep total inventory on rational level.

Average rotation of customers receivables is about 75 days (its average time, when clients pay for bought goods). This time is resulted from of value of sales to particular clients and condition of cooperation with these clients. Only few days is an effect of delaying of payments (common market practice), but vindication department strictly take care about correct inflow of cash from clients.

### **4. The HR situation of the Company.**

The HR situation in 2017 was stable. At the end of the year, the Company carried out a project to reorganize the sales department. However, it did not affect the total level of employment. Number of employees as of 31 December 2017 amounted to 253 persons.

### **5. Financial risk management.**

The overall objective of the Company's market risk management is to reduce the volatility of cash flows and potential economic losses caused by the events that may have a negative impact on the individual. Market risk management includes identification, measurement and definition of risk mitigation, including aspects related to currency exchange rates and interest rates.

#### *Credit risk*

Credit exposure is monitored currently according with the credit policy realized by the Company. Evaluation of credibility is conducted in relation with clients need lending over than determined amount. Blank promissory note from certain clients is a security for the Company. The part of the foreign receivables is insured in reputable insurance corporation. Additional receivables are regularly monitored by financial department.

Sales is stopped and receivables collection is started in connection with overdue receivables according with procedures.

Through insurance receivables, the Company reduced its credit risk defined as the risk that creditors do not fulfill their obligations and thus will incur losses for the company. The maximum exposure to credit risk is approximately 69.5 million PLN.

The Management Board considers that there is not significant concentration of credit risk, because of the great number of customers. Allowances for bad debts was made for receivables difficult to collect.

The Company continued program of receivables insurance. The insurance involved practically all customers, excluding a few customers – from a big international chain.

Credit risk in amount of 14.5 million PLN, connected with bank deposits, derivatives and other investments is not significant because the Company engages in transactions with institutions with established financial position.

#### *Interest rate risk*

Interest rate risk is associated with interest-bearing assets and liabilities. Interest rate fluctuations affect the financial costs and incomes. Increase of interest rates affects increase of the Company's financial cost, especially the cost of interest and the increase of accrued interest.

#### *Exchange rate risk*

Transactions of purchase goods in foreign currency are the main sources of exchange rate risk. Significant part of trade payables is in foreign currency specially in EUR and USD. The sales is provided generally in polish currency.

#### *Liquidity risk*

Operational activity is conducted with assuming that fixed surplus of liquid cash and open credit lines will be retain. In opinion of Management Board the balance sheet value of assets and financial liabilities reflects their fair value. In opinion of Management Board high level of cash at hand at the balance sheet day, available credit lines and good financial condition of Company caused that liquidity risk is slightly.

#### *Price risk*

Price of materials is a component which has a major impact on the total profitability of Company. Changes in prices of purchasing raw materials can result from the international demand trends for the selected materials and from the exchange rates. In connection with big fluctuations of raw materials prices on the world markets and exchange rates, purchase department makes comparative analysis of purchases from different sources, to measure profitability of domestic and foreign purchases. It is a one of main instruments of price risk minimization. The Company regularly monitors the profitability of individual products and on the basis of these data takes action related to the optimization of the purchase price or the sale of products.

### **6. Main plans for 2018**

The company will continue the production and sales activity.

In the first quarter of 2018, it is planned to launch the production of baking and breakfast paper, the expenditure on machines amounted to 1.4 million PLN.

The company is also planning to modernize and expand the office in Piaseczno.

The goal is the reinforcement of the market position of the distributed brands on the Polish market and growth of export sales. The influencing elements to achieve those goals will be a strong distribution network, implementing of new products and marketing support.

Piaseczno, 16th of February 2018.

The Management Board:

*President of the Board*  
Kyriakos Sarantis

  


*Member of the Board*  
Antonios Aylostrattis

*Vice President of the Board*  
Konstantinos Rozakeas

  


*Member of the Board*  
Grigorios Sarantis

*Vice President of the Board*  
Konstantinos Stamatou

  


*Member of the Board*  
Elpiniki Sarantis

*Member of the Board*  
Meintanis Vasileios

  


*Member of the Board*  
Grigorios Sarantis