

The other operating profits stood at 3,6 million euros, of which the largest share corresponds to suppliers' contributions to marketing campaigns.

OPERATING EXPENSES

Consolidated operating expenses reached the amount of 187,7 million euros, 3.5% less than in the previous year, increasing their weight in sales.

GROSS MARGIN

The cost of merchandise and raw materials sold and consumed, which in 2010 represented 21.8% of sales, increased to 22.6%, approaching the figure for financial year 2008. The increase is primarily due to alteration of the sales mix with greater weight given to counter concepts and the greater pressure on sales prices felt in the current context.

The gross margin over turnover was 77.5% in this financial year, compared to 78.4% recorded in the previous year.

REMUNERATIONS AND PERSONNEL COSTS

Personnel costs fell by 3 million euros to 65,0 million euros. The 4.4% decrease was insufficient to accompany the reduced activity, mainly because the company decided not to reduce some installed capacities, while the sales drops were of the extent verified. Costs incurred with the project in Angola must also be added, which during the year involved 185,000 euros and where sales will only begin in 2012. The weight of this item, which in 2010 had fallen to 32%, rose to account for 33.5% of turnover in 2011.

Most brands recorded a major and gradual adjustment of the number of hours contracted in response to the lower sales volume.

SUPPLIES AND EXTERNAL SERVICES

Costs with supplies and external services came to 63,7 million euros, after reaching 67,1 million euros in 2010, corresponding to a decrease of 5.1%, or below the activity's evolution.

The weight of this item consequently shifted from 31.6% to 32.7% of turnover. The resilience of some costs of a more fixed nature, specifically rents, hindered a more accentuated reduction of this item despite efforts to curtail some general