



Consolidated Financial Results

H1 2010

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KORRES/H1 2010 FINANCIAL RESULTS

MAINTENANCE OF ITS HIGH OPERATING (EBITDA) PROFITABILITY AND THE SIGNIFICANT POSITIVE OPERATING CASH FLOWS DESPITE OF THE NEGATIVE ECONOMIC ENVIRONMENT.

In the first half of 2010, Group's sales amounted to 23,0m euro from 27,0m euro, recovering part of the fall we had in the first quarter in the second quarter of 2010, decreasing in total by 14, 9 % in line of the negative economic environment, with the export sales, increasing their participation and playing an off-setting role.

Group's operating expenses before depreciations (administrative and distribution) amounted to 13,5m euro in the first half of 2010 compared to 10,8m euro, increased by 24, 8%. For comparison purposes, if we subtract the expenses from the first half of 2010 the expenses of MILGAUSS, a company, being consolidated in the Group after the first half of 2009 by Korres Natural Products, the corresponding operating expenses reached 10,2m euro from 10,8m euro in the first half of 2009, reduced by 5,7%. The decrease in the expenses is the result of the management efforts to reduce the operational cost.

Earnings before taxes, interest, depreciation and amortization (EBITDA) reached 5,3m euro in the first half of 2010 from 6,3m euro in the corresponding period 2009, reduced by 16, 4%, effected by the increase in the advertising expenses in order to support the communication of the brand, as well as the consolidation effect of MILGAUSS that did not exist in the respective period of 2009.

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 the first half of 2010 vs 3,0m euro in the first half of 2009, having a decrease of 20,02%, being affected by the increased depreciation expenses due to the capital expenditures, realized by the Group in the previous years.

Finally, the basic characteristic of the financial figures of Korres Group continued to be the creation of positive operating cash flow that amounted to 1,9m euro in the first half of 2010, as a result of the management focus on the most efficient management of working capital.

In the first half of 2010, significant developments have been occurred in the Greek Economy, while the new government measures that have been obtained in order to meet the expectations, affected negatively the consumption and increased cautiousness of the consumers. Even if at a first level the negative consequences have being noticeable, the concerns for a deeper recession still exist. In line of the unstable and changeable economic environment, the Group of Korres will meet the situation by the following strategies:

-In Greece, that accepts the highest pressure, the Group will support the brand by further enhancing the promotional actions. Already in the first half, in the strategic categories such as the face-with the new anti ageing range-and hair-with new colorant range-the Group proceeded to the TV advertisement. The results of these actions are expected to return mainly in the second half of 2010. Furthermore the Group renews its image in the market of pharmacies in terms of the promotional methods as well as by launching new product categories. At the same time, promotional actions have been scheduled that will help to the maintenance and the growth of market share, as well as the attraction of new consumer that will expand the client basis.

-In the international markets, the Group will continue to focus its interest on the Focus markets such as US and in Europe, Germany and Spain. In particular in US, the Group, in the line of the agreement that has signed with Johnson & Johnson for the offer of the license to distribute its product both in North US-that has already presence-as well as in Latin America-a new geographical region -has focused its efforts on the brand's support in the existing distribution networks in the transition period as well as the smooth transfer of the knowledge to Johnson & Johnson. In the other markets, 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.

INCOME STATEMENT

- **Revenues** reduced by **14, 9%** to €23,0m (from €27,0m in H1 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 double digit positive growth rates.
- **Gross profit** reached to €14,0m, decreasing by **16, 6%** (from €16, 8m in H1 2009). **Gross margin** reached **61, 0%** (from 62, 3 % in H1 2009). The fall of 1, 3 pp is due to the increased contribution of Export sales to the total sales that are operating at lower GM %.
- **EBITDA** decreased by **16, 4%** to €5,3m (from €6,3m in H1 2009). The **EBITDA margin** decreased by 1,3pp to 22, 9% (from 23, 3% in H1 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 €2,6m (from €3,8m in H1 2009), decreasing by 31,4%, being affected by the increased operating and depreciation expenses, as well as the consolidation effect of Milgauss.
- **Earnings after taxes (including the extraordinary tax) & minority rights** amounted to €2,0m from 3,0m in H1 2009, reduced by 33, 7%. If we exclude the extraordinary tax of the Law 3845/2010, the decrease is much smaller at 20% and less than the fall of 25,7% in EAT, due to the increased negative minority rights.

Income statement (€ m)	H1 2010	H1 2009	Change (%)
Revenues	23,0	27,0	-14,9%
Cost of goods sold	-9,0	-10,2	-12,0%
Gross profit	14,0	16,84	-16,6%
Gross margin (%)	61,0%	62,3%	-1,3%
Operating expenses	-10,3	-11,7	-11,5%
EBITDA	5,3	6,3	-16,4%
EBITDA margin (%)	22,9%	23,3%	-0,4%
Depreciation and amortization	1,55	1,13	37,2%
EBIT	3,7	5,2	-28,1%
Operating margin (%)	16,2%	19,2%	-3,0%
Net Interest Income/Expenses	-0,97	-1,27	-24,0%
Results from related companies	-0,12	-0,07	86,5%
Earnings before tax (EBT)	2,6	3,8	-31,4%
EBT Margin (%)	11,5%	14,2%	-2,8%
Tax	-0,53	-1,00	-47,3%
Earnings after taxes (EAT)	2,1	2,8	-25,7%
Extraordinary tax of Law 3845/2010	-0,4	0,0	
Earnings after taxes and Extraordinary tax	1,7	2,8	-40,3%
Before Extraordinary tax			
Minority rights	-0,3	-0,2	69,3%
Earnings after taxes and minorities (EATAM)	2,4	3,0	-20,0%
Net EATAM margin (%)	10,5%	11,2%	-0,7%
After Extraordinary tax			
Earnings after taxes and minorities (EATAM)	2,0	3,0	-33,7%
Net EATAM margin (%)	8,7%	11,2%	-2,5%
EPS	0,17	0,26	-33,7%

BALANCE SHEET

- **Customers** and other receivables amounted to €27,2m (from €28,7m, in FY 2009). This is driven by the prioritization of improving AR situation.
- **Inventories** decreased by **7, 9%** as a result of the continuous effort to improve the Working Capital.
- **Total Net Debt increased** to €37,3m (from €36,6m in FY 2009).

(€ m)	H1 2010	12M 2009	Change (%)
Assets			
Property, plant and equipment	21,3	21,1	0,7%
Intangible assets	8,2	7,3	10,9%
Investments in subsidiary & associated companies	2,2	2,3	-5,3%
Financial assets for sale	0,8	0,8	-1,8%
Good will	9,1	9,1	0,0%
Deferred Taxation	1,3	1,1	19,6%
Other long-term receivables	0,2	0,1	8,0%
Total non-current assets	43,0	41,9	2,5%
Inventories	18,9	20,5	-7,9%
Customers and other receivables	27,2	28,7	-5,1%
Cash and equivalent	3,7	3,4	8,3%
Total current assets	49,8	52,6	-5,3%
Total assets	92,8	94,5	-1,8%
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	-0,8%
Retained Earnings	10,5	9,7	8,7%
Shareholders Equity to the shareholders of the company	24,4	23,5	3,5%
Non audit participations	4,7	5,0	
Total Shareholders Equity	29,0	28,5	1,7%
Long-term loans	33,7	34,5	-2,5%
Deferred tax liabilities	1,4	1,2	13,4%
Retirement benefit obligations	0,5	0,5	13,7%
Total long-term liabilities	35,6	36,2	-1,7%
Suppliers and other liabilities	18,8	22,2	-15,3%
Short-term loans	7,3	5,4	33,7%
Current tax liabilities	2,1	2,1	-1,3%
Total current liabilities	28,2	29,8	-5,4%
Total liabilities	63,8	66,0	-3,4%
Total shareholder's equity and liabilities	92,8	94,5	-1,8%

CASH FLOW

- **Operating cash flow** reached €1,9m (from €3,3m in H1 2009), being always a priority to maintain the positive trend.
- **Investment cash flow** reached €-2,4m (from €1,4m in H1 2009) due to the increased Capital Expenditures needs.
- **Financing cash flow** closed positive €0, 8 m (from €-0,6m in H1 2009), mainly due to increased debt needs.

Cash flow (€ m)	H1 2010	H1 2009	Change (%)
Operating cash flow	1,9	3,3	-42%
Investment cash flow	-2,4	1,4	-263%
Financing cash flow	0,8	-0,6	-233%
Net change in cash	0,28	4,1	-93%
Cash and cash equivalents, beginning of the period	3,4	3,4	1%
Cash and cash equivalents, end of the period	3,7	7,5	-51%

APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	H1 2010	H1 2009	%
Face	10,6	11,2	-5,0%
Of Total (%)	46,1	41,4	4,8pp
Hair	4,2	5,1	-17,5%
Of Total (%)	18,4	19,0	-0,6pp
Body	4,5	6,7	-32,9%
Of Total (%)	19,6	24,9	-5,3pp
Pharmaceuticals & Others	3,6	4,0	-8,8%
Of Total (%)	15,8	14,8	1,0pp
Total	23,0	27,0	-14,9%

Face products, recovered part of their Q1 2010 fall due to the better performance of the category in Q2 2010, loosing in total 5% and reaching their contribution to the total sales at 46,1% from 41,4%. This shortfall compared to H1 2009 is based on the relatively less launches compared to H1 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 17, 5%, reaching €4,2m from €5,1m 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 32,9%, reaching €4,5m from €6,7m in H1 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 8, 8%, amounting to €3,6m from €4,0m in H1 2009 driven by the lower sales of the whole category.

Gross Profit (€ m)	H1 2010	H1 2009	%
Face	7,4	7,6	-3,3%
Gross Margin (%)	69,4	68,1	1,3pp
Of total gross profit (%)	52,5	45,2	7,3pp
Hair	3,0	3,7	-18,3%
Gross Margin (%)	71,4	72,1	-0,7pp
Of total gross profit (%)	21,5	22,0	-0,4pp
Body	2,5	3,9	-35,5%
Gross Margin (%)	55,8	58,0	-2,3pp
Of total gross profit (%)	17,9	23,2	-5,3pp
Pharmaceuticals & Others	1,1	1,6	-30,2%
Gross Margin (%)	30,9	40,4	-9,5pp
Of total gross profit (%)	8,0	9,6	-1,6pp
Total	14,0	16,8	-16,6%
Gross Margin (%)	61,0	62,3	-1,3pp

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)	H1 2010	H1 2009	%
Pharmacies - Selective	22,4	25,8	-13,0%
Of Total (%)	97,4	95,3	2,1pp
Mass - semi Selective	0,6	1,3	-52,7%
Of Total (%)	2,6	4,7	-2,1pp
Total	23,0	27,0	-14,9%

Sales in pharmacies and selective channels decreased by 13,0%, reaching €22,4m from €25,8 in H1 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 52,7% 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)	H1 2010	H1 2009	%
Greece	14,8	19,6	-24,6%
Of Total (%)	64,2	72,4	-8,3pp
Export	8,3	7,5	10,7%
Of Total (%)	35,8	27,6	8,3pp
Total	23,0	27,0	-14,9%

Sales in Greece reached €14,8m in H1 2010 from €19,6m in H1 2009, reducing its participation in the total sales by 8,3pp, reaching 64, 2% of sales from 72, 4%. 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 10, 7% to €8,3m from €7,5m in H1 2009, enhancing their participation to 35, 8% from 27, 6% 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)	H1 2010	H1 2009	%
Greece	10,0	13,8	-27,8%
Gross Margin (%)	67,5	70,5	-3,0pp
Of total gross profit (%)	71,1	82,0	-11,0pp
Export	4,1	3,0	34%
Gross Margin (%)	49,2	40,6	8,7pp
Of total gross profit (%)	28,9	18,0	11,0pp
Total	14,0	16,8	-16,6%
Gross Margin (%)	61,0	62,3	-1,3pp

Group's GM reached 61,0% from 62,3%, decreasing by 1,3pp, due to the increased participation of the export business which is running with a lower GM%. In particular, **in Greece**, the decrease of 3,0pp in Gross margin to 67, 5% in H1 2010 from 70, 5% in H1 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 34%, reaching the margin to 49 2% from 40, 6% from the increasing participation of higher margin countries.