# Frigoglass Group S.A.

## Results for the six months ended 30 June 2005

## Continued strong sales and profitability growth

Athens, 9 August 2005, Frigoglass Group S.A., Europe's leading manufacturer of Ice Cold Merchandisers, with operations in 15 countries across three continents, today announces first half 2005 results.

**H1 2005 Highlights**

- **Sales of €226.8 million,14.4% above the same period in prior year**
- **EBITDA up 11.4% to €47.5 million**
- **EBT increased 20.5% to €33.5 million**
- **Earnings after tax and minorities increased 38.3% to €21.2 million**
- **EPS of €0.53 versus €0.38**
- **Net Sales over Net Working Capital ratio improved by 9.8%**

***Mr Dimitris Lois, Managing Director, Frigoglass Group SA, commented:***

*"Frigoglass' strong start to the year continued into the second quarter. The overall sales trend for the first half of the year was solid, behind market share gains and customer base expansion. Ongoing focus on cost control and tax management enabled us to offset the impact of adverse raw material prices and capitalise on the sales growth to deliver sound profitability gains.*

*All key Cool Operation markets performed well during the second quarter delivering a very credible performance ahead of plans. The Nigeria Operations delivered a marked profitability improvement and performed strongly behind the export drive in glass as well as increased sales in PET products, crowns and coolers. However, sustaining the trend for the remainder of the year is likely to be challenging given the soft demand in the domestic brewery segment that affects our glass sales. VPI which operates in a highly commoditised marketplace continues to be subjected to substantial raw material cost pressure that eroded profitability despite sales growth. The Group's working capital requirement was further reduced, proportionally, and cash generation accelerated during the period. The overall good position of the Group, current results and favourable projections for the remainder of the year, have enabled us to increase our FY2005 guidance."*

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## Group Overview

Continuing the trend of the first quarter, Cool and Nigeria Operations delivered favourable results during the period, with both sales and net profit margins showing an improvement over the previous year. Despite an increase in sales revenue VPI continues to be affected by high raw material costs eroding profitability.

Group revenues grew by 14.4% during the first half of the year reaching €226.8 million. This was driven by a 15.1% growth in Cool Operations which constituted 67% of the Group increase in revenue. Nigeria and VPI which exhibited 17-18% sales improvement contributed the balance.

First half year EBITDA reached €47.5 million, an improvement of 11.4% versus the same period last year, behind significant profitability gains in the Nigerian Operations and sales growth across the geographies of the Cool Operations.

EBT increased by 20.5% to €33.5 million whilst Net Profit After Tax and after minority interest is at €21.2 million representing a 38.3% growth versus last year and translating to an EPS increase to €0.53 (up from €0.38).

## Operational Review by Key divisions

| | Revenues (€ million) | | | | EBITDA (€ million) | | |
|---|---|---|---|---|---|---|---|
| **H1 2005** | H1 2005 | H1 2004 | % Change | % of Group | H1 2005 | H1 2004 | Change |
| Cool Operations | 151.9 | 131.9 | 15.1% | 67% | 36.2 | 32.5 | 11.6% |
| Nigeria | 32.8 | 28.0 | 17.0% | 14% | 8.4 | 4.6 | 80.7% |
| VPI | 42.4 | 35.9 | 17.9% | 19% | 2.7 | 5.1 | -46.6% |
| Plastics | 1.7 | 2.9 | -41.4% | 1% | 0.2 | 0.4 | -55.5% |
| Interdivision Eliminations | -2.0 | -0.6 | | -1% | | | |
| **Frigoglass Group** | 226.8 | 198.2 | 14.4% | - | 47.5 | 42.7 | 11.4% |

## Cool Operations

Cool Operations continued to deliver strong sales and earnings growth in the second quarter, following its successful start to the year. H1 2005 Sales grew by 15.1% and EBT was up 17.8% despite increased raw material costs.

Cool Operations increased sales strongly in Russia, UK, Southeast Asia, India and a number of African counties behind significant gains and customer base expansion. Demand in Russia remains buoyant but other regions are exhibiting encouraging growth rates. South East Asia and India contributed 9% of the Cool Operations volume compared to 2% in H1 2004

Sales growth was further boosted by the beer segment, where demand continued to increase rapidly at a rate of 113% versus last year. Main brewery customers include BBH, Carlsberg, EFES, Heineken, Interbrew and SAB.

Coca-Cola HBC remains an important customer for the Group but rapid demand growth from breweries and other bottlers saw its contribution to the Cool Operations sales volume reduce from 54.6% in H1 2004 to 44.1%.

Productivity benefits continue to accrue from investments made in Russia, Indonesia, India and Romania whilst manufacturing standards are consistently in line with targets. Operational efficiencies are being achieved across the business which for the time being, more than compensate adverse raw material costs, leading to meaningful benefits in terms of profitability and positive progression in RoE. Overall, the Cool Operations has performed ahead of its plans during the period with a favourable outlook for the remainder of the year.

## Nigeria Operations

Nigeria accounted for 14% of H1 2005 Group revenues and 12.1% of Group operating profit against 3.5% in H1 2004. Compared to H1 2004, sales of the Nigeria Operations were up 17% to € 32.8 million and Nigeria recorded a considerably higher operating profit of €4.4 million compared to €1.1 million in H1 2004. EBT margins were up to 10.6% from 0.2% last year, as the new management team made real progress in rationalizing operating costs, in achieving higher overall productivity and in improving utilization rates.

Sales in the Nigeria Operations were broadly in-line with expectations. This performance was achieved through an intense export drive for glass in neighbouring markets and gains in domestic segments such as spirits. However, glass requirements by domestic breweries continued to be depressed during the second quarter and are forecasted to end the year behind plan. H1 2005 sales also benefited from a number of orders from the final quarter of 2004 executed during Q1. The main revenue drivers from other operations during the first half were PET (up 114%) Cool (up 22.5%) and Crowns (up 21.1%). Despite softer demand for glass by breweries, Nigeria continues to trade in-line with full-year expectations.

The local currency (Naira) has been more stable during H1 2005 than H1 2004 thus having no impact on the performance.

**VPI**

Volos PET Industries (VPI), Frigoglass' PET Resin Operations, maintained its prominent market position in the Balkans and its leading position in the domestic market.

Sales increased significantly, as high selling prices continued in this largely commoditised market. Sales in H1 2005 increased by 18% to €42.4 million and VPI accounted for 19% of Group revenues, as against 18% in H1 2004. However, operating profit, as a percentage of the Group result decreased to 1.8%.

Higher market selling prices during the period were not sufficient to offset inflated raw material costs, leading to margin erosion and, therefore, the contribution to Group earnings. There is no change in the outlook for VPI.

**Plastics**

As in the first quarter, the Group's small plastics business continued to trade in line with expectations and through a process of continuous cost containment, recorded a small profit in H1 2005, against a loss the previous year.

## Group Financial Review

### Frigoglass Group – Summary Profit and Loss account

| | H1 2005 € million | H1 2004 € million | Change |
|---|---|---|---|
| Revenues | 226.8 | 198.2 | 14.4% |
| Gross profit | 61.9 | 55.5 | 11.4% |
| Operating (EBIT) | 35.8 | 31.0 | 15.3% |
| EBT | 33.5 | 27.8 | 20.5% |
| Net profit (after minorities) | 21.2 | 15.3 | 38.3% |
| Basic and diluted EPS (in euros) | 0.53 | 0.38 | |

### Revenues

H1 2005 saw Group revenue growth of 14.4% over the same period in 2004 to €226.8 million. This was driven largely by strong sales growth in the Cool Operations, solid sales growth in Nigeria albeit against a relatively weak 2004 performance and higher market selling prices for PET products in VPI division.

### Operating costs

Managing operating expenses continues to be one of the main priorities of the Group, and considerable progress was made during the period. Total operating costs during the first half increased by 8.7% year-on-year, despite the growth in the business, and thus, as a percentage of total revenues, fell to 14.1% in H1 2005, as against 14.8% in H1 2004.

Selling and Marketing expenses increased by 18.5% primarily due to transportation costs related to the sales growth and the Group's continued investment in ensuring the competitiveness of Frigoglass' products in the future.

## Cash flow and working capital management

Cashflow during the period benefited from the improved operational efficiency of the business, economies of scale as the main divisions continued to grow, and the Group's reduced effective tax rate.

Improved working capital management continued to be another key focus for the Group, and again, substantial progress was made here. DSOs in the first half were managed down a further 10.6% to 67 days, as benefits continued to accrue from improved cash collection and the negotiation of more favourable payment terms with customers. Stock turn rates increased by 9% as a stronger forward order book necessitated increased inventories against the same period last year. The overall rate of increase in working capital was reduced, ending the half up only 4.2%, substantially below Group revenue growth of 14.4%.

## Debt

As the business grows and working capital management continues to be improved, a greater level of cash generation and thus debt repayment is enabled, on an annualised basis. As outlined elsewhere, progress in reducing the group's working capital requirement, improving cash collection and reducing effective tax rates has been strong and should yield significant gains at the full year. At the half year, net debt stood at €94.7 million, down from €115.2 million at the same time last year and €100.5 million at the 2004 year-end.

## Taxation

In line with its strategy, the Group was very successful in reducing its effective corporate tax rate during the period. Tax Planning together with corporate tax reductions in key markets such as Russia (from 24% to 20%) and Romania (from 25% to 16%) have resulted in a Group effective tax rate of 34% as against 43% for FY 2004.

## CAPEX

The Investment of €8.8 million during the period was focused mostly on equipment and machinery, driving the competitiveness of Frigoglass products and improving Group operating efficiency. Specifically, investments on equipment, machinery and R&D in the Romania and Kato Achaia (Greece) plants and on equipment in the Delta glass plant in Nigeria. Capital expenditure continues to be in-line with expectations for the full-year.

**Outlook**

The Group continues to evaluate its strategic alternatives with a view to achieving an even greater focus on the core business, which is Cool and Glass. To this effect an announcement was made on 3 August 2005 to the Athens Stock Exchange, confirming that Frigoglass is considering the sale of its stake in VPI.

Given the strong start to the year in the first half, which represents the period of highest seasonal demand, the positive forward order book in Cool Operations, the considerable improvement in Nigeria Operations' profit margins and progress in reducing the Group's effective tax rate, the Group is revising guidance upwards  for the full year 2005, as follows:

Revised Guidance for FY 2005 versus FY2004:

| | |
|---|---|
| Revenue Growth: | 8-10% |
| EBT: | €32.5 million – 33.5 million (after minorities) |
| EPS Growth: | 40%-45% |
| Capex: | Below €25m (unchanged). |

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