

**PHIL. ANDREOU PUBLIC LTD**  
**INDICATION OF FINANCIAL RESULT (UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1. Indication of financial result (unaudited)**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Turnover	11.432	9.406
Cost of sales	(9.209)	(7.696)
<b>Gross profit</b>	<b>2.223</b>	<b>1.710</b>
Other income	112	93
Selling and distribution costs	(1.566)	(1.102)
Administration expenses	(760)	(940)
<b>Operating profit (loss)</b>	<b>9</b>	<b>(240)</b>
Related companies	(12)	-
	<b>(3)</b>	<b>(240)</b>
Net finance costs	(210)	(62)
Loss before taxation	<b>(213)</b>	<b>(302)</b>
Taxation	36	26
<b>Loss after taxation</b>	<b>(177)</b>	<b>(276)</b>
Minority interest	(48)	25
<b>Net loss attributable to the shareholders of the Company</b>	<b>(225)</b>	<b>(251)</b>
<b>Loss per share</b>	<b>(0,50) cent</b>	<b>(0,56) cent</b>

**2. Basis of preparation and audit**

The accounting policies that have been followed for the preparation of the indication of the financial result for the year ended 31 December 2006 are in accordance with International Financial Reporting Standards and are the same as those used in the preparation of the annual financial statements of the Company and the Group.

The audit of the financial statements of the Company and the Group has not been completed yet.

**3. Turnover**

Group turnover for 2006 increased by 22% from £9.4 million in 2005 to £11.4 million in 2006. The increase is analysed by activity segment as follows:

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Exports of display stands, shelving, warehouse equipment and shop fittings	2.048	2.807
Local sales of display stands, shelving, warehouse equipment and shop fittings	1.602	1.282
Digital printing	553	452
Advertising signs and similar services	821	617

Convenient shops	6.089	4.135
High technology products and services	319	63
<b>TOTAL</b>	<b>11.432</b>	<b>9.356</b>

The increase in sales is mainly due to the increase in sales of the convenient stores of the wholly owned subsidiary So Easy Kiosks Ltd by approximately £1.9 million, due to the opening of new and the significant increase in the sales of the existing shops. There was also an increase of approximately £0.9 million in local sales of display stand, shelving and similar products as well as digital printing sales, advertising signs and high technology products. There was a decrease in exports of £750 thousand. We must note that the strong competition and the currency difference in US Dollar towards the Cyprus Pound effected negatively the income from export both in volume and in value.

#### **4. Operating profit**

The Group's operating results before the deduction of interest and tax shows an improvement of £249 thousand, i.e. a turnaround of the loss of £240 thousand in 2005 to £9 thousand profit in 2006. The following factors contributed significantly to the change in the result:

- (a) Increase of both turnover and gross profit margins
- (b) Continued decrease in the prices of exported products due to competitive pressures.
- (c) Increase in production cost due to increases in the cost of raw materials, depreciation, payroll and the increase in rent and license fees paid to municipalities and local authorities in respect of outdoor media sector.
- (d) Decrease of Depreciation
- (e) Loss of £46 thousand is non-operational but it is due to the sale of trade investments. This loss was transferred from Revaluation Reserve to the Revenue Reserve and it concerns share disposal of Lanitis Bros Ltd which was bought and taken out from the Cyprus Stock Exchange.

The selling and administration expenses showed an increase of £284 thousand mainly due to the increase in volume of sales of So Easy Kiosks Ltd caused by increase in turnover and the opening of new shops. Also included in the above figures are the write off of investments by £15 thousand and the provisions for slow moving stock and doubtful debts by £30 thousand.

#### **5. Financing cost**

In 2006 net financing costs showed an increase of £148 thousand compared to 2005, due to realised exchange gains of £180 thousand made during 2005 from the conversion of deposits in foreign currency to Cyprus Pounds which was not repeated in 2006.

**6. Profit before and after taxation**

Based on the above, Group results before taxation and minority interest for 2006 have improved by £101 thousand, i.e. the loss before tax has decreased from £302 thousand in 2005 to £201 thousand in 2006.

A tax provision of £36 thousand (credit balance) was made for the year compared to a provision of £26 thousand made in 2005. This resulted in the loss after tax being improved by £26 thousand, i.e. the net loss after taxation attributable to shareholders has been reduced from £251 thousand in 2005 to £225 thousand in 2006.

In the profit warning issued in January 2006 the Company's announced that it expected an improvement in the results for the year 2006 in comparison to the previous year.

**7. Prospects for the year 2007**

The Board of Directors based on the budgets prepared for 2007, the progress of new investments and the plans for further economies, expects that the improvement in the Group's results will continue in 2007 and it expect to return to profitability.

It must be stressed out that the financial results are affected by factors outside the control of the Company and the Group. Such factors include mainly the exchange rate of the U.S. Dollar and the prices of raw materials, which have a direct impact on the gross profit margins of export sales, whilst at the same time the promotional budgets and policies of multinational companies -customers of the Group -in addition with the intense competition have an adverse effect on the achievement of the export targets.

**8. Dividend policy**

The Board of Directors has decided to examine the payment of dividends for the year at its next meeting, during which the financial statements of the Company and the Group for the year end 2006 will be approved.