



## Consolidated Financial Results

# Q1 2008

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## SIGNIFICANT INCREASE BY 31, 6% IN SALES AND 10, 3 % IN NET PROFITABILITY FOR KORRES NATURAL PRODUCTS GROUP

- Increase by 31,6% of the consolidated sales to € 11,3m in the first quarter of 2008 (from € 8,6m in the corresponding quarter of 2007)
- Increased by 12, 7% of the consolidated EBITDA to € 2,6m (from € 2,3m in the respective period of 2007)
- Net profits (EAT) increased by 10, 3% to € 1,5m (from € 1,4m in the first quarter of 2007)

In the first quarter of 2008, KORRES Natural Products Group sales, increased by 31,6% to € 11,3m from € 8,6m in the corresponding quarter of 2007, driven by increased sales in most product categories. In particular, significant rise of 70,9% has been presented by the face category mainly driven by an important increase in sales in the international markets, and as well as the body category (+18,8%) with the development of body care products and of Kings & Queens that have been launched in the market in the second half of 2007. Further more, double digit growth of 11,1% has been presented also by the hair products.

The Group, continuing its dynamic expansion in the international markets, increased its participation of the international sales in the total turnover to 26,6% from 11,5% in the corresponding quarter of 2007.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached € 2,6m from € 2,3m in the first quarter of 2007, enhanced by 12,7%, and the net profit after taxes amounted € 1,5m from € 1,4m, presenting an increase of 10, 3%, a result of the increased operating profitability and the reduced effective tax rate by 2 percentage points.

The Group continued also in the first quarter of 2008 to reinforce its presence in the international markets and to enhance its brand awareness with the opening of 3 new KORRES stores in Paris, in Neuchatel and La Chaux de Fonds in Swiss, reaching 17 stores in total abroad while if we incorporate the 2 in Greece, the network is coming up to 19 stores. Group's target for 2008 is to double the number of KORRES stores with the opening of 20 new through the local distributors while at the same time the group will continue to promote KORRES Natural Products through the selective distribution network and Kings & Queens through the semi selective distribution.

In line with the strategic partnerships that the Group maintains and in context with its major growth targets of creating new innovative products by systematically exploiting the Greek Flora, proceeded in the first quarter of 2008, to further enhancement of its corporation with Chios Mastiha Growers Association , by acquiring 5,13% of MEDITERRA, which is the exclusive distributor of Chios Mastiha.

Finally, Group's strategy for 2008 will continue to be the development and promotion of the existing brand KORRES NATURAL PRODUCTS as well as the new brand «Kings & Queens» both in Greece and abroad, focusing its interest mainly on the markets of UK, France, Germany, Spain, US and also China and Russia.

## INCOME STATEMENT

- **Revenues** increased by **31, 6%** to €11,3m (from €8,6m in Q1 2007). Growth was mainly driven by face products (+70, 9% to €5,1m mainly due to the significant increase in sales in the international markets), followed by body category (+18, 8% to €2,6m based on the growth of the existing body care products and Kings & Queens that have been launched in the market in the second half of 2007).
- **Gross profit** increased by **38, 6%** to €7,4m (from €5,3m in Q1 2007) **Gross margin** increased by 3,3 pp to **65,7%** (from 62,4% in Q1 2007) based on the increase in contribution of face category to the total business which favors higher margins and on the improvement of gross margins in hair and body categories due to the change in product mix
- **EBITDA** increased by **12, 7%** to €2,6m (from €2,3m in Q1 2007). The **EBITDA margin** declined by 3,9pp to **23, 4%** (from 27, 3% in Q1 2007) due to increased marketing and advertising expenses to support both the existing and the new brand.
- **EBIT** increased by **9, 3%** to €2,3m (from €2,1m in Q1 2007). The operating margin declined by 4,2pp to **20,4%** (from 24,6% in Q1 2007) because of the lower EBITDA margin
- **Profit before tax** increased by **7, 3%** to €2,0m (from €1,9m in Q1 2007), due to the growth in the operating profitability.
- **Net income** increased by **10, 3%** to €1,5m (from €1,4m in Q1 2007) because of the higher profits before tax and the reduced effective tax rate by 2 pp.

Income statement (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Revenues</b>	<b>11,3</b>	<b>8,6</b>	31,6%
Cost of goods sold	-3,9	-3,2	20,0%
<b>Gross profit</b>	<b>7,4</b>	<b>5,3</b>	38,6%
Gross margin (%)	65,7%	62,4%	+3,3pp
Operating expenses	<b>-5,1</b>	<b>-3,2</b>	57,7%
<b>EBITDA</b>	<b>2,64</b>	<b>2,34</b>	12,79%
EBITDA margin (%)	23,4%	27,3%	-3,9pp
Depreciation and amortization	<b>0,34</b>	<b>0,24</b>	43,9%
<b>EBIT</b>	<b>2,3</b>	<b>2,1</b>	9,3%
Operating margin (%)	20,4%	24,6%	-4,2pp
<b>Earnings before taxes</b>	<b>2,0</b>	<b>1,9</b>	7,3%
EBT Margin (%)	18,1%	22,2%	-2,2 pp
Tax	<b>-0,5</b>	<b>-0,5</b>	-1,0%
<b>Net Income</b>	<b>1,5</b>	<b>1,4</b>	10,3%
Net income margin (%)	13,5%	16,1%	-2,6pp
<b>EPS (€)</b>	<b>0,20</b>	<b>0,23</b>	<b>-13,0%</b>

## BALANCE SHEET

- **Inventories** increased by **23,0%** to €11,8m (from €9,6m in FY 2007) mainly due to the increased stock level of the make-up range related to the increased product portfolio offering, as well as the increased raw and packaging materials to cover the enhanced demand of finished products
- **Total Debt (Long & short)** increased by **43, 5%** to €19,2m (from €13,4m in FY 2007), mainly because of temporary cash need to cover WC needs to increase purchases that will be smoothed in the first half
- **Net debt** increased by **22, 8%** to €13,7m (from €11,2m in FY 2007)

(€ m)	Q1 2008	Q1 2007	%
<b>Assets</b>			
Property, plant and equipment	14,2	13,3	7,0%
Intangible assets	1,4	1,3	9,4%
Investments in subsidiary & associated companies	0,5	0,5	-1,3%
Financial assets for sale	1,0		
Good will	0,6	0,6	
Deferred Taxation	0,2	0,1	30,7%
Other long-term receivables	1,9	1,9	
<b>Total non-current assets</b>	<b>19,8</b>	<b>17,7</b>	<b>11,8%</b>
Inventories	11,8	9,6	23,0%
Customers and other receivables	20,8	20,0	3,7%
Cash and equivalent	5,5	2,2	148,2%
<b>Total current assets</b>	<b>38,1</b>	<b>31,8</b>	<b>19,6%</b>
<b>Total assets</b>	<b>57,9</b>	<b>49,6</b>	<b>16,8%</b>
<b>Shareholder's equity and liabilities</b>			
Share capital	2,3	2,3	0,0%
Paid up Capital	10,1	10,1	0,0%
Reserves	0,9	0,7	27,3%
Retained Earnings	7,3	5,7	26,5%
<b>Shareholders Equity to the shareholders of the company</b>	<b>20,6</b>	<b>18,9</b>	<b>9,1%</b>
Minorities	0,01	0,0	
<b>Total Shareholders Equity</b>	<b>20,58</b>	<b>18,9</b>	<b>9,1%</b>
Long-term loans	8,14	8,1	0,7%
Deferred tax liabilities	0,74	0,5	43,2%
Retirement benefit obligations	0,29	0,3	7,7%
<b>Total long-term liabilities</b>	<b>9,17</b>	<b>8,9</b>	<b>3,4%</b>
Suppliers and other liabilities	15,3	15,2	0,9%
Short-term loans	11,09	5,3	108,3%
Current tax liabilities	1,71	1,3	29,3%
<b>Total current liabilities</b>	<b>28,15</b>	<b>21,9</b>	<b>28,8%</b>
<b>Total shareholder's equity and liabilities</b>	<b>57,90</b>	<b>49,6</b>	<b>16,8%</b>

## CASH FLOW

- **Operating cash flow** reached €0,04m (Q1 2007 €0,3m), presenting a decline of 83% primarily due to the increase in inventories of make up related to the increased product portfolio offering and the increases liabilities related to purchases and service suppliers
- **Investment cash flow** reached -€2,2m (Q1 2007 -€1,1m) due to the increased capital expenditures that reached €1,2m (Q1 2007: €0,9m), the acquisition by the company of 5,13% of MEDITERRA which was listed recently to the Alternative Market of the Athens Stock Exchange
- **Financing cash flow** reached €5,4m (Q1 2007 €1,7m), mainly driven by the temporary debt increase (€7,6m) to cover working capital needs

Cash flow (€ m)	Q1 2008	Q1 2007	Change (%)
Operating cash flow	0,04	0,3	-83%
Investment cash flow	-2,2	-1,1	
Financing cash flow	5,4	1,7	228%
Net change in cash	3,3	0,9	281%
Cash and cash equivalents, beginning of the period	2,2	1,7	32%
Cash and cash equivalents, end of the period	5,5	2,5	117%

## APPENDIX: TURNOVER ANALYSIS

Turnover by category (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Face</b>	<b>5,1</b>	<b>3,0</b>	<b>70,9%</b>
Of Total (%)	45,4	34,9	<b>10,4pp</b>
<b>Hair</b>	<b>2,1</b>	<b>1,9</b>	<b>11,1%</b>
Of Total (%)	18,7	22,1	<b>-3,4pp</b>
<b>Body</b>	<b>2,6</b>	<b>2,2</b>	<b>18,8%</b>
Of Total (%)	23,3	25,9	<b>-2,5pp</b>
<b>Pharmaceuticals &amp; Others</b>	<b>1,4</b>	<b>1,5</b>	<b>-3,0%</b>
Of Total (%)	12,6	17,1	<b>-4,5pp</b>
<b>Total</b>	<b>11,3</b>	<b>8,6</b>	<b>31,6%</b>

Face products that continued to be the highest contributor (45,4%) to the Group's turnover, gaining 10,4pp compared to the corresponding period of 2007, presented an increase of 70,9% driven by the significant increase in sales in the international markets with products such as the core face care products, the make up products and the men's care products. The growth of 18,8% in body category came from the organic growth of body care products and Kings & Queens that have been launched in the market in the second half of 2007. Hair products presented a double digit growth of 11,1% based on the positive trend of the products of the whole category both in Greece and in the international markets.

Gross Profit (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Face</b>	<b>3,6</b>	<b>2,1</b>	<b>67,5%</b>
Gross Margin (%)	69,5	70,9	<b>-1,4pp</b>
Of total gross profit (%)	48,0	39,7	<b>8,3pp</b>
<b>Hair</b>	<b>1,4</b>	<b>1,2</b>	<b>17,7%</b>
Gross Margin (%)	68,4	64,6	<b>3,8pp</b>
Of total gross profit (%)	19,5	22,9	<b>-3,4pp</b>
<b>Body</b>	<b>1,7</b>	<b>1,3</b>	<b>34,3%</b>
Gross Margin (%)	64,8	57,3	<b>7,5pp</b>
Of total gross profit (%)	23,0	23,8	<b>-0,7pp</b>
<b>Pharmaceuticals &amp; Others</b>	<b>0,7</b>	<b>0,7</b>	<b>-3,2%</b>
Gross Margin (%)	49,6	49,8	<b>-0,1pp</b>
Of total gross profit (%)	9,5	13,6	<b>-4,1pp</b>
<b>Total</b>	<b>7,4</b>	<b>5,3</b>	<b>38,6%</b>
<b>Gross Margin (%)</b>	<b>65,7</b>	<b>62,4</b>	<b>3,3pp</b>

The gross margin enhanced by 3,3pp to 65,7% in Q1 2008 (62,4% in Q1 2007) based on the increase in contribution of face category to the total business which favors higher margins and on the improvement of gross margins in hair and body categories due to the change in product mix

Turnover by channel (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Pharmacies - Selective</b>	<b>11,0</b>	<b>8,6</b>	<b>28,3%</b>
Of Total (%)	97,5	100,0	<b>-2,5pp</b>
<b>Mass - semi Selective</b>	<b>0,3</b>	<b>0,0</b>	<b>-</b>
Of Total (%)	2,5	0,0	<b>-</b>
<b>Total</b>	<b>11,3</b>	<b>8,6</b>	<b>31,6%</b>

Sales in pharmacies and selective channels rose by 28,3%, 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 quarters.

Turnover by region (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Greece</b>	<b>8,3</b>	<b>7,6</b>	<b>9,1%</b>
Of Total (%)	73,4	88,5	<b>-15,1pp</b>
<b>Foreign markets</b>	<b>3,0</b>	<b>1,0</b>	<b>204,5%</b>
Of Total (%)	26,6	11,5	<b>15,1pp</b>
<b>Total</b>	<b>11,3</b>	<b>8,6</b>	<b>31,6%</b>

Foreign markets, almost tripled to €3,0m (from €1m in Q1 2007), increasing their participation in Group's sales by 15,1pp, reaching 26,6% of the total turnover. The biggest contributors to this growth were US and UK and Spain due to the development of make up range and the body products in these markets. The group is currently present in 28 countries.

Gross Profit (€ m)	Q1 2008	Q1 2007	Change (%)
<b>Greece</b>	<b>5,8</b>	<b>4,9</b>	<b>17,8%</b>
Gross Margin (%)	69,6	64,5	<b>5,1pp</b>
Of total gross profit (%)	77,7	91,4	<b>-13,7pp</b>
<b>Foreign markets</b>	<b>1,7</b>	<b>0,5</b>	<b>260,7%</b>
Gross Margin (%)	55,0	46,4	<b>8,6pp</b>
Of total gross profit (%)	22,3	8,6	<b>13,7pp</b>
<b>Total</b>	<b>7,4</b>	<b>5,3</b>	<b>38,6%</b>
<b>Gross Margin (%)</b>	<b>65,7</b>	<b>62,4</b>	<b>3,3pp</b>

The improvement of 3,3pp in the total gross margin was driven both by Greece and foreign markets. In particular, **foreign markets** gross profits almost tripled in Q1 2008 and their margin increased by 8,6pp compared to Q1 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 5,1pp in Gross margin to 69,6% in Q1 2008 from 64,5% in Q1 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.