



## Consolidated Financial Results

# FY 2007

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## Significant performance in FY2007 Results

### Sales growth of 33, 7% and Net Profit growth of 13, 6%

- **Revenues** increased by **33,7%** to €36,0 m (€26,9m in FY 2006)
- **EBITDA** increased by **12,6%** to €6,5m (€5,8m in FY 2006),
- **Net income** increased by **13,5%** to €3,2m (€2,8m in FY 2006)

## OVERVIEW

In 2007 KORRES Natural Products Group sales, increased by 33,7% to € 36,0m from € 26,9m in 2006, a result of the enhancement in sales in all product categories. In particular, leading role to this growth played the hair-care and body products, with the development of the existing products as well as the launch in the domestic and international market of the new brand & QUEENS KINGS, in the second half of 2007. Specifically, in the body category, major participation in the increase had the development of sun care products and the existing category of show jells due to the contribution of the new brand. With regard to the hair category, the development is based on the significant growth of hair colorant products. In addition, the Group further expanded its international presence achieving an increase in the proportion of foreign sales to 22% of total turnover from 15% in 2006.

In terms of profitability, earnings before interest taxes, depreciation and amortization (EBITDA) reached € 6,5m from 5,8m € in 2006, enhanced by 12,6%, a result of the successful off set of the increased expenses to support the existing brand as well as the new brand KINGS & QUEENS, by the considerable growth of sales.

Net profit after taxes reached € 3,2m in 2007 from € 2,8m in 2006, presenting an increase of 13, 6%. This increase resulted both from the development of operational profitability of the Group and from the reduced by 25% financial expenses due to the lower debt levels.

The network of pharmacies (Greece) and the selective distribution (abroad), in 2007 continued to be the main distribution channels for the brand KORRES NATURAL PRODUCTS, realizing 96% of total sales. The group, however, aiming to extend to the channels of mass and semi-selective distribution in Greece and abroad, has expanded its portfolio of brands, with the market positioning of its new brand KINGS & QUEENS, with more playful and free-style concept compared to KORRES NATURAL PRODUCTS, targeting to a younger audience, the second half of 2007. Thus, at the end of 2007, the channels of the mass distribution accounted to 4% of sales for the Group, while their contribution is expected to be more significant in the following years.

It is important to mention that the Group expanded further to the international markets, having presence in 28 countries, by the opening of 9 new stores KORRES, reaching a total of 14 in 2007 from 5 in 2006, managed by local distributors. Thus, at the end of 2007, the number of stores KORRES reached to 16, 2 in Greece and 14 abroad. The Group will further strengthen its presence in international markets, with the creation of a network of retail stores through KORRES stores and promote at the same time its products through the networks of selective distribution in relation to KORRES NATURAL PRODUCTS and the semi-selective distribution for KINGS & QUEENS products.

The Board of Directors of the company has proposed to the Annual General Assembly, among other issues, the distribution of dividend to its shareholders €0,23per share, the distribution of free shares to its old shareholders, 1 new share to 2 old shares, the enactment of a stock option plan for its employees as well as the approval of the ability of purchasing treasury stocks.

Finally, the Group's strategy for 2008 will continue to be the development and promotion of the existing brand KORRES NATURAL PRODUCTS and the new brand KINGS & QUEENS in Greece and abroad as well as the research and development of new activities, strengthening further, its portfolio of products.

## INCOME STATEMENT

- **Revenues** increased by **33,7%** to €36,0m (€26,9m in FY 2006), Growth was mainly driven by body products (+121,3% to €8,2m primarily due to the effect of the launch of the new brand K&Q's, and the growth of the sun care products), followed by hair products (+42,7% to €8,0m).
- **Gross profit** increased by **31, 3%** to €23,1m (€17,6m in FY 2006) **Gross margin** decrease □to **64,2%** (65,3% in FY 2006) based on the change of product mix due the increased portion of the foreign sales that even they are operating with lower gross margin, they do not need increased distribution expenses
- **EBITDA** increased by **12,6%** to €6,5m (€5,8m in FY 2006). The **EBITDA margin** declined by 3,4pp to **18,2%** (21,6% in FY 2006) due to increased marketing and advertising expenses to support both the existing and the new brand.
- **EBIT** increased by **7,0%** to €5,5m (€5,1m in FY 2006). The operating margin declined by 3,7pp to **15,2%** (18,9% in FY 2006) because of the lower EBITDA margin and higher depreciation and amortization expenses.
- **Profit before tax** increased by **13,8%** to €4,6m (€4m in FY 2006), due to the growth in the operating profitability and the reduced by 25% net financial results to €0,8m (€1,1m in FY 2006), as a result of lower debt.
- **Net income** increased by **13, 5%** to €3,2m (€2,8m in FY 2006) because of the higher profits before tax and a sustainable tax rate of 30,0% in FY 2007.

Income statement (€ m)	FY 2007	FY 2006	Change (%)
<b>Revenues</b>	<b>36,0</b>	<b>26,9</b>	33,7%
Cost of goods sold	-12,9	-9,3	38,2%
<b>Gross profit</b>	<b>23,1</b>	<b>17,6</b>	31,3%
Gross margin (%)	64,2%	65,3%	-1,1 pp
Operating expenses	<b>-17,6</b>	<b>-12,5</b>	41,2%
<b>EBITDA</b>	<b>6,5</b>	<b>5,8</b>	12,6%
EBITDA margin (%)	18,2%	21,6%	-3,4 pp
Depreciation and amortization	<b>1,1</b>	<b>0,7</b>	52,8%
<b>EBIT</b>	<b>5,5</b>	<b>5,1</b>	7,0%
Operating margin (%)	15,2%	18,9%	-3,7 pp
Associates	-0,1	0,0	
Net financial results	<b>-0,8</b>	<b>-1,1</b>	-25,0%
<b>Earnings before tax</b>	<b>4,6</b>	<b>4,0</b>	13,8%
EBT Margin (%)	<b>12,8%</b>	<b>15,0%</b>	-2,2 pp
Tax	-1,4	-1,2	14,3%
<b>Net Income</b>	<b>3,2</b>	<b>2,8</b>	13,5%
Net income margin (%)	9,0%	10,6%	-1,6 pp
<b>EPS (€)</b>	<b>0,44</b>	<b>0,47</b>	<b>-6,4%</b>

## BALANCE SHEET

- **Inventories** increased by **85,1%** to €9,6m (€5,2m in FY 2006) mainly due to the increased stock level of the make-up range related to the increased product portfolio offering, as well as increased raw and packaging materials that will be used for the production of seasonal products.
- **Customers and other receivables** increased by **61,9%** to €20,0m (€12,4m in FY 2006) due to the launch of the K&Qs brand during Q3 and seasonal Korres brand sales that will be collected in the first quarter of 2008,
- **Suppliers and other liabilities** increased by **98,0%** to €15,1m (€7,7m in FY 2006), due to increased purchases which are apparent also in the increased inventory levels as of Dec 2007,
- **Total Debt (Long & short)** reduced by **20, 3%** to €13,4m (€16,8m in FY 2006), as IPO funds were temporary used to redeem debt.
- **Net debt** declined by **26, 1%** to €11,2m (€15,1m in FY 2006), resulting to a **Net debt to EBITDA ratio** at **1,7x** from **2,6x** in 2006.

(€ m)	FY 2007	FY 2006	%
<b>Assets</b>			
Property, plant and equipment	13,3	10,5	26,4%
Intangible assets	1,3	0,5	139,7%
Investments in subsidiary & associated companies	0,5	0,0	
Good will	0,6	0,0	
Deferred Taxation	0,2	0,0	
Other long-term receivables	1,9	2,7	-28,7%
<b>Total non-current assets</b>	<b>17,7</b>	<b>13,8</b>	<b>29,0%</b>
Inventories	9,6	5,2	85,1%
Customers and other receivables	20,0	12,4	61,9%
Cash and equivalent	2,2	1,7	32,1%
<b>Total current assets</b>	<b>31,8</b>	<b>19,2</b>	<b>65,5%</b>
<b>Total assets</b>	<b>49,6</b>	<b>33,0</b>	<b>50,3%</b>
<b>Shareholder's equity and liabilities</b>			
Share capital	2,3	1,8	26,2%
Paid up Capital	10,1	0,0	
Reserves	0,7	0,5	35,8%
Retained Earnings	5,7	4,2	35,8%
<b>Shareholders Equity to the shareholders of the company</b>	<b>18,9</b>	<b>6,6</b>	<b>186,9%</b>
Minorities	0,0	0,0	
<b>Total Shareholders Equity</b>	<b>18,9</b>	<b>6,6</b>	<b>187%</b>
Long-term loans	8,1	9,8	-17,2%
Deferred tax liabilities	0,5	0,3	73,9%
Retirement benefit obligations	0,3	0,2	46,8%
<b>Total long-term liabilities</b>	<b>8,9</b>	<b>10,2</b>	<b>-13,4%</b>
Suppliers and other liabilities	15,1	7,7	98,0%
Short-term loans	5,3	7,1	-24,5%
Current tax liabilities	1,4	1,4	-8,0%
<b>Total current liabilities</b>	<b>21,9</b>	<b>16,2</b>	<b>35,1%</b>
<b>Total shareholder's equity and liabilities</b>	<b>49,6</b>	<b>33,0</b>	<b>50,3%</b>

## CASH FLOW

- **Operating cash flow** reached €1,2m (FY2006 €2,6m) primarily due to the bsses coming from Kings & Queens and the increase in inventories of make up and hair colorants products.
- **Investment cash flow** reached -€5,8m (FY2006 -€2,9m) due to the increased capital expenditures reached €4,8m (FY 2006: €2,9m), the acquisition and the establishment of subsidiary companies (Kings & Queens, Materia Herba, Phyto 12 and Krokos Kozanis Products ) reaching €1,3m .
- **Financing cash flow** reached €5,0m (FY 2006 €1,0m), mainly due to IPO proceeds that reached €10,6m, while debt (including financial leases) declined by €4,9m (FY 2006: €8,8m increase) and dividend payments were €1,5m (FY2006: €0,8m).

Cash flow (€ m)	FY 2007	FY 2006	Change (%)
Operating cash flow	1,2	2,6	-53,9%
Investment cash flow	-5,8	-2,9	
Financing cash flow	5,0	1,0	383,4%
Net change in cash	0,4	0,7	-44,1%
Cash and cash equivalents, beginning of the period	1,8	0,9	90,4%
Cash and cash equivalents, end of the period	2,2	1,7	32,1%

## APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	FY 2007	FY 2006	Change (%)
<b>Face</b>	<b>14,3</b>	<b>13,7</b>	<b>4,7%</b>
Of Total (%)	39,9	50,9	-11,0pp
<b>Hair</b>	<b>8,0</b>	<b>5,6</b>	<b>42,7%</b>
Of Total (%)	22,3	20,9	1,4pp
<b>Body</b>	<b>8,2</b>	<b>3,7</b>	<b>121,3%</b>
Of Total (%)	22,8	13,8	9,0pp
<b>Pharmaceuticals &amp; Others</b>	<b>5,4</b>	<b>3,9</b>	<b>38,9%</b>
Of Total (%)	15,0	14,4	0,6pp
<b>Total</b>	<b>36,0</b>	<b>26,9</b>	<b>33,7%</b>

Face products continued to be the highest contributor to total sales (39,9%), while the body and hair categories gained 11pp to the total sales in 2007, participating respectively by 22,3% and 22,8% in sales. The growth of 121, 3% in body category came apart from the launch of our new brand K&Qs (y-o-y growth category excluding K&Qs remains strong, reaching 79% compared to 2006), also from the development of sun care products and the organic growth of the core category. Furthermore the increase of 42, 7% in hair products based on the significant rise of hair colorants.

Gross Profit (€ m)	FY 2007	FY 2006	Change (%)
<b>Face</b>	<b>10,2</b>	<b>9,9</b>	<b>2,7%</b>
Gross Margin (%)	71,2	72,6	-1,5pp
Of total gross profit (%)	44,2	56,6	-12,3pp
<b>Hair</b>	<b>5,4</b>	<b>3,6</b>	<b>48,3%</b>
Gross Margin (%)	66,7	64,2	2,5pp
Of total gross profit (%)	23,2	20,5	2,7pp
<b>Body</b>	<b>4,9</b>	<b>2,2</b>	<b>123,7%</b>
Gross Margin (%)	59,2	58,5	0,6pp
Of total gross profit (%)	21,0	12,3	8,7pp
<b>Pharmaceuticals &amp; Others</b>	<b>2,7</b>	<b>1,9</b>	<b>43,4%</b>
Gross Margin (%)	49,4	47,8	1,6pp
Of total gross profit (%)	11,5	10,6	1,0pp
<b>Total</b>	<b>23,1</b>	<b>17,6</b>	<b>31,3%</b>
<b>Gross Margin (%)</b>	<b>64,2</b>	<b>65,3</b>	<b>-1,1pp</b>

Gross profit increased by 31,3% to €23,1m (€17,6m in FY 2006), The gross margin declined by 1,1 percentage points to 64,2% (65,3% in FY 2006) mainly due to the increase of the body and hair categories.

Turnover by channel (€ m)	FY 2007	FY 2006	Change (%)
<b>Pharmacies - Selective</b>	<b>34,4</b>	<b>26,9</b>	<b>27,8%</b>
Of Total (%)	95,6	100,0	-4,4pp
<b>Mass - semi Selective</b>	<b>1,6</b>	<b>0,0</b>	<b>-</b>
Of Total (%)	4,4	0,0	-
<b>Total</b>	<b>36,0</b>	<b>26,9</b>	<b>33,7%</b>

Sales in pharmacies and selective channels rose by 27,8%, 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 following years.

Turnover by region (€ m)	FY 2007	FY 2006	Change (%)
<b>Greece</b>	<b>28,1</b>	<b>23,0</b>	<b>22,4%</b>
Of Total (%)	78,1	85,3	-7,2pp
<b>Foreign markets</b>	<b>7,9</b>	<b>4,0</b>	<b>99,1%</b>
Of Total (%)	21,9	14,7	7,2pp
<b>Total</b>	<b>36,0</b>	<b>26,9</b>	<b>33,7%</b>

Foreign markets, generating 21, 9% of total sales, almost doubled to €7,9m (€4m in FY 2006), increasing their participation in Group's sales by 7,2pp. The biggest contributors to this growth were US and UK that performed, respectively by 133% and by 84% compared to 2006, due to the launch of make up range in these markets. The group has presence in 28 countries.

Gross Profit (€ m)	FY 2007	FY 2006	Change (%)
<b>Greece</b>	<b>19,0</b>	<b>15,6</b>	<b>21,9%</b>
Gross Margin (%)	67,5	67,9	-0,3pp
Of total gross profit (%)	82,2	88,6	-6,4pp
<b>Foreign markets</b>	<b>4,1</b>	<b>2,0</b>	<b>104,6%</b>
Gross Margin (%)	52,1	50,7	1,4pp
Of total gross profit (%)	17,8	11,4	6,4pp
<b>Total</b>	<b>23,1</b>	<b>17,6</b>	<b>31,7%</b>
<b>Gross Margin (%)</b>	<b>64,2</b>	<b>65,3</b>	<b>-1,1pp</b>

**Foreign markets** gross profits almost doubled in FY 2007 and its margin increased by 1,4pp compared to FY 2006, 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 compared to the existing core markets like the USA and UK, that even they are operating with lower gross margin, they do not need increased distribution expenses.