



Consolidated Financial Results

9M 2007

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Continued growth in 9M 2007 financials

Sales growth of 19.3% - Launch of new brand Kings & Queens

- **Revenues** increased by **19.3%** to €24.8m (€20.8m in 9M 2006)
- **EBITDA** increased by **6.7%** to €4.8m (€4.5m in 9M 2006).
- **Net income** increased by **13.4%** to €2.4m (€2.1 m in 9M 2006)
- **Operating cash flow** reached €1.7m (9M 2006 -€1.4m)

OVERVIEW

KORRES S.A. Natural Products Group delivered solid net income growth in the first 9 months of 2007. This was driven by organic sales growth in both domestic and export markets, combined with the improved gross profit contribution from ongoing operating efficiencies.

All product categories contributed to revenue growth of 19.3% at €24.8m from €20.8m in the relevant period of 2006 having major contributors the body and hair categories. As far as the geographic regions contribution as we had announced in the past we have the export markets increasing their contribution being currently 16.5% of the total turnover growing by 37.3% when comparing to 2006 relevant period.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 6.7% to €4.8m for 9M 2007 compared to €4.5m in the relevant period of 2006. The lower growth rate of EBITDA compared to revenue growth is effected by the increased marketing and promotion expenses related to the launch of our new brand Kings & Queens (K&Qs) and the existing product categories.

Net income after tax reached €2.4m for 9M 2007 compared to €2.1m in the relevant period of 2006. An increase of 13.3% driven by the increased EBITDA, the significant improvement of financial expenses and the reduced effective tax rate.

The pharmacies network (Greece) and selective (export) remain our major distribution channels for the Korres Natural Products brand. During this period we increased marketing expenditure for our new brand K&Qs which is being distributed in both the domestic and export markets. The first signs are encouraging and our expectation remains that although during 2007 it will not have a significant turnover contribution, this will increase in 2008. The new brand will contribute towards the differentiation of our brand portfolio and presence and distribution through the alternative channels of mass and semi selective both in Greece and export markets.

In terms of international presence we aim to increase awareness and presence for both brands. Participation of our export business in the total turnover is growing and is currently at 16.5%. During the quarter we launched in Greece a new product category Acne and revitalized men's product category adding new products in the existing portfolio.

As far as the Korres shops presence is concerned we have a continuously increasing number of shops through our distributors having already 13 shops around the world with the most recent opening in New York. During 2007 we had already 6 openings aiming to have 3 more by the end of the year. Our strategy is to expand export sales through the combination of shop openings and retail activity in the semi selective channel.

INCOME STATEMENT

- **Revenues** increased by **19.3%** to €24.8m (€20.8m in 9M 2006). Growth was mainly driven by body products (+86.6% to €5.5m primarily because of the effect of the launch of the new brand K&Q's, followed by hair products (+43.7% to €5.7m). Revenues in the third quarter increased by 32.9% to €7.6m (€5.7m in Q3 2006). The revenue growth rate in the third quarter of 2007 is significantly impacted due to the new launch but even excluding this the growth of sales in Q3 is 17.5% compared to the relevant period of 2006.
- **Gross profit** increased by **23.5%** to €16.1m (€13.1m in 9M 2006). **Gross margin** increased to **65.1%** (62.9% in 9M 2006). The gross margin in the third quarter reached 66.3% (59.7% in Q3 2006) because of improved profitability in both domestic and export business from product mix.
- **EBITDA** increased by **6.7%** to €4.9m (€4.5m in 9M 2006). The **EBITDA margin** declined by 2.1pp to **19.6%** (21.9% in 9M 2006) due to increased marketing and advertising expenses to support both the existing and the new brand.
- **EBIT** increased by **1.7%** to €4.1m (€4.0m in 9M 2006). The operating margin declined by 2.9pp to **16.6%** (19.4% in 9M 2006) because of the lower EBITDA margin and higher depreciation and amortization expenses.
- **Profit before tax** increased by **9.1%** to €3.4m (€3.1m in 9M 2006). Net financial charges declined by 27.5% to €0.7m (€0.9m in 9M 2006) because of lower average net debt and lower interest rates.
- **Net income** increased by **13.4%** to €2.4m (€2.1m in 9M 2006) because of the higher profits before tax and a 2.6 percentage points lower effective tax rate of 30.0% (32.6% in 9M 2006).

Income statement (€ m)	9M 2007	9M 2006	Change (%)
Revenues	24.8	20.8	19.3
Cost of goods sold	-8.6	-7.7	12.1
Gross profit	16.1	13.1	23.5
Gross margin (%)	65.1	62.9	2.2pp
Operating expenses	-11.3	-8.5	32.5
EBITDA	4.9	4.5	6.7
EBITDA margin (%)	19.6	21.9	-2.3pp
Depreciation and amortization	-0.8	-0.5	53.0
EBIT	4.1	4.0	1.7
Operating margin (%)	16.6	19.4	-2.9pp
Associates	0.0	0.0	0
Net financial result	-0.7	-0.9	-27.5
Profit before tax	3.4	3.1	9.1
Tax	-1.0	-1.0	0.4
Net Income	2.4	2.1	13.4
Net income margin (%)	9.6	10.1	-0.5pp
EPS (€)	0.3	0.3	-2.7

BALANCE SHEET

- **Inventories** increased by **53.3%** to €8.0m (€5.2m in 2006) mainly due to increased stock level of the make-up range related to the increased product portfolio offering, as well as increased raw and packaging materials.
- **Clients and other receivables** increased by **46.8%** to €18.2m (€12.4m in 2006) due to the launch of the K&Qs brand during Q3 and seasonal Korres brand sales that will be collected in the last quarter of 2007.
- **Suppliers and other liabilities** increased by **70.3%** to €13.1m (€7.7m in 2006), due to increased purchases which are apparent also in the increased inventory levels as of Sept 2007.
- **Long-term loans** declined by **27.5%** to €7.1m (€9.8m in 2006). **Short-term loans** declined by **23.8%** to €5.4m (€7.1m in 2006) as IPO funds were used to redeem debt.
- **Net debt** declined by **42.0%** to €8.8m (€15.1m in 2006). The net debt to (12-month rolling) EBITDA ratio currently stands at **1.4x**.

(€ m)	9M 2007	FY 2006	%
Assets			
Property, plant and equipment	12.5	10.5	18.8
Intangible assets	0.9	0.5	65.9
Investments in associated companies	0.5	0.0	n/a
Other long-term receivables	1.9	2.7	-29.0
Total non-current assets	15.8	13.7	15.2
Inventories	8.0	5.2	53.3
Clients and other receivables	18.2	12.4	46.8
Cash and equivalent	3.7	1.7	119.3
Total current assets	29.8	19.2	54.8
Total assets	45.6	33.0	38.3
Shareholder's equity and liabilities			
Long-term loans	7.1	9.8	-27.5
Deferred tax liabilities	0.5	0.3	66.4
Retirement benefit obligations	0.2	0.2	25.6
Total long-term liabilities	7.8	10.2	-23.8
Suppliers and other liabilities	13.1	7.7	70.3
Short-term loans	5.4	7.1	-23.8
Current tax liabilities	1.3	1.4	-6.5
Total current liabilities	19.8	16.2	22.4
Share capital	2.3	1.8	26.2
Reserves	10.6	0.5	1943.5
Retained Earnings	5.1	4.2	20.1
Shareholders Equity	18.0	6.6	174.2
Total shareholder's equity and liabilities	45.6	33.0	38.3

CASH FLOW

- **Operating cash flow** reached €1.7m (9M 2006 -€1.4m) primarily because of higher profitability, lower receivables growth and significantly increased payables growth.
- **Investment cash flow** reached €4.0m (9M 2006 €1.8m). Capital expenditure reached €3.5m (9M 2006: €1.5m). Major items of capital expenditure in the first half of 2007 were additions in machinery of €1.5m, other equipment of €0.4m, building improvements €0.6m 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 (9M 2006: €0.0m) and relates to the 15.6% participation in the company Krokos Kozanis Products S.A.
- **Financing cash flow** reached €4.3m (9M 2006 €3.8m). IPO proceeds were €10.6m, while debt (including financial leases) declined by €4.7m (9M 2006: €4.7m increase) and dividend payments were €1.5m (9M 2006: €0.8m).

Cash flow (€ m)	9M 2007	9M 2006	Change (%)
Operating cash flow	1.7	-1.4	n/a
Investment cash flow	-4.0	-1.8	-129.1
Financing cash flow	4.3	3.8	13.2
Net change in cash	2.0	0.6	209.5
Cash and cash equivalents, beginning of the period	1.7	0.9	76.5
Cash and cash equivalents, end of the period	3.7	1.6	130.3

APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	9M 2007	9M 2006	Change (%)
Face	10.0	11.0	-9.2
Of Total (%)	40.3	53.0	-12.6pp
Hair	5.7	3.9	43.7
Of Total (%)	22.8	18.9	3.9pp
Body	5.5	3.0	86.6
Of Total (%)	22.3	14.3	8.0pp
Pharmaceuticals & Others	3.6	2.9	25.5
Of Total (%)	14.6	13.8	0.7pp
Total	24.8	20.8	19.3

The launch of our new brand (K&Qs) is effecting the comparison of the body category for the same period of 2006. Even excluding K&Qs, the body category would be showing a strong organic growth of 57.9%. Face products remain the highest turnover contributors (40.3% of total) followed by hair products (22.8% of total), body products (22.3% of total) and pharmaceuticals & other (14.6% of total).

Gross Profit (€ m)	9M 2007	9M 2006	Change (%)
Face	7.2	7.8	-7.1
Gross Margin (%)	72.3	70.7	1.6pp
Of total gross profit (%)	44.7	59.5	-14.8pp
Hair	3.8	2.4	56.7
Gross Margin (%)	67.1	61.6	5.5pp
Of total gross profit (%)	23.5	18.5	5.0pp
Body	3.3	1.6	105.5
Gross Margin (%)	60.6	55.0	5.6pp
Of total gross profit (%)	20.7	12.5	8.3pp
Pharmaceuticals & Others	1.8	1.2	43.1
Gross Margin (%)	49.4	43.3	6.1pp
Of total gross profit (%)	11.0	9.5	1.5pp
Total	16.1	13.1	23.5
Gross Margin (%)	65.1	62.9	2.2pp

Gross profit increased by 23.5% to €16.1m (€13.1m in 9M 2006). The gross margin also improved by 2.2 percentage points to 65.1% (62.9% in 9M 2006). All categories are contributing in this improvement. In hair we have the increased sales participation of the Colours range with positive gross margin impact and in body by our continuous effort in improving the product range offering. Also the increase in volume produced is having a positive impact in our production efficiencies.

Turnover by channel (€ m)	9M 2007	9M 2006	Change (%)
Pharmacies - Selective	23.9	20.8	15.0
Of Total (%)	96.4	100.0	-3.6pp
Mass - semi Selective	0.9	0.0	-
Of Total (%)	3.6	0.0	-
Total	24.8	20.8	19.3

The Korres brand is distributed in the pharmacies – selective channel. The new brand Kings & Queens is distributed in the mass – semi selective channel. The contribution of the new brand is expected to be material from 2008.

Turnover by region (€ m)	9M 2007	9M 2006	Change (%)
Greece	20.7	17.8	16.3
Of Total (%)	83.5	85.7	-2.2pp
Export	4.1	3.0	37.3
Of Total (%)	16.5	14.3	2.2pp
Total	24.8	20.8	19.3

- **Exports** increased by **37.3%** to €4.1m (€3.0m in 9M 2006). The biggest contributors to export sales are USA (€1.4m), UK (€0.5m), Germany (€0.4m) and Belgium (€0.3m). We are currently present in 30 countries in total.

Gross Profit (€ m)	9M 2007	9M 2006	Change (%)
Greece	14.1	11.7	20.3
Gross Margin (%)	68.0	65.7	2.3pp
Of total gross profit (%)	87.2	89.4	-2.3pp
Export	2.1	1.4	50.4
Gross Margin (%)	50.8	46.4	4.4pp
Of total gross profit (%)	12.8	10.6	2.3pp
Total	16.1	13.1	23.5
Gross Margin (%)	65.1	62.9	2.2pp

- **Exports** gross profit of **50.8%** in 9M 2007 increasing by 4.4pp compared to 9M 2006, mainly attributed to the change in the product mix with the launch of the make-up range in the export markets, having higher gross margin % and the increased contribution of new export markets that have a higher gross margin % compared to the existing core markets like the USA and UK. As for **Greece** we continue to have a positive trend in the gross margin % from all product categories being 2.3pp higher than 9M 2006 (65.7%) due to the change in the product mix.