



Consolidated Financial Results

H1 2007

Korres S.A. Natural Products

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HIGHLIGHTS

- **Revenues** increased by **14.1%** to €17.1m (€15.0m in H1 2006). Growth was mainly driven by body products (+91.9% to €3.8m primarily because of increased sun care product sales).
- **Exports** increased by **54.9%** to €2.4m (€1.5m in H1 2006). Growth was driven by export sales to both existing and new countries. Two new Korres stores were opened in the second quarter, one in Glasgow in the United Kingdom and one in Valencia in Spain (both operated by distributors).
- **EBITDA** increased by **7.2%** to €4.0m (€3.7m in H1 2006). The **EBITDA margin** declined by 1.5pp to **23.1%** (24.6% in H1 2006) due to increased expenses to support both the existing and new brand.
- **Net income** increased by **14.1%** to €2.1m (€1.8 m in H1 2006) because of the higher profits before tax and a 3.7 percentage points lower effective tax rate of 30.3% (34.0% in H1 2006).
- The new brand **Kings and Queens** was launched in May 2007. Revenues of the new brand in H1 2007 were minimal (€0.1m), however early signs are encouraging and revenues of the new brand should increase in the second half of 2007 and beyond.
- **Operating cash flow** reached €0.9m (H1 2006 -€2.3m) primarily because of higher profits, lower inventories and lower receivables growth.
- **Outlook:** Based on the first half financial performance, the launch of the new brand and current trading conditions the company expects revenue growth to improve in the second half of 2007. **Domestic** sales are expected to benefit from the launch of the new brand and new products in the existing brand (male products, acme products) combined with increased advertising. **Export** sales are expected to benefit from the opening of the new stores, penetration into new countries and the expansion of the export product portfolio.

INCOME STATEMENT

- **Revenues** increased by **14.1%** to €17.1m (€15.0m in H1 2006). Growth was mainly driven by body products (+91.9% to €3.8m primarily because of increased sun care product sales), followed by hair products (+58.6% to €4.0m). Revenues in the second quarter increased by 9.2% to €8.6m (€7.9m in Q2 2006). The revenue growth rate in the second quarter of 2007 was lower than the one in the first quarter of 2007 (19.5%) due to high revenue base in the second quarter of 2006, which benefited from the launch of the make-up products.
- **Gross profit** increased by **15.0%** to €11.1m (€9.6m in H1 2006). **Gross margin** increased slightly to **64.6%** (64.2% in H1 2006). The gross margin in the second quarter reached 66.9% (62.6% in Q2 2006) because of improved profitability in both domestic and export business from product mix.
- **EBITDA** increased by **7.2%** to €4.0m (€3.7m in H1 2006). The **EBITDA margin** declined by 1.5pp to **23.1%** (24.6% in H1 2006) due to increased marketing and advertising expenses in relation to the existing and the new brand.
- **Operating profit** increased by **4.2%** to €3.5 m (€3.3m in H1 2006). The operating margin declined by 1.9pp to **20.3%** (22.3% in H1 2006) because of the lower EBITDA margin and higher depreciation and amortization expenses.
- **Profit before tax** increased by **8.1%** to €3.0m (€2.8m in H1 2006). Net financial charges declined by 18.9% to €0.4m (€0.6m in H1 2006) because of lower average net debt and lower interest rates.
- **Net income** increased by **14.1%** to €2.1m (€1.8 m in H1 2006) because of the higher profits before tax and a 3.7 percentage points lower effective tax rate of 30.3% (34.0% in H1 2006).

Income statement (€ m)	H1 2007	H1 2006	Change (%)
Revenues	17.1	15.0	14.1
Cost of goods sold	-6.1	-5.4	12.6
Gross profit	11.1	9.6	15.0
Gross margin (%)	64.6	64.2	0.5pp
Operating expenses	-7.1	-5.9	19.8
EBITDA	4.0	3.7	7.2
EBITDA margin (%)	23.1	24.6	-1.5pp
Depreciation and amortization	-0.5	-0.3	36.5
Operating profit	3.5	3.3	4.2
Operating margin (%)	20.3	22.3	-1.9pp
Associates	0.0	0.0	n/a
Net financial result	-0.4	-0.6	-18.9
Profit before tax	3.0	2.8	8,1%
Tax	-0.9	-0.9	-3.7
Net Income	2,1	1,8	14,1%
Net income margin (%)	12.3	12.3	0.0pp
EPS (€)	0.31	0.30	2.2

BALANCE SHEET

- **Inventories** decreased by **4.6%** to €5.0m (€5.2m in 2006) due to increased stock level at the end of 2006 to fulfil the seasonal sales of H1 2007
- **Clients and other receivables** increased by **41.8%** to €17.5m (€12.4m in 2006) due to increased sales of seasonal products (primarily sun care) that will be collected in the second half of 2007.
- **Suppliers and other liabilities** increased by **25.0%** to €9.6m (€7.7m in 2006), due to increased purchases in H1 2007.
- **Long-term loans** declined by **25.6%** to €7.3m (€9.9m in 2006). **Short-term loans** declined by **51.4%** to €3.4m (€7.1m in 2006) as IPO funds were used to redeem debt.
- **Net debt** declined by **46.8%** to €8.1m (€15.1m in 2006). The net debt to (12-month rolling) EBITDA ratio currently stands at **1.3x**.

(€ m)	H1 2007	FY 2006	Change (%)
Assets			
Property, plant and equipment	11.3	10.5	7.7
Intangible assets	0.8	0.5	47.3
Investments in associated companies	0.6	0.0	n/a
Other long-term receivables	2.7	2.7	0.3
Total non-current assets	15.4	13.7	11,8
Inventories	5.0	5.2	-4.6
Clients and other receivables	17.5	12.4	41.8
Cash and equivalent	2.6	1.7	57.5
Total current assets	25.1	19.2	30.6
Total assets	40.5	33.0	22.8
Shareholder's equity and liabilities			
Long-term loans	7.3	9.8	-25.6
Deferred tax liabilities	0.4	0.3	48.8
Retirement benefit obligations	0.2	0.2	18.9
Total long-term liabilities	7.9	10.2	-22,7
Suppliers and other liabilities	9.6	7.7	25.0
Short-term loans	3.4	7.1	-51.4
Current tax liabilities	1.8	1.4	25.8
Total current liabilities	14.8	16.2	-8.2
Share capital	2.3	1.8	26.2
Reserves	10.6	0.5	1,943.5
Retained Earnings	4.8	4.2	13.3
Shareholders Equity	17.7	6.6	169.8
Total shareholder's equity and liabilities	40.5	33.0	22.8

CASH FLOW

- **Operating cash flow** reached €0.9m (H1 2006 -€2.3m) primarily because of higher profitability, lower inventories and lower receivables growth. Operating cash flow in the second quarter reached €0.6m (Q2 2006: -€1.3m) as the above parameters were more pronounced in the second quarter than in the first quarter.
- **Investment cash flow** reached €2.6m (H1 2006 €1.1m). Capital expenditure reached €2.0m (H1 2006: €1.0m). Major items of capital expenditure in the first half of 2007 were additions in machinery of €1.0m, other equipment of €0.3m and software of €0.2m in order to further automate and increase the capacity of the plant to support expected increased production volumes. Investment in associated companies reached €0.6m (H1 2006: €0.0m) and relates to the 15.6% participation in the company Krokos Kozanis Products S.A.
- **Financing cash flow** reached €2.7m (H1 2006 €4.8m). IPO proceeds were €10.6m, while debt (including financial leases) declined by €6.4m (H1 2006: €4.8m increase) and dividend payments were €1.5m (H1 2006: €0.0m).

Cash flow (€ m)	H1 2007	H1 2006	Change (%)
Operating cash flow	0.9	-2.3	n/a
Investment cash flow	-2.6	-1.1	-134.2
Financing cash flow	2.7	4.8	-44.6
Net change in cash	1.0	1.4	-30.8
Cash and cash equivalents, beginning of the period	1.7	0.9	76.3
Cash and cash equivalents, end of the period	2.6	2.3	12.4

APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ mil)	H1 2007	H1 2006	Change (%)
Face	6.7	8.7	-23.3
Of total (%)	39.1	58.2	-19.1pp
Hair	4.0	2.5	58.6
Of total (%)	23.2	16.7	6.5pp
Body	3.8	2.0	91.9
Of total (%)	22.0	13.1	8.9pp
Pharmaceuticals & Others	2.7	1.8	48.8
Of total (%)	15.7	12.0	3.7pp
Total	17.1	15.0	14.1

Make-up products were launched in March 2006 and associated turnover is reported in the face category whose sales were therefore unusually high in H1 2006. Notwithstanding this, face products remain the highest turnover contributors (39.1% of total) followed by hair products (23.2% of total), body products (22.0% of total) and pharmaceuticals & other (15.7% of total).

Gross Profit (€m)	H1 2007	H1 2006	Change(%)
Face	4.9	6.2	-21.5
Gross margin (%)	72.9	71.3	1.7pp
Of total gross profit (%)	44.2	64.7	-20.5pp
Hair	2.6	1.5	74.4
Gross margin (%)	66.7	60.7	6.0pp
Of total gross profit (%)	23.9	15.7	8.1pp
Body	2.2	1.1	109.9
Gross margin (%)	58.6	53.6	5.0pp
Of total gross profit (%)	20.0	10.9	9.0pp
Pharmaceuticals & Others	1.3	0.8	59.1
Gross margin (%)	49.3	46.1	3.2pp
Of total gross profit (%)	12.0	8.6	3.3pp
Total	11.1	9.6	15.0
Gross Margin (%)	64.6	64.2	0.5pp

Gross profit increased by 15.0% to €11.1m (€9.6m in H1 2006). The gross margin improved slightly by 0.5 percentage points to 64.6% (64.2% in H1 2006). This is driven by increased export average pricing, improved cost efficiencies by economies of scale and focus on profitable product mix.

Turnover by channel (€m)	H1 2007	H1 2006	Change (%)
Pharmacies – Selective	17.1	15.0	13.7
Of total (%)	99.6	100.0	-0.4pp
Mass - Semi Selective	0.1	0.0	n/a
Of total (%)	0,4%	0,0%	0.4pp
Total	17.1	15.0	14.1

The Korres brand is distributed in the pharmacies – selective channel. The new brand Kings & Queens is distributed in the mass – semi selective channel.

Turnover by region(€m)	H1 2007	H1 2006	Change (%)
Greece	14.8	13.5	9.5
Of total (%)	86.2	89.9	-3.7pp
Exports	2.4	1.5	54.9
Of total (%)	13.8	10.1	3.7pp
Total	17.1	15.0	14.1%

- **Exports** increased by **54.9%** to €2.4m (€1.5m in H1 2006). The biggest contributors to export sales are USA (€0.8m), UK (€0.3m), Germany (€0.2m) and Belgium (€0.2m). In the first half of 2007 the company has started exporting in Russia, Japan and Asia.

Gross profit (€m)	H1 2007	H1 2006	Change (%)
Greece	9.9	8.9	11.2
Gross margin (%)	66.8	65.8	1.0pp
Of total gross profit (%)	89.1	92.2	-3.1pp
Exports	1.2	0.8	59.8
Gross margin (%)	53.1%	49.5%	3.6pp
Of total gross profit (%)	10.9	7.8	3.1pp
Total	11,1	9,6	15,0
Gross margin (%)	64.6	64.2	0.5pp

- **Exports** Gross profit at **53.1%** in H1 2007 having an increase of 3.6pp compared to H1 2006 mainly attributed to the increased contribution of the new markets opening that have a higher GM % compared| to the existing markets.