



Consolidated Financial Results

9M 2008

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SIGNIFICANT INCREASE IN SALES BY 52,7% AND BY 29, 4% OF NET AFTER MINORITY RIGHTS PROFITABILITY OF KORRES NATURAL PRODUCTS GROUP OF COMPANIES

- Increase by 52, 7% of consolidated sales to €37,8m in 9M2008 (from €24,8m in 9M 2007)
- Increase by 39, 5% of consolidated EBITDA to €6,8m (from €4,8m in the respective 9M 2007)
- Earnings after taxes and minority rights (EAT & AM) increased by 29, 4% to €3, 1m (from €2,4m in 9M 2007)

In the first 9 months of 2008, Korres Natural Products Group of companies' sales, presented an increase of 52, 7%, reaching €37,8m from €24,8m in the corresponding 9 months 2007. This increase is a result of high growth coming from all product categories. In particular face products, that continued to be the highest contributor to sales (43,6%), enhanced by 65% mainly due to the positive trend of the existing category's products and the positive performance of the make up products, the men's range and acne skin care. Significant rise of 49,5% is also achieved by the second largest category, the body products, based on the growth of existing products and the new brand Kings & Queens that was launched in the 2nd half of 2007.

The Group continued to its Int'l presence, increasing the participation of international markets as a percentage of total sales by 16, 8 pp reaching the level of 33, 3% in the first 9 months of 2008 from 16, 5% in the corresponding period of 2007.

Earnings before taxes, interest, depreciation and amortization (EBITDA) amounted to €6,8m from €4,8m in the 9 months of 2007, increased by 39,5%, and the net earnings after taxes and minority rights reached €3,1m from €2,4m enhanced by 29,4%, a result of the increased operating profitability. Earnings per share reached 0,26cents from 0,22cents, increasing by 17, 7%.

In relation to Korres stores network, that enhance significantly the brand awareness in the international markets, the Group opened 7 new stores from the beginning of the year, through its local distributors. In particular, Korres stores have been operated, in Paris in France- in Neuchatel, La Chaux de Fonds and Geneva in Swiss-in Varna in Bulgaria and in Vienna in Austria. Furthermore at the same period one more store has been added in US, in Brooklyn New York. Hence, Group's network counted 23 stores, 21 abroad and 2 in Greece.

The most significant business developments of the Group during this particular period was the acquisition of 50% of its local distributor (District Two) in German and the increase of its participation in Krokus Kozanis Products to 42,8% from 15,6% the exclusive representative and distributor of Krokus or the Greek saffron Kozanis bulk or packaged globally

These particular moves are in line with the major growth axes of the Group, the enhancement of its position in certain developed markets and the exploitation of the attributes of the Greek Flora herbs through co operation with local farmers.

Group's targets remain to be the development and promotion of its products in Greece and abroad. In particular, the major growth drivers will constitute the existing product categories, being enriched by new codes, new product categories and the expansion to new distribution channels. In the export activity that will continue to consist significant growth factor, Group's strategy will focus on developed markets, significant cosmetics consumers such as France, Germany, Spain and US.

INCOME STATEMENT

- **Revenues** increased by **52, 7%** to €37,8m (from €24,8m in 9M 2007). Growth was mainly driven by the double digit performance of all product categories, with major contributors being face products (+65,0% to €16,5m from €10,0m), and the body category (+49,5% to €8,3m from €5,5m).
- **Gross profit** increased by **46, 8%** to €23,7m (from €16,1m in 9M 2007). **Gross margin** reached **62, 6%** (from 65, 1% in 9M2007). The decrease of 2,5 pp came from the differentiation of sales mix due to the significant increased participation of exports that although they are operating at lower gross margin, they do not require higher distribution expenses.
- **EBITDA** increased by **39, 5%** to €6,8m (from €4,8m in 9M 2007). The **EBITDA margin** declined by 1,7pp to **17, 9%** (from 19, 6% in 9M 2007) due to increased marketing and advertising expenses to support both the existing and the new brand as well as the enhanced R&D expenses in order to further upgrade product formula and develop new product.
- **Profit before tax** increased by **26, 7%** to €4,3m (from €3,4m in 9M 2007), due to the growth in the operating profitability.
- **Earnings after taxes and minority rights** increased by **29, 4%** to €3,1m (from €2,4m in 9M 2007) driven by the good performance of the whole business.

Income statement (€ m)	9M 2008	9M 2007	Change (%)
Revenues	37,8	24,8	52,7%
Cost of goods sold	-14,1	-8,6	63,6%
Gross profit	23,7	16,1	46,8%
Gross margin (%)	62,6%	65,1%	-2,5%
Operating expenses	-18,1	-12,0	50,3%
EBITDA	6,8	4,8	39,5%
EBITDA margin (%)	17,9%	19,6%	-1,7%
Depreciation and amortization	1,16	0,74	56,8%
EBIT	5,6	4,1	36,3%
Operating margin (%)	14,8%	16,6%	-1,8%
Earnings before tax	4,3	3,4	26,7%
EBT Margin (%)	11,4%	13,8%	-2,2 pp
Tax	-1,3	-1,0	25,0%
Earnings after taxes	3,0	2,4	27,5%
Net income margin (%)	8,1%	9,6%	-1,6%
Minority Rights	-0,05	0,0	
Earnings after taxes and minority rights	3,1	2,4	29,4%
EPS (€)	0,26	0,22	17,7%

BALANCE SHEET

- **Inventories** increased by **62,6%** to €15,6m (from €9,6m in FY 2007) mainly due to the increase in inventories of make up related to the launch of new codes in the last quarter , as well as the increased raw and packaging materials to cover the enhanced demand of finished products
- **Total Debt (Long & short)** increased by **141, 2%** to €32,3m (from €13,4m in FY 2007), mainly due to the increased cash needs to cover: a) the acquisition of the increased participation in Krokus Products Kozanis (€1,7m), b) the acquisition of District Two (€0,8m), its local distributor in Germany c) the participation in Mediterra (€0,7m) d) the capital increase in K&Q's and the last part of investment in fixed assets (€5,2m) and the financing of working capital needs
- **Net debt** increased by **156,5%** to €28,7m (from €11,2m in FY 2007)

(€ m)	9M 2008	FY 2007	%
Assets			
Property, plant and equipment	18,4	13,3	38,8%
Intangible assets	1,9	1,3	47,8%
Investments in subsidiary & associated companies	2,1	0,5	316,4%
Financial assets for sale	0,9		
Good will	1,5	0,6	150,9%
Deferred Taxation	0,3	0,1	133,1%
Other long-term receivables	1,1	1,9	
Total non-current assets	26,3	17,7	48,3%
Inventories	15,6	9,6	62,6%
Customers and other receivables	26,3	20,0	31,1%
Cash and equivalent	3,6	2,2	63,7%
Total current assets	45,5	31,8	42,9%
Total assets	71,8	49,59	44,8%
Shareholder's equity and liabilities			
Share capital	4,5	2,3	95,0%
Paid up Capital	7,9	10,1	-22,1%
Reserves	0,8	0,7	17,8%
Retained Earnings	7,0	5,7	22,9%
Shareholders Equity to the shareholders of the company	20,3	18,9	7,4%
Minorities	0,11	0,0	
Total Shareholders Equity	20,4	18,9	8,0%
Long-term loans	9,10	8,1	12,6%
Deferred tax liabilities	0,77	0,5	49,7%
Retirement benefit obligations	0,34	0,3	23,1%
Total long-term liabilities	10,2	8,9	15,1%
Suppliers and other liabilities	16,19	15,2	6,5%
Short-term loans	23,23	5,3	336,2%
Current tax liabilities	1,78	1,3	34,4%
Short-term provisions	0,05	0,0	
Total current liabilities	41,2	21,9	88,8%
Total shareholder's equity and liabilities	71,8	49,6	44,8%

CASH FLOW

- **Operating cash flow** reached €-2,6m (from €1,7m in 9M 2007), primarily due to the increase in inventories of make up related to the launch of new codes in the last quarter , and the increased receivables coming from the significant sales growth of export markets
- **Investment cash flow** reached -€10,6m (from -€4,0m in 9M 2007) due to the increased capital expenditures that amounted to €3,5m (from €0,574m in 9M 2007), concerning the acquisitions by the company of a) 50% of District Two, its local distributor in Germany b) 5,13% of MEDITERRA which was listed recently to the Alternative Market of the Athens Stock Exchange and finally c) the increase of Korres' participation in Krokus Products Kozanis to 42,8% from 15,6%. Further more investment cash flow includes capex re new equipments
- **Financing cash flow** reached €14,6m (from €4,3m in 9M 2007), mainly driven by the temporary debt increase (16,8m) to cover working capital needs

Cash flow (€ m)	9M 2008	9M 2007	Change (%)
Operating cash flow	-2,6	1,7	-254%
Investment cash flow	-10,6	-4,0	165%
Financing cash flow	14,6	4,3	236%
Net change in cash	1,4	2,0	-30%
Cash and cash equivalents, beginning of the period	2,2	1,7	32%
Cash and cash equivalents, end of the period	3,6	3,7	-1%

APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	9M 2008	9M 2007	Change (%)
Face	16,5	10,0	65,0%
Of Total (%)	43,6	40,3	3,3pp
Hair	7,1	5,7	25,5%
Of Total (%)	18,8	22,8	-4,1pp
Body	8,3	5,5	49,5%
Of Total (%)	21,8	22,3	-0,5pp
Pharmaceuticals & Others	6,0	3,6	65,8%
Of Total (%)	15,8	14,6	1,3pp
Total	37,8	24,8	52,7%

Face products that continued to be the highest contributor (43,6%) to the Group's turnover, gaining 3,3pp compared to the corresponding period of 2007, presented an increase of 65,0% driven by the positive performance of make up products both in Greece and abroad, the men's care products and the organic growth of existing category products. The increase of 49,5% in body category came from the organic growth of body care products and Kings & Queens that has been launched in the market during the second half of 2007. Hair products presented a double digit growth of 25,5% based on the positive trend both of the shampoos, conditioners and styling products as well as the hair colorants in Greece and in the international markets. Pharmaceutical & others presented an significant increase of 65,8% driven by the seasonal products such as gifts and hotel products and the contribution of Korres Homeopathy products that were consolidated in the group at the end of 2007.

Gross Profit (€ m)	9M 2008	9M 2007	Change (%)
Face	11,1	7,2	54,2%
Gross Margin (%)	67,5	72,3	-4,7pp
Of total gross profit (%)	47,0	44,7	2,3pp
Hair	4,8	3,8	26,1%
Gross Margin (%)	67,4	67,1	0,3pp
Of total gross profit (%)	20,2	23,5	-3,3pp
Body	4,9	3,3	47,8%
Gross Margin (%)	59,9	60,6	-0,7pp
Of total gross profit (%)	20,9	20,7	0,1pp
Pharmaceuticals & Others	2,8	1,8	59,0%
Gross Margin (%)	47,3	49,4	-2,0pp
Of total gross profit (%)	11,9	11,0	0,9pp
Total	23,7	16,1	46,8%
Gross Margin (%)	62,6	65,1	-2,5pp

The gross margin is lower by -2,5pp to 62,6% in 9M 2008 (65,1% in 9M 2007) mainly due to the significant increase of sales in the international markets which operate at a lower gross margin compared to the domestic market but on the other hand do not require higher advertising or operational costs.

Turnover by channel (€ m)	9M 2008	9M 2007	Change (%)
Pharmacies - Selective	36,3	23,9	51,8%
Of Total (%)	95,9	96,4	-0,5pp
Mass - semi Selective	1,5	0,9	74,9%
Of Total (%)	4,1	3,6	0,5pp
Total	37,8	24,8	52,7%

Sales in pharmacies and selective channels rose by 51,8%, coming from the further penetration of Korres brand both in Greece and abroad. Mass-semi selective is the major distribution channel of the new brand Kings & Queens. Its contribution to total sales is expected to be more significant in the future.

Turnover by region (€ m)	9M 2008	9M 2007	Change (%)
Greece	25,2	20,7	21,9%
Of Total (%)	66,7	83,5	-16,8pp
Export	12,6	4,1	208,8%
Of Total (%)	33,3	16,5	16,8pp
Total	37,8	24,8	52,7%

International markets, more than tripled to €12,6m (from €4,1m in H1 2007), increasing their participation in Group's sales by 16,8pp, reaching 33, 3% of the total turnover. The biggest contributors to this growth were US, France, Germany and Spain due to the development of make up range and the body products in these markets. The group is currently present in 30 countries.

Gross Profit (€ m)	9M 2008	9M 2007	Change (%)
Greece	17,2	14,1	22,1%
Gross Margin (%)	68,1	68,0	0,1pp
Of total gross profit (%)	72,5	87,2	-14,7pp
Export	6,5	2,1	214,2%
Gross Margin (%)	51,7	50,8	0,9pp
Of total gross profit (%)	27,5	12,8	14,7pp
Total	23,7	16,1	46,8%
Gross Margin (%)	62,6	65,1	-2,5pp

The decrease of 2,5pp in the total gross margin occurred from the increased – lower margin –sales in the international markets. In particular, **international markets** gross profits more than doubled in 9M 2008 and their margin increased by 0,9pp compared to 9M 2007, mainly due to the change in the product mix with the launch of the make-up range in the export markets, generating higher gross margin and the increased contribution of new export markets that have a higher gross margin.

In Greece, the improvement of 0,1 pp in Gross margin to 68,1% in 9M 2008 from 68,0% in 9M 2007, came mainly from the change in the product mix and as a result from the increase in participation of products with higher gross margins.