Consolidated Financial Results

9M 2010

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KORRES/9M 2010 FINANCIAL RESULTS

The creation of positive cash flows and the maintenance of significant operating profitability continued to be considered as major targets for the Group in Q3 2010. Thus in general, in 9M 2010, operating cash flow amounted to 2,6m euro and earnings before interests, taxes, depreciations and amortizations (EBITDA) reached 6,5m euro.

Analytically, The Group in its total activities, achieved sales of 31,8m euro in 9M 2010 from 37,9m euro in the corresponding last year's period, decreasing in total by 16,0%, being affected by the negative economic environment in the Greek market, while sales in the international markets offsetting partially the negative climate, increasing their participation in total Group's sales.

In particular, Group's sales abroad presented an increase of 7%, to 11,1m euro from 10,4m euro, growing their participation in total to 34, 9% from 27, 4%.

Group's operating expenses before depreciations (administrative and distribution) amounted to 17,9m euro in 9M 2010 vs 15,7m euro in the corresponding last year's period, increased by 14,3%. For comparison purposes, if we subtract from the first nine months 2010 MILGAUSS figures, a company, being consolidated in the Group after the first nine months of 2009, the corresponding group's operating expenses reached 14,6m euro from 15,6m euro in 9M 2009, reduced by 7%.The decrease in the expenses is the result of the management efforts to reduce the operational cost.

At the same time, the increase in the advertising expenses in order to support the brand communication, as well as the consolidation effect of MILGAUSS that did not exist in the respective period of 2009, influenced earnings before interests, taxes, depreciations and amortizations (EBITDA), that reached 6,5m euro in 9M 2010 from 7,9m euro in the corresponding period of 2009, reduced by 17, 7%.

Earnings after taxes and minority rights and before the extraordinary tax of 0,4m euro, in order to be comparable to the last year's corresponding period amounted to 2,4m euro in 9M 2010, vs 3,4m euro in the respective period of 2009, presenting a decrease of 30, 6%, being affected by the increased depreciation expenses due to the capital expenditures, realized by the company in the previous years.

Finally, the continuous management efforts on the most efficient management of working capital, kept on contributing to the creation of positive operating cash flows of 2,6m in 9M 2010.

In Q3 2010, the economic conditions did not present any improvement compared to the two previous quarters, continued to influence the consumption negatively. In this economic environment, the Group continued to support its brand by further promotional actions, being harmonized with the current market's conditions and with new launches, focused on its strategic product categories.

Operating in this unstable and changeable economic environment, Korres Group will overcome this challenging situation by the following strategies:

-In Greece, the Group will support its brand by enhancing further its promotional actions, in order to reinforce and renew its brand image in the pharmacies that consist its major distribution channel, as well as by launching new products.

-In the international markets, in the US, the Group has focused its efforts on the brand's support in the existing distribution channel as well as the smooth technology transfer to Johnson & Johnson-in accordance to the agreement that has signed with J&J for the offer of the license to distribute its product both in North US-that has already presence-as well as in the Latin America-a new geographical region. In Europe, the Group targets to the enhancement of its presence through a combined growth strategy in semi selective points and in the pharmacies, in the markets where the particular channel is developed.

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INCOME STATEMENT

- **Revenues** reduced by **16, 0%** to €31,8m (from €37,9m in 9M 2009). This is driven by the negative trend of sales in Greece coming from the general negative economic environment. In contrast with the Greek market, international markets moved at positive growth rates.
- **Gross profit** reached to €19,3m, decreasing by **16, 3%** (from €23, 01m in 9M 2009). **Gross margin** reached **60, 5%** (from 60, 8 % in 9M 2009) due to the increased contribution of Export sales to the total sales that are operating at lower GM %.
- **EBITDA** decreased by **17, 7%** to €6,5m (from €7,9m in 9M 2009). The **EBITDA margin** decreased by 0,4pp to 20, 3% (from 20, 7% in 9M 2009) due to the increased operating expenses which is a result of the higher advertising expenses in order to support brand's communication as well as the effect of the consolidation of Milgauss.
- **Profit before tax** amounted to €2,4m (from €4,3m in 9M 2009), decreasing by 44, 5%, being affected by the increased operating and depreciation expenses, as well as the consolidation effect of Milgauss.
- **Earnings after taxes (including the extraordinary tax of law 3845/2010) minority rights** amounted to €2,0m from €3,4m in 9M 2009, reduced by 42, 7%. If we exclude the extraordinary tax, the decline is much smaller at 30, 6% and less than the fall of -34, 9% in EAT, due to the increased negative minority rights.

Income statement (€ m)	9M 2010	9M 2009	Change (%)
Revenues	**31.8**	**37.9**	**-16.0%**
Cost of goods sold	-12.6	-14.9	-15.4%
Gross profit	**19.3**	**23.01**	**-16.3%**
Gross margin (%)	60.5%	60.8%	-0.3%
Operating expenses	**-15.1**	**-16.9**	-10.5%
EBITDA	**6.5**	**7.9**	**-17.7%**
EBITDA margin (%)	20.3%	20.7%	-0.4%
Depreciation and amortization	2.32	1.73	33.8%
EBIT	**4.1**	**6.1**	**-32.3%**
Operating margin (%)	13.0%	16.2%	-3.1%
Net Interest Income/Expenses	-1.54	-1.75	-12.5%
Results from related companies	-0.21	-0.04	378.2%
Earnings before tax (EBT)	**2.4**	**4.3**	**-44.5%**
EBT Margin (%)	7.5%	11.4%	-3.9%
Tax	-0.36	-1.20	-69.5%
Earnings after taxes (EAT)	**2.0**	**3.1**	**-34.9%**
Extraordinary tax of Law 3845/2010	**-0.4**	**0.0**	
Earnings after taxes and Extraordinary tax	**1.6**	**3.1**	**-48.1%**
Before Extraordinary tax			
Earnings after taxes and minorities (EATAM)	**2.37**	**3.4**	**-30.6%**
Minority rights	-0.3	-0.3	16.5%
Net EATAM margin (%)	7.4%	9.0%	-1.6%
After Extraordinary tax			
Earnings after taxes and minorities (EATAM)	**2.0**	**3.4**	**-42.7%**
Net EATAM margin (%)	6.1%	9.0%	-2.9%
EPS	**0.1692**	**0.2955**	**-42.7%**

BALANCE SHEET

- **Customers** and other receivables amounted to €26,7m (from €28,7m, in FY 2009). This is driven by the prioritization of improving AR situation.
- **Inventories** decreased by 21, 0% as a result of the continuous effort to improve the Working Capital.
- **Total Net Debt increased** to €40,6m (from €36,6m in FY 2009) due to seasonal cash outflows such as dividends payment and delays in the collection of September's receivables, due to the strike of 3PL transporters.

(€ m)	9M 2010	12M 2009	Change (%)
Assets			
Property, plant and equipment	21.1	21.1	0.0%
Intangible assets	8.3	7.3	13.5%
Investments in subsidiary & associated companies	3.0	2.3	31.0%
Financial assets for sale	0.8	0.8	-7.8%
Good will	9.1	9.1	0.0%
Deferred Taxation	1.1	1.1	0.3%
Other long-term receivables	0.1	0.1	-3.2%
Total non-current assets	**43.6**	**41.9**	**3.9%**
Inventories	16.2	20.5	-21.0%
Customers and other receivables	26.7	28.7	-6.8%
Cash and equivalent	3.4	3.4	-0.4%
Total current assets	**46.3**	**52.6**	**-11.9%**
Total assets	**89.9**	**94.5**	**-4.9%**
Shareholder's equity and liabilities			
Share capital	4.5	4.5	0.0%
Paid up Capital	7.9	7.9	0.0%
Reserves	1.4	1.5	-3.5%
Retained Earnings	10.5	9.7	8.2%
Shareholders' Equity to the shareholders of the company	**24.3**	**23.5**	**3.1%**
Non audit participations	0.0	5.0	
Total Shareholders Equity	**24.3**	**28.5**	**-14.9%**
Long-term loans	33.6	34.5	-2.7%
Deferred tax liabilities	1.5	1.2	21.4%
Retirement benefit obligations	0.6	0.5	20.2%
Total long-term liabilities	**35.7**	**36.2**	**-1.6%**
Suppliers and other liabilities	18.5	22.2	-16.7%
Short-term loans	10.4	5.4	90.9%
Current tax liabilities	1.1	2.1	-49.5%
Total current liabilities	**29.96**	**29.8**	**0.7%**
Total liabilities	**65.6**	**66.0**	**-0.5%**
Total shareholder's equity and liabilities	**89.9**	**94.5**	**-4.9%**

CASH FLOW

- **Operating cash flow** reached €2,6m (from €5,5m in 9M 2009), being always a priority to maintain the positive trend.
- **Investment cash flow** reached €-5,1m (from €-1,0m in 9M 2009) due to the increased Capital Expenditures in order to improve and harmonise the brand image in the POS.
- **Financing cash flow closed** positive €2, 5 m (from €-5,9m in 9M 2009), mainly due to increased debt needs.

Cash flow (€ m)	9M 2010	9M 2009	Change (%)
Operating cash flow	2.6	5.5	-42%
Investment cash flow	-5.1	-1.0	-263%
Financing cash flow	2.5	-5.9	-233%
Net change in cash	-0.01	-1.40	-93%
Cash and cash equivalents, beginning of the period	3.4	3.4	1%
Cash and cash equivalents, end of the period	3.4	2.0	-51%

APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	9M 2010	9M 2009	%
Face	**14.7**	**15.3**	**-4.1%**
Of Total (%)	46.1	40.4	**5.7pp**
Hair	**6.2**	**7.9**	**-21.4%**
Of Total (%)	19.4	20.8	**-1.4pp**
Body	**6.1**	**8.9**	**-31.0%**
Of Total (%)	19.2	23.4	**-4.2pp**
Pharmaceuticals & Others	**4.8**	**5.8**	**-16.7%**
Of Total (%)	15.2	15.3	**-0.1pp**
Total	**31.8**	**37.9**	**-16.0%**

Face products, recovered part of their Q1 2010 fall due to the better performance of the category in Q2 & Q3 2010, loosing in total 4,1% and reaching their contribution to the total sales at 46,1% from 40,4%. This shortfall compared to 9M 2009 is based on the relatively less launches compared to 9M 2009 (the significant launch of Materia Herba, being realized).The expectation is that in the back of the successful advertising promotion that took place towards the end of H1 2010 we will be getting the positive sales impact in the 2nd half of the year. **Hair products** decreased by 21, 4%, reaching €6,2m from €7,9m which is effected by the fact we are rolling out a bit latter our launch plan of the New Herb Gloss range. **Body products** decreased by 31,0%, reaching €6,1m from €8,9m in 9M 2009, because we are comparing against 2009 that had the launches of new products such as Korres fragrances, K&Q deodorants, soaps, and fragrances as well as the foot ball teams products. **Pharmaceutical & others** presented a decrease of 16, 7%, amounting to €4,8m from €5,8m in 9M2009 driven by the lower sales of the whole category.

Gross Profit (€ m)	9M 2010	9M 2009	%
Face	**9.8**	**10.1**	**-3.5%**
Gross Margin (%)	66.7	66.2	**0.4pp**
Of total gross profit (%)	50.8	44.1	**6.7pp**
Hair	**4.4**	**5.5**	**-19.6%**
Gross Margin (%)	71.5	69.9	**1.6pp**
Of total gross profit (%)	23.0	23.9	**-1.0pp**
Body	**3.4**	**5.0**	**-32.8%**
Gross Margin (%)	55.3	56.7	**-1.4pp**
Of total gross profit (%)	17.6	21.9	**-4.3pp**
Pharmaceuticals & Others	**1.7**	**2.3**	**-28.7%**
Gross Margin (%)	34.3	40.0	**-5.8pp**
Of total gross profit (%)	8.6	10.1	**-1.5pp**
Total	**19.3**	**23.0**	**-16.3%**
Gross Margin (%)	60.5	60.8	**-0.3pp**

The major product category of Face shows an improved GM% which is driven from the effort to promote and sell higher GM contribution SKU's. The decline in Body Care is attributed to the fact that in H1 2009 we had the launch of the Korres fragrances that operate on a higher GM% compared to the rest of the category and the higher contribution of the export business that operates with lower GM % which nevertheless does not impact the Operating Profit because it does not absorb significant support expenses.

Turnover by channel (€ m)	9M 2010	9M 2009	%
Pharmacies - Selective	**31.2**	**35.8**	**-12.9%**
Of Total (%)	98.0	94.5	**3.4pp**
Mass - semi Selective	**0.6**	**2.1**	**-68.9%**
Of Total (%)	2.0	5.5	**-3.4pp**
Total	**31.8**	**37.9**	**-16.0%**

Sales in pharmacies and selective channels decreased by 12,9%, reaching €31,2m from €35,8 in 9M 2009 , being influenced by the effect of Greek sales, coming from the general negative climate of Greek Economy. **Mass-semi selective** which is the major distribution channel of the brand Kings & Queens, decreased by 68,9% driven by the non repeated launches of new products such as K&Q fragrances, deodorants, soaps, being realized in last year and the launch orders we had last year in some export markets.

Turnover by region (€ m)	9M 2010	9M 2009	%
Greece	**20.7**	**27.5**	**-24.6%**
Of Total (%)	65.1	72.6	**-7.5pp**
Export	**11.1**	**10.4**	**7.0%**
Of Total (%)	34.9	27.4	**7.5pp**
Total	**31.8**	**37.9**	**-16.0%**

Sales in Greece reached €20,7m in 9M 2010 from €27,5m in 9M 2009, reducing its participation in the total sales by 7,5pp, reaching 65, 1% of sales from 72, 6%. This fall is based on the negative environment of Greek Economy, restraining the consumption. **International sales**, balanced part of the negative trend we had on Greek sales and continue to be a significant growth opportunity for the coming years. Thus, they increased by 7, 0% to €11,1m from €10,4m in 9M 2009, enhancing their participation to 34, 9% from 27, 4% of total sales in the corresponding period of 2009. Major contributors to the exports growth were Spain and Germany-the focus countries as well as the consolidation effect of Korres North America..

Gross Profit (€ m)	9M 2010	9M 2009	%
Greece	**14.1**	**19.0**	**-25.5%**
Gross Margin (%)	68.2	69.0	**-0.8pp**
Of total gross profit (%)	73.4	82.4	**-9.0pp**
Export	**5.1**	**4.0**	**27%**
Gross Margin (%)	46.1	38.9	**7.1pp**
Of total gross profit (%)	26.6	17.6	**9.0pp**
Total	**19.3**	**23.0**	**-16.3%**
Gross Margin (%)	60.5	60.8	**-0.3pp**

Group's GM reached 60, 5% from 60, 8%, decreasing by 0,3pp, due to the increased participation of the export business which is running with a lower GM%. In particular, **in Greece,** the decrease of 0,8pp in Gross margin to 68, 2% in 9M 2010 from 69, 0% in 9M 2009, came from combination of both the product mix as well as the promotional activities/sales that we have executed in order to continue to attract consumption**. In international markets** gross profits enhanced by 27%, reaching the margin to 46, 1% from 38, 9%, from the increasing participation of higher margin countries.