

Company Report

FLASH NOTE
September 2012

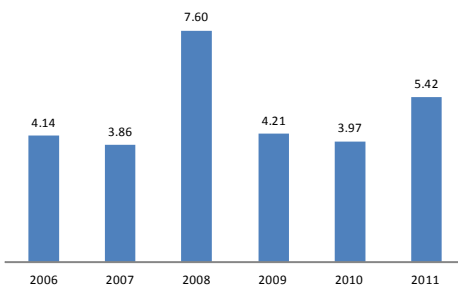
Valuation & Research Specialists (VRS)

Equity Research Team
info@valueinvest.gr

Share Price (26/9/2012) € 3.5	
Number of Shares (,000)	13,450
Market Cap (in € mn)	47.08
Average Daily Volume (p)	2,776
Beta (vs. ASE G.I. – 1y, based on daily returns)	0.22
Statistical Data	
Max 52 week	4.00 €
Min 52 week	2.74 €
1-M Rtn	-1,13%
6-M Rtn	-6,67%
12-M Rtn	-1,69%
Shareholders' Structure	
Georgios Korres	34.6%
Arnetia Ltd	14.1%
Damma Holdings S.A.	5.2%
Free Float	46.1%

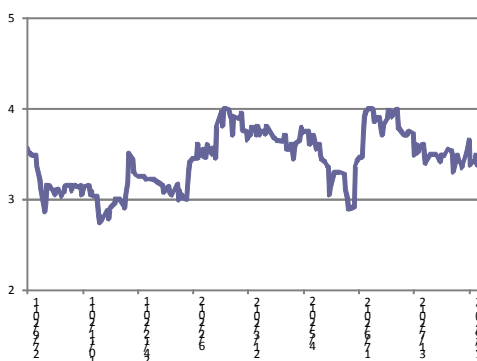
Source: The Company, Reuters, VRS.

Historical Capex* (EUR million, consolidated)



Source: The Company, VRS estimates.
* Capex = Change in net PPE + depreciation

Share Price Performance (1 year, in €)



Korres SA

[Bloomberg Ticker: KORRES:GA, Reuters Ticker: KRRr.AT]

Industry: Consumer Staples / Business Sector: Personal Products

Business Profile – Growth Drivers

- Korres Natural Products SA (the Company or the Group) produces and trades natural cosmetics and herbal products. The Company focuses on primary and applied research regarding natural ingredients and formulas in order to develop its portfolio of skincare products. The portfolio includes 400 natural and organic products – some of them officially certified – in four major product categories: face, body, hair and pharmaceuticals & other. Korres is based in Greece and is listed on the Athens Exchange in the small-mid cap category.
- The Company distributes its products through 6,500 pharmacies and 6 Korres stores in Greece. It runs in total 23 stores globally in countries such as France, Spain, Germany, Russia, Singapore and Canada. It has three wholly-owned (Kings & Queens, Korres Homeopathy Products SA, Pharmacon North Greece SA) and one partly-owned subsidiary (District Two GmbH).
- Over the years, the Company has grown both organically and through expansion in overseas markets. Compound annual growth rate (CAGR) of sales from 2003-2011 stands at 20.5% and EBITDA CAGR at 21.8%. Net Income CAGR is 19.59% and personnel CAGR stands at 14.9%, with the Company employing 263 people as of 2011. The Company has implemented strong capital investments during the period 2006 – 2011 with its aggregate capital expenditures amounting to EUR 29.19 million.
- Korres places emphasis on growing internationally, especially since 2003. From 1997-2003, the Company's turnover came almost exclusively from the Greek market. In 2006 and 2010, sales coming from Greece constituted 85.3% and 64.15% of total sales respectively. In 2011, the percentage of sales in the Greek market increased to 70%.

Financial Highlights 2011 (Consolidated)

- As of 31 December 2011, the Company's equity had settled at EUR 28.07 million with its outstanding long-term and short-term bank debt at EUR 42.59 million. Cash and cash equivalents amounted to EUR 10.8 million. Net cash flows from operating activities stood at EUR 5.45 million at year-end 2011.
- In 2011, the Company generated sales of EUR 42.68 million with a gross margin of 60.1%. 2011 EBITDA contracted by 8.64% on a yearly basis. EBT and Net Income stood at EUR -3.30 and EUR -3.52 million respectively.
- As of 2011, the Company's revenue breakdown had settled as following: 85.31% from cosmetics (50.85% face care, 22.49% hair care and 26.66% body care), 12.69% from Pharmaceutical and other products and 2% from Homeopathy products. In 2011, distribution costs (personnel, third party and various expenses) accounted for 50% of sales compared to 46.65% and 37.26% in 2010 and 2009 respectively. Depreciation expenses accounted for 14.3% of sales. Research and Development expenses were 2.14% and 1.44% of sales in 2011 and 2010 respectively.

First Half 2012 Results (Consolidated)

- In H1 2012, there was 5.4% and -12.1% growth in Greek and international sales respectively. Sales and gross profit increased to EUR 21.7 million (from EUR 21.6 in H1 2011) and EUR 13.9 million (from EUR 12.9 in H1 2011), while net profit settled at EUR 1.4 million.
- As of 30 June 2012, the Group's equity accounted for EUR 28.8 million with its total long-term and short-term debt at EUR 40.2 million. Cash and cash equivalents amounted to EUR 6.7 million. Net cash flows from operating activities stood at EUR -0.7 million in H1 2012.

Important Note:

Valuation & Research Specialists (VRS) have based the aggregate information contained in this report on Korres' corporate and IR website, www.korres.com. VRS have also contacted the Management for factual verifications. VRS have compiled this report solely for information purposes. Valuation & Research Specialists (VRS) do not intend to express any views or judgments about the covered company, Korres, via this report.

Valuation & Research Specialists (VRS) are the sole creators and distributors of this report.

BASIC FINANCIAL INDICATORS

(in € mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2009	50.37	9.80	5.03	3.40	13.86	2.00	8.28	1.70	14%
2010	44.11	8.35	2.69	1.57	30.02	2.02	9.96	1.86	7%
2011	42.68	7.63	-3.30	-3.52	n/c	1.68	10.25	1.52	-13%

Source: Official Consolidated Financial Statements (based on IFRS), VRS Calculations.

VALUATION & RESEARCH SPECIALISTS (VRS)

Equity Research, Corporate Valuation
& Financial Consultancy

104 Eolou St., 105 64 Athens, Greece, Tel. +30 210 32 19 557,
Fax: +30 210 33 16 358, Email: info@valueinvest.gr

© VRS Analysis Department

VALUATION & RESEARCH SPECIALISTS (VRS)

Value Invest - www.valueinvest.gr Investment Research & Analysis Journal – www.iraj.gr

DISCLOSURE STATEMENT (1)

VALUATION & RESEARCH SPECIALISTS (VRS) is an independent firm providing advanced equity research, quality valuations and value-related advisory services to local and international business entities and / or communities. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies."

VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

Furthermore, VRS, its officers, and directors cannot trade in shares, warrants, convertible securities or options of any of the "covered companies." VRS accepts payment for research only in cash and will not accept payment in shares, warrants, convertible securities or options of "covered companies" by no means.

To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Share Price Close	Date	Disclosure
KORRES S.A.	KORRES:GA	KRRr.AT	€ 3.5	September 26, 2012	2, 3

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

Please contact **VALUATION & RESEARCH SPECIALISTS** for further information on Equity Research Related Fees.

VALUATION & RESEARCH SPECIALISTS (VRS)

Value Invest - www.valueinvest.gr Investment Research & Analysis Journal – www.iraj.gr

DISCLOSURE STATEMENT (2)

The current research report as well as other statements that VRS may proceed with may include future statements, regarding the future financial performance of a company or another entity or product, as well as strategies and expectations. Statements about the future may typically include expressions such as “trend”, “prospect”, “opportunity”, “course”, “believe”, “possibly”, “expect”, “current”, “intention”, “estimate”, “forecast”, continuation”, “remain”, “maintain”, “target” and other similar expressions or future or hypothetical verbs such as “will”, “must”, “could”, “may be” and other expressions.

VALUATION & RESEARCH SPECIALISTS (VRS) caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and VRS assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors previously disclosed in VRS reports and those identified elsewhere in this communication, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (3) the impact of increased competition; (4) the impact of capital improvement projects; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the extent and timing of any share repurchases; (8) the impact, extent and timing of technological changes and the adequacy of intellectual property protection; (9) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies; (10) terrorist activities and international hostilities, which may adversely affect the general economy, domestic and local financial and capital markets, as well as specific industries; (11) the ability to attract and retain highly talented professionals; (12) fluctuations in foreign currency exchange rates; (13) the impact of changes to tax legislation and, generally, the tax position of the covered company.

COMPLIANCE WITH EU DIRECTIVES and GREEK LAWS

VRS prepares its equity research reports in a best effort to comply with the provisions of the EU Directive 2003/6/EK of the European Commission (L 339/73/24.12.2003, L 096/16/2003), the Guidelines 2003/125/EK and the Decision 4/347/12.7.2005 of the Hellenic Capital Markets Committee, as well as with the provisions of article 14, Greek Law 3340/2005, and the relevant clarifications with regard to the legal obligations of equity analysts. VRS analysts are certified by the Hellenic Capital Markets Committee. The latter may request from VRS analysts to justify their views and conclusions with regard to this research report.

ANALYST CERTIFICATION

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this research report.

VRS Equity Research Contributors

Nicholas Georgiadis, ngeorgiadis@valueinvest.gr
Christophoros Makrias, cmakrias@valueinvest.gr
Georgios A. Savvakis, gsavvakis@valueinvest.gr
Maria Papadopoulou, mpapadopoulou@valueinvest.gr
Constantina Bourelia, cbourelia@valueinvest.gr
Michail Rizos, mrizos@valueinvest.gr

Investment Research & Analysis Journal

Dr. Efstratios Livanis
Assistant Editor

Please contact **VALUATION & RESEARCH SPECIALISTS** for further information on Equity Research Related Fees.