

# CORPORACIÓN DERMOESTÉTICA S.A.

## CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2006

### Summary

- **Turnover increased by 19.6% in the first quarter compared to the first quarter of 2005 (pro forma figures<sup>1</sup>).**
  - Spain: Turnover increased by 4.4% in the first quarter compared to the first quarter of 2005.
  - Portugal: Turnover for the first quarter grew by 25.0%.
  - The United Kingdom: Turnover grew by 42.2%.
  - Italy: Turnover grew in line with forecasts during the first quarter and exceeded €700 thousand per month.
  
- **CORPORACIÓN DERMOESTÉTICA's EBITDA for the first quarter stood at €4,382 thousand whilst EBIT stood at €2,482 thousand.**
  - Pro forma results in the more established countries (Spain, Portugal and the UK) increased by 7.9% to an EBITDA of €7,005 thousand and by 17.5% to an EBIT of €5,531 thousand. As in the case of previous quarters, the full Group's consolidated results were again reduced by the costs incurred in launching the business in Italy.
  - The growth and profitability of the vision business in the United Kingdom continued to show healthy figures, whilst in Spain and Portugal margins narrowed and growth slowed down.
  
- **CORPORACIÓN DERMOESTÉTICA's consolidated results for the first quarter rose by 86.3% (EBITDA) and 127.1% (EBIT) compared to the first quarter of 2005 thanks to the acquisition of Ultralase.**
  - From a consolidated viewpoint, turnover grew by 67.9%. However, the cost effort involved in launching the business in Italy and the aesthetic medicine division in the United Kingdom together with higher financial costs meant that the Group recorded net results of €240 thousand.
  
- **€2,273 thousand were invested in improving and expanding our network of clinics during the first quarter of 2006. The company remains financially strong (net debt of €30,365 thousand).**

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<sup>1</sup> Pro forma results are defined as the sum of the consolidated results for each of the countries Corporación Dermoestética currently operates in. They therefore assume that Ultralase has been part of the Group for the whole of the previous financial year (from 1/1/2005) to be able to make homogenous comparisons.

## Relevant Information

- **Spain:** During 2006 a total of 6 clinics will receive some investment: we plan to move two clinics to larger premises and open 4 new ones. The Orense clinic has been opened in April 2006 and the clinic in Gijón is set to open its doors in the next few months. Work on the remaining two new clinics will be starting next quarter.
- The Group currently has 47 clinics in Spain, i.e. 6 more than one year ago.
- The new obesity treatment (intra-gastric balloon) launched in 2005 is continuing to enjoy considerable success.
- **Portugal:** The Coimbra clinic was opened in March 2006, thus bringing the expansion plan we started in 2005 to a close with the opening of three new clinics (Braga, Aveiro and Coimbra) as forecast.
- The Group currently has 5 clinics in Portugal, i.e. 2 more than one year ago.
- **The United Kingdom:** The last quarter of 2005 and the first quarter of 2006 saw investments in preparing for the launch of the new aesthetic medicine and cosmetic surgery division. These clinics opened for business during the first quarter of this year.
- The Group currently has 14 clinics in the United Kingdom. Three of these clinics provide services in both divisions whilst one clinic deals exclusively with aesthetic medicine.
- **Italy:** Efforts continued to focus on adding new marketing resources and training our clinics' staff during the first quarter.
- We currently have clinics in 21 Italian cities and also offer beauty services in two other cities.

*This results report has been compiled by the Company with the sole aim of presenting the Group's results for the first quarter of 2006.*

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## 1. Evolution of the Company's Business

### Spain and Portugal

Spain and Portugal <i>Thousand €</i>	1Q		Diff. %
	2006	2005	
<b>Net sales</b>	20,044	18,965	5.7%
<b>Gross margin</b>	15,810	14,802	6.8%
<i>% of net sales</i>	78.9%	78.1%	
<b>EBITDA</b>	4,800	4,784	0.3%
<i>% of net sales</i>	23.9%	25.2%	
<b>Depreciation</b>	(847)	(974)	-13.0%
<b>EBIT</b>	3,953	3,810	3.8%
<i>% of net sales</i>	19.7%	20.1%	

**Turnover grew by 5.7% in the first quarter (1Q06 v. 1Q05). However, the number of new treatment bookings slowed in this first quarter to +2.7%.**

**Margins for the first quarter were lower mainly as a result of increased staff costs. The EBITDA margin for the first quarter stood at 23.9% and the EBIT margin was 19.7%**

#### Spain.

- Turnover for the first quarter (+4.4%) reflected slower growth in bookings over the last few months.
- Treatment bookings rose by 2.3% during the first quarter. Newly opened clinics contributed with 10.4% to growth. The balance of treatment bookings in clinics opened before 2005 was negative (like for like<sup>2</sup> growth -8.1%). This was partly due to reduced investment in advertising during the quarter, changes in the advertising mix and a drop in sales conversion ratios.

#### Portugal.

- Since February, turnover increased significantly again (+25% in Q1) thanks to the resolution of the Group's differences with one of the television channels it works with in Portugal. This meant our advertising became more regular again and growth rates picked back up again. Treatment bookings rose by 7.0% during the first quarter.

#### Margins and results.

- We managed to repeat our EBITDA results and slightly improve our EBIT thanks to an increase in sales, a higher gross margin (78.9%) and lower advertising costs. Operating profit as a percentage of sales was, however, slightly lower.
- The greatest rise in costs (€947 thousand) came from increased personnel expenses, mainly as a result of greater staff costs in the clinics (both in longer standing clinics and as a result of the opening of new clinics - eight new in Spain and Portugal -).

<sup>2</sup> Growth for comparable clinics or "like for like" is calculated by excluding treatments booked in clinics that have not been open for the full last two accounting periods (2005 and 2006). This applies to the centres in Cartagena, Sabadell, Alcorcón, Jerez, Santiago de Compostela and Logroño (opened in 2005).

## The United Kingdom

The United Kingdom <i>Thousand €</i>	1Q		Diff. %
	2006	2005 PF	
<b>Net sales</b>	11,283	7,932	42.2%
<b>Gross margin</b> <i>% of net sales</i>	9,146 81.1%	6,525 82.3%	40.2%
<b>EBITDA</b> <i>% of net sales</i>	2,205 19.5%	1,710 21.6%	29.0%
<b>Depreciation</b>	(627)	(812)	-22.8%
<b>EBIT</b> <i>% of net sales</i>	1,578 14.0%	898 11.3%	75.7%

**Our UK subsidiaries' turnover grew by 42.2% compared to the same period in 2005.**

**Results were significantly higher (EBITDA +29%) despite the start-up costs of the aesthetic medicine division.**

### Income and results.

- During the first quarter of 2006, turnover reached €11,283 thousand, compared to €7,932 thousand in the first quarter of 2005, i.e. an increase of 42.2%.
- The total EBITDA for both divisions (vision and aesthetic medicine) rose to €2,205 thousand compared to €1,710 thousand in the first quarter of 2005.

### Income and results by divisions.

- The results for the first quarter of 2006 include the costs involved in launching our aesthetic medicine division which totalled €863 thousand (€313 thousand in the first quarter of the previous year) as a result of rents, advertising, personnel costs and other costs required to launch the business.

Pro Forma <i>Thousand €</i>	Total		Vision		Aesthetics	
	1Q 06	1Q 05	1Q 06	1Q 05	1Q 06	1Q 05
<b>Net sales</b>	11,283	7,932	11,238	7,932	45	-
<b>Gross margin</b> <i>% of net sales</i>	9,146 81.1%	6,525 82.3%	9,192 81.8%	6,525 82.3%	(46) -103.9%	-
<b>EBITDA</b> <i>% of net sales</i>	2,205 19.5%	1,710 21.6%	3,114 27.7%	2,023 25.5%	(909) -2041.9%	(313)
<b>Depreciation</b>	(627)	(812)	(606)	(812)	(21)	-
<b>EBIT</b> <i>% of net sales</i>	1,578 14.0%	898 11.3%	2,508 22.3%	1,211 15.3%	(930) -2088.5%	(313)

- Growth rates of income and results for the vision division are high compared to the same quarter in the previous year. EBITDA was €3,114 thousand compared to €2,023 thousand and EBIT stood at €2,508 thousand compared to €1,211 thousand in the same period in 2005. Figures remained stable compared to the results obtained in the last quarters of 2005.

## Italy

Italy Thousand €	1Q		Diff. %
	2006	2005	
<b>Net sales</b>	1,600	630	153.8%
<b>Gross margin</b> % of net sales	1,158 72.4%	398 63.1%	191.2%
<b>EBITDA</b> % of net sales	(2,623) -164.0%	(2,127) -337.4%	23.3%
<b>Depreciation</b>	(426)	(254)	67.6%
<b>EBIT</b> % of net sales	(3,049) -190.6%	(2,381) -377.8%	28.0%

**During the first quarter of 2006 the Group continued offering intensive support for marketing and management of the Italian clinics. As a result of it, various different indicators improved and treatment bookings exceeded €700 thousand per month in February and March.**

### Marketing and bookings:

- During the first quarter of the year, investments in marketing stood at €1,187 thousand. During the first few months of the year the Group has continued to add new tools and take on new staff in the marketing and P.R. areas.
- The number of bookings made during the first quarter of 2006 rose by 43% compared to the last quarter of 2005 as a result of an increase in the number of consultations made and of the improvement in the conversion rate.
- The average ticket is still low and is still well below its target value, since the proportion of high added value treatments (generally speaking, medical treatments and especially cosmetic surgery) is still low.
- Average monthly bookings stood at €700 thousand (a total of €2,100 thousand during the quarter). In February and March bookings were considerably higher than in previous months, but were still way below the figures needed to break even (currently estimated at €1,900 thousand per month).

### Income and results.

- Turnover stood at €1,600 thousand for the first quarter. This was due to the fact that a considerable percentage of the treatments had been only recently pre-booked and thus, have not been given.
- The results in Italy meant EBITDA losses of €2,623 thousand as of 31st March 2006. This figure was lower than in previous quarters thanks to increased income and lower marketing costs. The reduction in marketing costs was temporary as the Company aims to increase its marketing budget over the next few quarters to consolidate the Italian network.

## 2. Consolidated Results 2006

### Pro forma Profit and Loss Account<sup>3</sup>

Pro Forma Thousand €	1Q		Diff. %
	2006	2005	
<b>Net sales</b>	32,926	27,527	19.6%
<b>Gross Margin</b>	26,113	21,725	20.2%
% of net sales	79.3%	78.9%	
<b>EBITDA</b>	4,382	4,367	0.4%
% of net sales	13.3%	15.9%	
<b>Depreciation</b>	(1,900)	(2,040)	-6.9%
<b>EBIT</b>	2,482	2,327	6.7%
% of net sales	7.5%	8.5%	

*Income for the four countries the Group operates in had risen by 19.6% at the close of the first quarter 2006.*

*In absolute terms of EBITDA, the Group's results in the first quarter of 2006 remained stable compared to the previous year's results. The cost incurred in order to support our business in Italy and the aesthetic medicine division in the United Kingdom have influenced the quarterly result.*

If we exclude the impact of Italy, CORPORACIÓN DERMOESTÉTICA increased its income in the markets it has fully established itself in (Spain, Portugal and the UK) by 17.5% and its EBITDA by 7.9% to reach €7,005 thousand (22.4% of sales).

### Consolidated Profit and Loss Account<sup>4</sup>

Corporación Dermoestética Thousand €	1Q		Diff. %
	2006	2005	
Net sales	32,902	19,595	67.9%
Purchases	(6,757)	(4,395)	53.7%
<b>GROSS MARGIN</b>	26,146	15,200	72.0%
Other operating expenses	(21,763)	(12,848)	69.4%
<b>EBITDA</b>	4,382	2,352	86.3%
Depreciation	(1,900)	(1,259)	50.9%
<b>EBIT</b>	2,482	1,093	127.1%
Financial results	(1,372)	54	n.m.
Corporate Tax	(870)	(361)	141.0%
<b>NET INCOME</b>	240	786	n.m.

The consolidated figures for the first quarter of 2005 do not include the figures for the company Ultralase Vision, which was acquired in May 2005.

<sup>3</sup> The pro forma profit and loss account assumes that Ultralase has been part of the Group since 1/01/2005 in order to show how the business has performed under our Group's current structure.

<sup>4</sup> Some headings in the consolidated profit and loss account as of 31<sup>st</sup> March 2006 differ slightly from the same headings in the pro forma profit and loss account as a result of certain inter-group transactions which have been eliminated in the consolidated profit and loss account. This has had no effect whatsoever on EBITDA and on the period's results.

Depreciation in the first quarter of 2006 amounted to €1,900 thousand.

Financial expenses increased significantly for two major reasons:

- €739 thousand of interest costs incurred by the Company on behalf of customers in the UK.
- €274 thousand from the interest on the debt acquired as a result of the acquisition of Ultralase.

### 3. Consolidated Balance Sheet, Investments and Financial Position

#### Consolidated Balance Sheet

Balance Sheet <i>Thousand €</i>	March 2006	%	March 2005	%	Difference 06 / 05
<b>ASSETS</b>					
<b>Fixed assets</b>					
Property, plant and equipment	43,442	34%	31,888	43%	11,554 (*)
Intangible assets					
Goodwill	36,551	29%	0	0%	36,551 (**)
Other intangible assets	3,042	2%	910	1%	2,132
Others	14,042	11%	6,141	8%	7,901
	97,077	76%	38,939	53%	58,138
<b>Current Assets</b>					
Cash and equivalents	18,300	14%	28,606	39%	(10,306)
Debtors	2,875	2%	918	1%	1,957
Inventory	3,877	3%	1,855	3%	2,022
Others	5,949	5%	3,456	5%	2,493
	31,001	24%	34,835	47%	(3,834)
<b>Total assets</b>	<b>128,078</b>	<b>100%</b>	<b>73,774</b>	<b>100%</b>	<b>54,304</b>
<b>LIABILITIES</b>					
<b>Shareholders' Equity</b>					
Paid-in Capital	3,989	3%	539	1%	3,450
Reserves	12,401	10%	12,401	17%	(0)
Retained Earnings	9,114	7%	16,821	23%	(7,707)
	25,504	20%	29,761	40%	(4,257)
<b>Long term Liabilities</b>					
Debts with credit institutions	39,136	31%	3,527	5%	35,609
Liabilities from deferred taxes	14,337	11%	6,266	8%	8,071
Provisions	3,400	3%	2,026	3%	1,374
Other long term Liabilities	7,037	5%	795	1%	6,242
	63,910	50%	12,614	17%	51,296
<b>Short term Liabilities</b>					
Debts with credit institutions	3,525	3%	2,800	4%	725
Commercial creditors	29,278	23%	23,807	32%	5,471
Other short term liabilities	5,861	5%	4,792	6%	1,069
	38,664	30%	31,399	43%	7,265
<b>Total Liabilities</b>	<b>128,078</b>	<b>100%</b>	<b>73,774</b>	<b>100%</b>	<b>54,304</b>

(\*) The variation is due to the inclusion of the amounts corresponding to "Property, plants and equipment" for Ultralase (date of the first consolidation: 14/05/05 and the investments made by the Group from 14<sup>th</sup> May 2005 to 31<sup>st</sup> March 2006.

(\*\*) The variation is due to the goodwill generated in the Group as a result of the acquisition of Ultralase.

## Net investment

Net investment Thousand €	1 Q		Diff. %
	2006	2005	
Spain and Portugal	1,698	1,565	8.5%
The United Kingdom	479	313	53.0%
Italy	96	4,174	-97.7%
<b>TOTAL</b>	<b>2,273</b>	<b>6,052</b>	<b>-62.4%</b>

**€2,273 thousand were invested in improving and expanding our network of clinics during the first quarter of 2006. This year investment will be focused on Spain and the United Kingdom. The large-scale investments made in Italy and Portugal during 2004 and 2005 will allow us to drastically reduce investment in these countries.**

### Spain and Portugal

- In Spain during the first quarter, the final preparations for the openings of the Orense clinic (opened in April) and the Gijón clinic (set to open during the second or third quarter) were made.
- We also invested €1,324 thousand in improving and extending the equipment in our clinics.
- The Group plans to invest in the opening of two new clinics and to move two of our current clinics during 2006.

### The United Kingdom<sup>5</sup>

- Clinic Openings: Investments were made in three new clinics during the first quarter of 2006 to introduce the new wider range of services - Guildford, Chelmsford and St. Albans (all located in the broader London area) are starting to offer aesthetic medicine services.
- In the vision division, there are plans underway to open at least one more clinic in the second half of 2006 and preparations will be started on a second new clinic due to open at the end of 2006 or the beginning of 2007.

### Italy

- After the large-scale investment made in Italy during 2005 and as we stated in our 2005 results, investment in Italy this quarter was kept to a minimum. This trend will continue over the next few quarters.

## Financial Position

Financial Position Thousand €	March 2006	March 2005
Long Term Debt with credit institutions	39,136	3,527
Short Term Debt with credit institutions	3,525	2,800
Long Term Debts with previous shareholders of Ultralase (*)	5,917	-
Short Term Debts with previous shareholders of Ultralase	87	-
Other financial liabilities (short term)	-	26
<b>Gross Financial indebtedness</b>	<b>48,665</b>	<b>6,353</b>
Cash and equivalents	(18,300)	(28,606)
<b>Net Financial indebtedness</b>	<b>30,365</b>	<b>(22,253)</b>

(\*) The final amount of the long-term debt held with Ultralase's previous shareholders will be calculated according to the real EBITDA obtained in 2007 and 2008.

In keeping with the Group's general policy, we expect to self-finance our international expansion and to repay existing debt from the acquisition of Ultralase (mostly long-term debt) with the resources generated by the Group's ordinary activities.

<sup>5</sup> Investment made in the United Kingdom has been calculated at the exchange rate in force at the end of the first quarter.