# A. KALPINIS – N. SIMOS SA

**Companies Register No 7365/06/B/86/32**

# Annual Financial Statements for the period from January 1st to December 31st 2006

It is hereby certified that the attached Annual Financial Statements are those approved by the Board of Directors of A. KALPINIS – N. SIMOS S.A. on March 14th, 2007 and have been posted on the internet at the web site www.kalpinis-simos.gr. It is specified that the summary financial figures published in the press aim at providing the reader with certain general financial figures; however, they do not provide a complete picture of the financial standing and results of the Company and the Group, according to International Financial Reporting Standards (IFRS). Furthermore, it is specified that for simplicity's sake, some accounts may have been abridged and rearranged in the summary financial figures published in the press.

A.KALPINIS – N. SIMOS STEEL PRODUCTS SA
The Chairman of the Board of Directors
Panagiotis Simos

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# AUDIT REPORT
# OF AN INDEPENDENT CHARTERED ACCOUNTANT- AUDITOR

To the shareholders of the Societe Anonyme “A.KALPINIS - N.SIMOS SA”

**Report on the Financial Statements**

We have audited the attached Financial Statements of the Company “A.KALPINIS – N.SIMOS SA” ("the company”) and the consolidated Financial Statements of the Company and its Subsidiaries (“the group”) comprising the company and consolidated balance sheet as of December 31st 2006 and the income statement, changes in equity and cash flow statements for the period ended on that date, as well as a summary of the important accounting policies and other explanatory notes.

Directors’ responsibility for the Financial Statements

The company’s Management is responsible for the preparation and fair presentation of these Financial Statements according to the International Financial Reporting Standards, as adopted by the European Union. This responsibility includes the design, implementation and maintenance of an internal audit system as regards the preparation and fair presentation of financial statements, free of any material inaccuracies which might be due to fraud or errors. This responsibility also includes the selection and implementation of appropriate accounting policies and estimates which are appropriate to the circumstances.

Auditor’s Responsibility

Our responsibility lies in the expression of opinion on these financial statements, on the basis of our audit. We have performed the audit in accordance with the Greek Auditing Standards, in line with the International Auditing Standards. These standards require compliance with the codes of ethics and the design and performance of our audit in order to reasonably ensure that the Financial Statements are free of any material inaccuracies.
The audit includes procedures for the collection of auditing evidence in relation to the amounts and information contained in the financial statements. The procedures are selected at the auditor’s discretion and include an assessment of the risk of inaccuracies in the financial statements, due to fraud or error. To assess this risk, the auditor takes into account the internal audit system in relation to the preparation and fair presentation of financial statements, with the aim to design audit procedures appropriate to the circumstances and not express an opinion on the effectiveness of the company’s internal audit system. The audit also includes the suitability assessment of the accounting policies applied and the fairness of estimates made by the Management, as well as an assessment of the overall presentation of financial statements.

We believe that the audit evidence collected is sufficient and appropriate to form an opinion.

Opinion

In our opinion, the attached Financial Statements fairly present, in all material aspects, the financial standing of the Company and Group as of December 31st 2006, as well as financial performance and cash flow for the period ended on that date, according to the International Financial Reporting Standards, as adopted by the European Union.

Notwithstanding the conclusions of our audit, we draw your attention to note 21 of the Financial Statements, which makes reference to the current fiscal standing of the Company and the Group, and particularly to the unaudited periods. The outcome of the tax audits cannot be estimated at the present stage and thus there is no provision for that in the financial statements.

**Report on other legal and regulatory issues**

The contents of the Directors' Report are consistent with the attached Financial Statements.

Athens, 20 March 2007

THE CHARTERED AUDITOR -ACCOUNTANT

IOANNIS T. KARALIS
ICPAG Reg.No.10801

# 1. Balance Sheet

(Amounts in €)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| **ASSETS** | | | | | |
| | | | | | |
| **Non current assets** | | | | | |
| Tangible fixed assets | 5 | 46,349,598.11 | 45,422,728.91 | 34,997,732.56 | 37,894,209.33 |
| Investment property | 5 | 5,225,052.64 | 176,526.32 | 5,225,052.64 | 176,526.32 |
| Intangible assets | 5 | 22,901.05 | 27,000.13 | 14,877.10 | 12,421.79 |
| Investments in affiliated companies | 2.3 | 1,350.00 | 5,000.00 | 4,040,700.00 | 4,040,700.00 |
| Trade and other receivables | | 36,947.01 | 41,422.17 | 30,219.28 | 34,952.03 |
| **Total non current assets** | | **51,635,848.81** | **45,672,677.53** | **44,308,581.58** | **42,158,809.47** |
| | | | | | |
| **Current Assets** | | | | | |
| Inventories | 8 | 45,491,307.81 | 40,420,741.79 | 36,790,172.54 | 32,234,337.04 |
| Trade and other receivables | 7 | 83,052,295.76 | 70,419,783.48 | 66,955,719.62 | 57,849,242.90 |
| Current debit income tax | 7 | 0.00 | 506,384.43 | 0.00 | 429,201.59 |
| Cash and cash equivalents | 9 | 1,875,688.23 | 1,976,798.67 | 1,389,028.01 | 1,235,893.07 |
| **Total current assets** | | **130,419,291.80** | **113,323,708.37** | **105,134,920.17** | **91,748,674.60** |
| | | | | | |
| **Total assets** | | **182,055,140.61** | **158,996,385.90** | **149,443,501.75** | **133,907,484.07** |
| | | | | | |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to parent company shareholders** | | | | | |
| Share capital | 10 | 11,188,800.00 | 11,188,800.00 | 11,188,800.00 | 11,188,800.00 |
| Above par | 10 | 14,900,777.70 | 14,900,777.70 | 14,900,777.70 | 14,900,777.70 |
| Other reserves | 10 | 23,952,943.98 | 23,847,943.99 | 23,795,093.73 | 23,690,093.73 |
| Retained earnings | 10 | 32,100,602.94 | 26,678,929.96 | 30,504,406.47 | 25,927,414.26 |
| Minority interest | 10 | 8,502,245.54 | 7,161,818.39 | 0.00 | |
| **Total shareholders' equity** | | **90,645,370.16** | **83,778,270.04** | **80,389,077.90** | **75,707,085.69** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Long-term liabilities** | | | | | |
| Loans | 12 | 30,000,000.00 | 35,117,814.31 | 30,000,000.00 | 35,117,814.31 |
| Deferred income tax | 13 | 1,766,570.22 | 1,882,428.59 | 1,118,211.50 | 1,234,918.46 |
| Long-term income tax | | 11,760.14 | 0.00 | 0.00 | 0.00 |
| Provisions for employee benefits | 14 | 523,755.22 | 492,738.71 | 457,166.86 | 430,719.59 |
| Financial lease liabilities | 24 | 2,422.67 | 0.00 | 0.00 | 0.00 |
| **Total long-term liabilities** | | **32,304,508.25** | **37,492,981.61** | **31,575,378.36** | **36,783,452.36** |
| | | | | | |
| **Short-term liabilities** | | | | | |
| Trade and other payables | 11 | 14,040,932.96 | 16,628,517.28 | 10,451,443.45 | 10,916,946.02 |
| Current income tax | | 3,755,846.47 | 0.00 | 3,096,981.20 | 0.00 |
| Short-term loans | 12 | 41,304,953.90 | 21,096,616.97 | 23,930,620.84 | 10,500,000.00 |
| Financial Lease liabilities | 24 | 3,528.87 | 0.00 | 0.00 | 0.00 |
| **Total short-term liabilities** | | **59,105,262.20** | **37,725,134.25** | **37,479,045.49** | **21,416,946.02** |
| | | | | | |
| **Total liabilities** | | **91,409,770.45** | **75,218,115.86** | **69,054,423.85** | **58,200,398.38** |
| | | | | | |
| **Total Equity and Liabilities** | | **182,055,140.61** | **158,996,385.90** | **149,443,501.75** | **133,907,484.07** |

## 2. *Income Statement*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **(Amounts in €)** | **Note** | **1.1 – 31.12.06** | **1.1 – 31.12.05** | **1.1 – 31.12.06** | **1.1 – 31.12.05** |
| Sales | 16 | 150,439,913.26 | 128,086,107.24 | 125,229,435.59 | 108,246,786.17 |
| Cost of sales | | -125,576,763.28 | -113,221,109.62 | -105,288,464.19 | -96,341,823.79 |
| **Gross Profit** | | **24,863,149.98** | **14,864,997.62** | **19,940,971.40** | **11,904,962.38** |
| Other income | 17 | 2,535,735.04 | 2,160,607.23 | 2,267,854.11 | 2,040,801.84 |
| Selling expenses | | -8,191,036.56 | -7,378,140.00 | -6,681,898.61 | -6,023,623.21 |
| Administrative expenses | | -3,766,740.05 | -3,198,779.45 | -3,152,784.34 | -2,678,297.40 |
| Other expenses | 17 | -1,679,682.91 | -888,136.64 | -1,571,335.22 | -496,493.92 |
| Other financial income | | 648,500.04 | 767,497.85 | 523,656.27 | 627,829.26 |
| Financial cost | 17 | -2,913,715.00 | -2,015,749.49 | -2,257,859.27 | -1,664,703.06 |
| Dividends from subsidiaries | | 0.00 | 0.00 | 0.00 | 0.00 |
| **Profits before taxes** | | **11,496,210.54** | **4,312,297.12** | **9,068,604.34** | **3,710,475.89** |
| Income tax | 18 | -4,377,350.41 | -2,198,280.40 | -3,702,852.14 | -1,701,289.08 |
| | | | | | |
| **Net profit for the period** | | **7,118,860.13** | **2,114,016.72** | **5,365,752.20** | **2,009,186.81** |
| | | | | | |
| **Attributable to** | | | | | |
| Parent shareholders | | 6,210,432.98 | 1,812,533.48 | 5,365,752.20 | 2,009,186.81 |
| Minority interest | | 908,427.15 | 301,483.24 | 0.00 | 0.00 |
| | | | | | |
| Profits per share attributable to equity holders of the parent | 19 | **0.500** | **0.146** | **0.432** | **0.162** |

# 3. *Statement of changes in equity*

## (A) STATEMENT OF CHANGES IN THE GROUP'S EQUITY

| | | Attributable to equity holders of the parent | | | Minority interest | Total Equity |
|---|---|---|---|---|---|---|
| | Note | Share Capital | Reserves | Retained earnings | | |
| **Balance as of 1.1.2005** | | **26,089,577.70** | **19,353,720.42** | **31,995,213.06** | **6,668,732.13** | **84,107,243.31** |
| Net profit for the period | | 0.00 | 0.00 | 1,812,533.48 | 301,483.24 | 2,114,016.72 |
| **Net profit registered for the period (total)** | | **0.00** | **0.00** | **1,812,533.48** | **301,483.24** | **2,114,016.72** |
| Non-recognition of untaxed reserves | | 0.00 | -53,331.17 | 53,331.17 | 0.00 | 0.00 |
| Transfer of profits to reserves | | 0.00 | 4,547,554.73 | -4,547,554.73 | 0.00 | 0.00 |
| Proceeds from the issue of shares | | 0.00 | 0.00 | 0.00 | 792,000.00 | 792,000.00 |
| Dividend for the period 2004 | | 0.00 | 0.00 | -2,735,040.00 | 0.00 | -2,735,040.00 |
| Redemption of minority interest | | 0.00 | 0.00 | 100,446.98 | -600,396.98 | -499,950.00 |
| | | **0.00** | **4,494,223.56** | **-5,316,283.10** | **493,086.26** | **-328,973.28** |
| **Balance as of 31.12.2005** | | **26,089,577.70** | **23,847,943.98** | **26,678,929.96** | **7,161,818.39** | **83,778,270.04** |
| Profit for the period | | 0.00 | 0.00 | 6,210,432.98 | 908,427.15 | 7,118,860.13 |
| **Net profit registered for the period (total)** | | **0.00** | **0.00** | **6,210,432.98** | **908,427.15** | **7,118,860.13** |
| Transfer of profits to reserves | | 0.00 | 105,000.00 | -105,000.00 | 0.00 | 0.00 |
| Proceeds from the issue of shares | | 0.00 | 0.00 | 0.00 | 432,000.00 | 432,000.00 |
| Dividend for the period 2005 | | 0.00 | 0.00 | -683,760.00 | 0.00 | -683,760.00 |
| | | **0.00** | **105,000.00** | **5,421,672.98** | **1,340,427.15** | **6,867,100.13** |
| **Balance as of 31.12.2006** | | **26,089,577.70** | **23,952,943.98** | **32,100,602.94** | **8,502,245.54** | **90,645,370.16** |

## (B) STATEMENT OF CHANGES IN THE COMPANY'S EQUITY

| | | Attributable to equity holders of the parent | | | Minority interest | Total Equity |
|---|---|---|---|---|---|---|
| | Note | Share Capital | Reserves | Retained earnings | | |
| **Balance as of 1.1.2005** | | **26,089,577.70** | **19,265,549.56** | **31,077,811.63** | **0.00** | **76,432,938.89** |
| Net profit for the period | | 0.00 | 0.00 | 2,009,186.81 | 0.00 | 2,009,186.81 |
| **Net profit registered for the period (total)** | | **0.00** | **0.00** | **2,009,186.81** | **0.00** | **2,009,186.81** |
| Non-recognition of untaxed reserves | | 0.00 | -13,100.00 | 13,100.00 | 0.00 | 0.00 |
| Transfer of profits to reserves | | 0.00 | 4,437,644.17 | -4,437,644.17 | 0.00 | 0.00 |
| Dividend for the period 2004 | | 0.00 | 0.00 | -2,735,040.00 | 0.00 | -2,735,040.00 |
| | | **0.00** | **4,424,544.17** | **-5,150,397.36** | **0.00** | **-725,853.19** |
| **Balance as of 31.12.2005** | | **26,089,577.70** | **23,690,093.73** | **25,927,414.27** | **0.00** | **75,707,085.69** |
| Profit for the period | | 0.00 | 0.00 | 5,365,752.20 | 0.00 | 5,365,752.20 |
| **Net profit registered for the period (total)** | | **0.00** | **0.00** | **5,365,752.20** | **0.00** | **5,365,752.20** |
| Transfer of profits to reserves | | 0.00 | 105,000.00 | -105,000.00 | 0.00 | 0.00 |
| Dividend for the period 2005 | | 0.00 | 0.00 | -683,760.00 | 0.00 | -683,760.00 |
| | | 0.00 | 105,000.00 | 4,576,992.20 | 0.00 | 4,681,992.20 |
| **Balance as of 31.12.2006** | | **26,089,577.70** | **23,795,093.73** | **30,504,406.47** | **0.00** | **80,389,077.90** |

# 4. Cash flow statement

| (Amounts in €) | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12.2006 | 1.1-31.12.2005 | 1.1-31.12.2006 | 1.1-31.12.2005 |
| **Operating activities** | | | | |
| Profits before taxes | 11,496,210.54 | 4,312,297.12 | 9,068,604.34 | 3,710,475.89 |
| Plus/ less adjustments for: | | | | |
| Depreciation | 1,499,054.76 | 1,608,919.99 | 1,171,804.20 | 1,256,466.54 |
| Provisions | 31,016.52 | 391,055.27 | 26,447.27 | 302,423.00 |
| Foreign exchange differences | -16,752.66 | -275.27 | -16,752.66 | -275.27 |
| Results (income, expenses, profits and losses) from investments | -7,372.36 | 261,493.46 | -1,045.91 | 83,011.47 |
| Interest & related expenses | 2,913,800.73 | 2,015,749.49 | 2,257,859.27 | 1,664,703.06 |
| | 15,915,957.53 | 8,589,240.06 | 12,506,916.51 | 7,016,804.69 |
| Plus/ less adjustments for changes in working capital accounts or related to operating activities | | | | |
| Decrease/ (Increase) of inventories | -5,070,566.03 | -3,055,299.45 | -4,555,835.50 | -1,188,743.39 |
| Decrease/ (Increase) of receivables | -12,628,037.11 | -3,594,095.06 | -9,101,743.97 | -586,676.38 |
| (Decrease)/ increase of liabilities (except banks) | -2,288,337.14 | -71,845.28 | -447,051.49 | -1,356,148.11 |
| Less: | | | | |
| Interest charges & related expenses paid | -2,872,381.19 | -1,894,517.51 | -2,245,052.74 | -1,560,754.30 |
| Paid taxes | -494,062.33 | -4,694,465.64 | -293,376.31 | -3,994,709.13 |
| **Total inflows/ (outflows) from operating activities (a)** | **-7,437,426.27** | **-4,720,982.88** | **-4,136,143.50** | **-1,670,226.62** |
| | | | | |
| **Investments** | | | | |
| Acquisition of affiliates, subsidiaries, joint ventures and other investments | 0.00 | -499,950.00 | 0.00 | -499,950.00 |
| Acquisition of intangible and tangible fixed assets | -7,476,677.59 | -4,859,797.55 | -3,332,048.67 | -2,785,600.84 |
| Proceeds from sale of tangible and intangible fixed assets | 5,700.00 | 316,649.68 | 5,100.00 | 27,447.00 |
| Interest received | 11,648.72 | 6,203.89 | 1,685.49 | 3,585.66 |
| Dividends received | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total inflows/ (outflows) from investments (b)** | **-7,459,328.87** | **-5,036,893.98** | **-3,325,263.18** | **-3,254,518.18** |
| | | | | |
| **Financing activities** | | | | |
| Proceeds from share capital increase | 432,000.00 | 792,000.00 | 0.00 | 0.00 |
| Proceeds from bank loans | 105,983,825.00 | 91,196,916.28 | 75,233,825.00 | 72,676,916.28 |
| Repayment of loans | -90,934,721.92 | -84,012,966.83 | -66,933,825.00 | -69,503,886.96 |
| Dividends paid | -685,458.38 | -2,723,533.51 | -685,458.38 | -2,723,533.51 |
| **Total inflows/ (outflows) from financing activities (c)** | **14,795,644.70** | **5,252,415.94** | **7,614,541.62** | **449,495.81** |
| | | | | |
| **Net increase/ (decrease) on cash and cash equivalents for the period (a) + (b) + (c)** | **-101,110.44** | **-4,505,460.92** | **153,134.94** | **-4,475,248.99** |
| Cash and cash equivalents as at the beginning of period | 1,976,798.67 | 6,482,259.59 | 1,235,893.07 | 5,711,142.06 |
| **Cash and cash equivalents as at the end of period** | **1,875,688.23** | **1,976,798.67** | **1,389,028.01** | **1,235,893.07** |

# 5. Notes to the financial statements

# 1. General Information

The Company "A. KALPINIS – N. SIMOS STEEL PRODUCTS SA" was established in 1958 as a limited company and in 1965 it was incorporated. Its seat is in the Municipality of Aspropirgos (Diilistirion Avenue, Ag. Ioannis) and it is registered with the Ministry of Development, General Secretariat of Commerce, Corporations and Credit Division, under the Reg. No 7365/06/B/86/32.

The main activity of the company involves importing, processing and trading steel, steel sheets, iron, metal and similar products.

The Company stocks are listed on the Athens Stock Exchange since 1990.

There are no Company disputes in litigation or arbitration nor court or arbitration bodies judgments that might significantly affect the financial status or operation of the company.

The Company's web address is **www.kalpinis-simos.gr**

The Financial statements as of 31.12.2006 were approved by the Company's Board of Directors on 14.03.2007.

# 2. Important accounting principles used by the Group

## 2.1 Basis of preparation of financial statements

The financial statements of the Company A. KALPINIS – N. SIMOS SA and the Group have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and the interpretations as adopted by the European Union. The date of transition of the Group to the IFRS has been determined to be January 1st, 2004, when the starting balance sheet was drawn up.

The above statements are based on the financial statements drawn up by the Company and the Group in accordance with Greek Commercial Law and adjusted to the appropriate off-balance sheet entries in order to be aligned with the IFRS and have been drawn up pursuant to the principle of historic cost except for some cases involving tangible assets (lots & buildings – installations) that were valued at their fair value.

The preparation of financial statements according to the generally accepted accounting principles requires estimates and assumptions influencing the balances of the assets and liabilities accounts, and disclosure of contingent assets and liabilities as of the date of preparation of the financial statements, as well as the reported income of the periods in question. Although these particular estimates are based on management's (the Group's) best knowledge, actual results may eventually differ from these estimates.

## 2.2 New standards, interpretations and amendment to existing standards

The International Accounting Standards Board and the Interpretations Committee have issued new standards and interpretations and modified existing standards, whose application is mandatory as of 1.1.2006. The Group's estimate as regards the impact of application follows below.

- IAS 19 Employee Benefits (amendment)

Provides the selection of an alternative method to recognize actuarial gains and losses. It also imposes new requirements for recognition in cases of multi-employer retirement plans for which no sufficient information is in place as regards the implementation of a defined benefit accounting method. It also adds new disclosure requirements. This amendment does not apply to the group.

- IAS 39 Fair Value Option

The amendment changes the definition of financial instruments at fair value through results and limits the ability to classify financial assets under this class. The Group believes that this amendment does not affect the classification of financial assets.

- IAS 39 & IFRS 4 Financial Guarantee Contracts (amendment)

This amendment requires that financial guarantees (except those presented as insurance contracts) be initially recognized at fair value and subsequently at the higher of (a) the unamortized balance of commissions collected and deferred and b) the expense required to settle the obligation as of the date of the balance sheet. This amendment does not apply to the group.

- IAS 39 Cash Flow Hedges of Forecast Intragroup Transactions (amendment)

Permits highly probable intragroup forecast transactions to qualify as the hedged item in consolidated financial statements provided that the transactions are denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect consolidated financial statements. This amendment does not apply to the group.

- IAS 21 Investment in a Foreign Operation

Allows for the reclassification of exchange differences on monetary items under equity. This amendment does not affect the group's financial statements.

- IFRS 6 Exploration for and evaluation of mineral resources

This standard does not apply to the group's activities. It provides accounting guidance to companies operating in mining.

- IFRIC 5 & 6 Not applicable to the group

- IFRIC 4 Determining Whether an Arrangement Contains a Lease

Specifies under which circumstances an arrangement is or contains a lease. Requires an assessment of whether fulfilment of the arrangement depends on the use of a specific asset and whether the arrangement conveys a right to use that asset.

## 2.3 Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company A. KALPINIS – N. SIMOS SA and the other companies of the Group, including:

| COMPANY | REGISTERED OFFICE | ACTIVITY | PARTICIPATION RATE | PARTICIPATION COST | CONSOLIDATION METHOD |
|---|---|---|---|---|---|
| METALPRO SA **(*)** | Aspropirgos | Processing of steel and manufacture and marketing of synthetic metal products | 100.00% | 958,950.00 **(**)** | Total |
| CORUS – KALPINIS – SIMOS SA COVERING MATERIALS | Aspropirgos | Manufacturing of metal polyurethane panels | 50.00% (joint-venture) | 3,081,750.00 | Proportional |
| STEEL CENTER SA (***) | Nikea | Marketing of special steels | 0.00% | 0.00 | Total |

**(*)** The General Meeting as of 1.12.2006 of the 100% subsidiary "SYNTHETIC METAL PRODUCTS SA" decided the revival of the company into "METALICA PROIONTA VOREIOY ELLADOS" under the style "METALPRO SA". The company proceeded to the purchase of a 32-stremma plot in the industrial area of Sindos where installations will be erected, in the context of developing the Group's operations in Northern Greece and the wider area of the Balkans.

| | |
|---|---|
| (**) Cost of participation acquisition | € 1,004,950.00 |
| Less value impairment | € 46,000.00 |
| Balance | € 958,950.00 |

(***) The aforementioned company is under the control of the Parent Company.

Inter-company transactions, balances and unrealized profits from transactions between the Companies of the Group are written off. Unrealized losses are also written off, unless the transaction indicates that the transferred property has been impaired. The accounting principles of the Group companies have been modified to be consistent with those adopted by the Group. In the corporate Financial Statements of the Company "A.KALPINIS – N. SIMOS SA" participation in the aforementioned companies is valued at the acquisition cost less any provisions for impairments.

Participation in affiliates as presented in the balance sheet involves a subsidiary of CORUS - KALPINIS – SIMOS COVERING MATERIALS S.A. in Romania. There was no consolidation due to the insignificance of the figure.

## 2.4 Foreign exchange conversions

The Group's measuring and reference currency is Euro; consequently the financial statements are presented in Euros (€). Transactions in foreign currency are translated into Euros according to the exchange rates applying on the date of the transactions. Receivables and liabilities in foreign currencies on the date of preparation of the financial statements are adjusted in order to reflect the exchange rates on the date of preparation. Profit and losses arising from such transactions are registered in the income statement.

## 2.5 Consolidated Financial Statements

(a) Subsidiaries

Subsidiaries are those companies which the parent company controls. Subsidiaries are fully consolidated with the total consolidation method on the date of acquisition, while consolidation ceases on the date that control no longer applies. Inter-company balances between group companies, transactions between group companies as well as unrealised profits are fully written off in the consolidated financial statements. The consolidated financial statements are prepared using the same accounting principles, and necessary amendments are made where appropriate. Investments in subsidiaries are registered under the acquisition cost less any impairment.

(b) Associated – Affiliated Companies

Associated are those companies on which the parent exercises material influence and are neither subsidiaries nor joint ventures. In general, holding of 20% up to 50% of voting rights indicates the existence of material influence. Investments in associated companies are accounted for using the net equity method and are initially registered under the acquisition cost.

(c) Joint Ventures (Entities in joint control)

An entity in joint control is a joint venture which includes incorporation of a company, in which each joint holder receives a share. This operates like all other entities, with the exception that a contractual arrangement is in place between joint holders, determining the joint control of financial activities of such entity. The company consolidates its shares in joint ventures using the proportional consolidation method.

## 2.6 Tangible Assets

Tangible fixed assets under assets are presented in the financial statements at their acquisition values (historic cost), less accumulated depreciations and any impairment.

The acquisition value of lots and buildings-installations was determined on the date of transition at market value. The Group has assigned the assessment of its property to an independent assessor so that it is posted at its fair value on the date of transition.

The acquisition cost includes all the directly ascribable expenses for the acquisition of assets. Subsequent additions and improvements are registered in cost increase of the relevant assets, where these increase the useful life or productive capacity of the asset or reduce its operating cost. Repairs and services are registered under the expenses of the period when they are incurred.

Depreciations of tangible fixed assets (except for lots, which are not depreciated) are calculated using the straight line method during their entire useful life. The estimated duration of useful life, per category of fixed asset, is as follows:

| | |
|---|---|
| Buildings – Installations etc | 10-30 years |
| Mechanical equipment etc | 10-30 years |
| Means of transport | 10-20 years |
| Other equipment | 3.3 – 15 years |

When the book values of tangible fixed assets exceed their recoverable value, the differences (impairment) are registered in the income statement as expenses. On withdrawal or sale of an asset, the respective cost and accumulated depreciations are written off from the respective accounts at the time of withdrawal or sale and the relevant profit or loss is registered in the operating results.

Setup expenses

Capitalised expenses not meeting the IAS recognition criteria were written-off. Fixed assets acquisition expenses included in capitalized expenses were carried and added to property acquisition value. Fixed assets expenses carried and added to property acquisition value on 31.12.2006 are €503,768.52.00 for the Group and €287,894.30.93 for the Company.

## 2.7 Intangible assets

Intangible assets include software valued at the acquisition cost less depreciations. Depreciations are made using the straight line method during the useful life of these items, about 3.3 years. Expenses generated from developing and maintaining software are recognized as expenses when realized.

## 2.8 Tangible and intangible assets impairment audit

Depreciated assets are subject to impairment audit when there are indications that their book value shall not be recovered. The recoverable value is the higher of the net selling price (selling price less selling expenses) and the value in use. Loss due to assets impairment is recognized when the book value of these items or of the entity generating cash flow is higher than their recoverable amount.

## 2.9 Financial assets

(a) Other long-term receivables

Other long-term receivables include deposited guarantees and long-term receivable notes which are discounted at present value.

(b) Trade and other receivables

Trade receivables are short-term (receivable within a period less than 12 months from the date of registration) and in case of delay in collection and indication of impairment, provisions for impairment are made. In this case, the receivable is valued as regards its recoverable amount that is at the present value of future cash flows, discounted at real rate. Impairment losses (losses from doubtful customers) are recognized as expenses under results, when there are factual indications that the group is not in position to collect all amounts due according to the contractual terms.

## 2.10 Inventories

Inventories are valued at the lower value between acquisition or production cost and net liquidation value. The cost is determined with the method of weighted average cost and involves inventory acquisition expenses or their production expenses and the cost for transporting them to warehouse. Borrowing cost is not included in inventory's acquisition cost. The net liquidation value is estimated on the basis of the inventory's current selling prices in the ordinary course of business less cost of sales, where applicable.

## 2.11 Cash and cash equivalents

Cash and cash equivalents include cash and sight deposits.

## 2.12 Share capital and reserves

The share capital includes the common registered shares of the company and reserves from the issue of shares above par. Expenses generated upon the issue of shares are presented after deducting the relevant income tax by decreasing the issue revenues, at a premium.

It is noted that the company's Ordinary General Meeting as of 29.06.2006 decided the conversion of shares from bearer to registered shares. The conversion was completed on 8.9.2006, and the new registered shares started trading on the Athens Exchange.

## 2.13 Borrowing

Loans are initially registered at their fair value reduced by any direct costs incurred to perform the transaction. These are subsequently valued at the undepreciated cost using the real interest rate. Loans whose repayment the company may defer for more than 12 months are considered long-term.

## 2.14 Deferred taxes

Income tax charged on a period involves current and deferred taxes, i.e. taxes or tax relieves related to the financial benefits that occurred during the current period, but already assigned or to be assigned to different periods by tax authorities.

Deferred tax is calculated on all temporary differences of the balance sheet (difference between the book value of each item and their corresponding recognizable value).

With regard to the readjustment of an undepreciated fixed asset (land etc) at fair value, deferred tax is calculated on the basis of its liquidation (selling) value.

Deferred tax expenses are charged on the results of the period in which they are accounted for. However, if temporary differences are posted in shareholders' equity, the corresponding deferred tax is posted directly to equity.

No deferred tax is calculated for a tax liability that may be incurred only following a decision made by the Company.

Deferred tax is calculated on the basis of the tax rate expected to apply in the following period.

A claim for deferred income tax is registered only if it is certain that the Company is going to make profit in the future, for the current claim to be offset against the future tax obligation.

The loss of the fiscal year (or period) carried forward to the next fiscal year (or period) to be offset against the tax profits of a subsequent fiscal year (or period) involves a tax claim equal to the income tax that the Company shall benefit from in the next fiscal year (or period) when the offset shall be applied. This claim is registered when it is certain that the enterprise shall make profit in the future so that it is possible to offset the claim.
When there is a change in the tax system, tax liabilities and claims posted in the books are adjusted accordingly. Adjustment differences are posted in the results of the period.

### 2.15 Employee benefits

a) Short-term benefits:

Short-term benefits to employees in cash and in kind are registered in the results in arrears.

b) Retirement compensation

Obligations for retirement compensation are calculated at the discounted value of future benefits in place at the end of each year, recognizing the right to benefits during the period of employment. These obligations are calculated on an annual basis by an independent actuary using the projected unit credit method. Net retirement costs for the period include the present value of benefits in arrears for the period, the actuarial gains and losses, and the interest of the benefit obligation, and are included in the operating results of the company and the group.

### 2.16 Provisions

Conditions for the registration of provisions:

- Legal obligation

Contract, legislation or other enactment

- or constructive obligation

This is an obligation that derives from past company practice, published practices or a specific public statement.

- Reliable estimate of the amount
- Arises from past events (present obligation)
- Possible outflow of economic resources from the settlement of the obligation.

The conditions for registration of provisions must apply cumulatively. A provision shall only be registered where the obligation exists regardless of future entity actions. Where the entity can avoid the expense, no obligation exists and no provision is registered. A BoD decision does not suffice for the registration of a provision since the BoD may revoke its decision. A provision may also represent future expenses necessary for the acquisition of future economic benefits. In these cases, the amount of provision is capitalized as an asset.

Provisions are re-examined at the end of each fiscal year and are adjusted in order to reflect the best possible estimates and, where necessary, they are discounted at a pre-tax discount rate.

## 2.17 Income recognition

Income comprises the fair value of the sale of goods and the provision of services, net of VAT, discounts and refunds and they are accounted for only when the economic benefits connected to the transaction shall be received by the company.

Inter-company income in the Group is fully written off.

Income appreciation is made as follows:

(a) Income from the sale of goods

Sales of goods are recognized when the Group has transferred to their purchaser the material risks and benefits arising from the ownership of goods, the receivable amount can be reliably valued and its collection is reasonably assured.

(b) Income from the provision of services

Income from the provision of services is calculated based on the service’s completion stage with regard to its estimated total cost.

(c) Income from interest

Income from interest is recognized based on the time proportion (principle of accrual) and employing the real interest rate.

(d) Income from dividends

Dividends are recognized as income when the shareholders right to collect them is finalized (that is after the General Meeting has approved them).

## 2.18 Leases

Leases where risks and benefits of ownership are transferred from the lessor to the lessee are classified as financial leases, regardless of whether the ownership is eventually transferred or otherwise. In this case, the fixed asset and the obligation are registered at the lowest of the

present value of minimum benefits guaranteed by the lessor or the fair value of the asset. Financial lease payments include the amount of principal and the financial expense.

The financial expense should be allocated in the operating results so as to provide a fixed rate on the balance of the obligation.

Leases where risks and benefits of ownership remain with the lessor are characterized as operating leases. The benefits of an operating lease are registered in the operating results during the lease period, while debts and advance payments are registered in the balance sheet.

### 2.19 Distribution of dividends

Distribution of dividends to the parent company's shareholders is registered as an obligation in the financial statements when the distribution is approved by the shareholders' General Meeting.

### 2.20 State Grants

State grants constitute assistance by transferring economic resources, provided that the entity has or will comply with the terms related to the grant. Grants related to property are presented as deferred income and are registered during the asset's useful life. Grants related to income are registered in those fiscal years required to be correlated to the respective expenses to offset.

## 3. Financial risk management

*(a) Credit risk*

The Group does not have significant credit risk accumulated, since sales are mainly made with customers of evaluated credit background. Exposure to credit risks is monitored and evaluated on an ongoing basis, so that the credit given does not exceed the defined credit limit per customer.

*(b) Liquidity risk*

Liquidity risk is maintained at low levels since the Company holds considerable cash and sufficient secured credits from collaborating banks, which results from its good credit rating.

## 4. Important accounting estimates and judgments of the management

The Group proceeds to estimates and assumptions regarding the progress of future events. Estimates and assumptions carrying a great risk of causing material adjustments to the book values of assets and liabilities within the coming 12 months are as follows:

Income taxes

There are certain transactions and calculations for which the final determination of tax is uncertain. The Group does not recognize liabilities for anticipated taxes from audit, based on estimates from previous audits. The audit result is charged to the income tax corresponding to the assigned period.

## 5. *Analysis of tangible fixed assets*

The Group's fixed assets are analyzed as follows:

| MOVEMENT IN FIXED ASSETS | Land & buildings | Vehicles & mechanical equipment | Furniture and other equipment | Capital investments in progress | Intangible assets | Investment property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition book value | 34,370,780.30 | 14,732,367.39 | 803,788.83 | 1,032,519.11 | 181,063.23 | 279,473.68 | 51,399,992.54 |
| Accumulated depreciation and value impairment | -1,208,562.02 | -3,868,092.13 | -440,072.63 | 0.00 | -154,063.09 | -102,947.36 | -5,773,737.23 |
| **Undepreciated Book value as of 31.12.05** | **33,162,218.28** | **10,864,275.26** | **363,716.20** | **1,032,519.11** | **27,000.14** | **176,526.32** | **45,626,255.31** |
| Acquisition book value | 33,857,410.69 | 17,543,994.25 | 846,336.74 | 956,479.17 | 185,492.02 | 5,379,473.68 | 58,769,186.55 |
| Accumulated depreciation and value impairment | -1,861,063.65 | -4,483,871.33 | -509,687.76 | 0.00 | -162,590.97 | -154,421.04 | -7,171,634.75 |
| **Undepreciated Book value as of 31.12.06** | **31,996,347.04** | **13,060,122.92** | **336,648.98** | **956,479.17** | **22,901.05** | **5,225,052.64** | **51,597,551.80** |

In 2006 the company A. KALPINIS – N. SIMOS SA purchased fixed assets of €100,000.00 from the subsidiary METALPRO SA at the undepreciated book value.

| MOVEMENT IN FIXED ASSETS | Land & buildings | Vehicles & mechanical equipment | Furniture and other equipment | Capital investments in progress | Intangible assets | Investment property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition book value | **33,162,218.28** | **10,864,275.26** | **363,716.20** | **1,032,519.11** | **27,000.14** | **176,526.32** | **45,626,255.31** |
| Additions | 4,587,888.04 | 2,882,660.67 | 68,787.97 | 956,479.17 | 13,380.84 | 0.00 | 8,509,196.69 |
| Depreciation | -653,759.28 | -680,486.74 | -95,855.13 | 0.00 | -17,479.93 | -51,473.68 | -1,499,054.76 |
| Value impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales – write-offs | 0.00 | -11,974.17 | -21,426.31 | 0.00 | -8,952.06 | 0.00 | -42,352.54 |
| Depreciations of items sold – written-off | 0.00 | 5,647.90 | 21,426.25 | 0.00 | 8,952.06 | 0.00 | 36,026.21 |
| Transfer to investment property | -5,100,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,100,000.00 | 0.00 |
| Transfer to fixed assets | 0.00 | 0.00 | 0.00 | -1,032,519.11 | 0.00 | 0.00 | -1,032,519.11 |
| **Undepreciated Book value as of 31.12.06** | **31,996,347.04** | **13,060,122.92** | **336,648.98** | **956,479.17** | **22,901.05** | **5,225,052.64** | **51,597,551.80** |

The **Company's** fixed assets are analyzed as follows:

| MOVEMENT IN FIXED ASSETS | Land & buildings | Vehicles & mechanical equipment | Furniture and other equipment | Capital investments in progress | Intangible assets | Investment property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition book value | 29,586,351.24 | 11,223,229.83 | 589,842.79 | 1,030,744.11 | 100,686.81 | 279,473.68 | 42,810,328.46 |
| Accumulated depreciation and value impairment | -1,091,209.40 | -3,101,743.79 | -343,005.46 | 0.00 | -88,265.02 | -102,947.36 | -4,727,171.03 |
| **Undepreciated Book value as of 31.12.05** | **28,495,141.84** | **8,121,486.04** | **246,837.33** | **1,030,744.11** | **12,421.79** | **176,526.32** | **38,083,157.43** |
| Acquisition book value | 26,094,534.14 | 13,005,060.41 | 623,095.38 | 916,956.67 | 111,882.66 | 5,379,473.68 | 46,131,002.94 |
| Accumulated depreciation and value impairment | -1,658,313.05 | -3,576,806.20 | -406,794.79 | 0.00 | -97,005.56 | -154,421.04 | -5,893,340.64 |
| **Undepreciated Book value as of 31.12.06** | **24,436,221.09** | **9,428,254.21** | **216,300.59** | **916,956.67** | **14,877.10** | **5,225,052.64** | **40,237,662.30** |

| MOVEMENT IN FIXED ASSETS | Land & buildings | Vehicles & mechanical equipment | Furniture and other equipment | Capital investments in progress | Intangible assets | Investment property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition book value | **28,495,141.84** | **8,121,486.04** | **246,837.33** | **1,030,744.11** | **12,421.79** | **176,526.32** | **38,083,157.43** |
| Additions | 1,608,182.90 | 1,793,204.75 | 33,252.59 | 916,956.67 | 11,195.85 | 0.00 | 4,362,792.76 |
| Depreciation | -567,103.65 | -480,697.00 | -63,789.33 | 0.00 | -8,740.54 | -51,473.68 | -1,171,804.20 |
| Value impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales – write-offs | 0.00 | -11,374.17 | 0.00 | 0.00 | 0.00 | 0.00 | -11,374.17 |
| Depreciations of items sold – written-off | 0.00 | 5,634.59 | 0.00 | 0.00 | 0.00 | 0.00 | 5,634.59 |
| Transfer to investment property | -5,100,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,100,000.00 | 0.00 |
| Transfer to fixed assets | 0.00 | 0.00 | 0.00 | -1,030,744.11 | 0.00 | 0.00 | -1,030,744.11 |
| **Undepreciated Book value as of 31.12.06** | **24,436,221.09** | **9,428,254.21** | **216,300.59** | **916,956.67** | **14,877.10** | **5,225,052.64** | **40,237,662.30** |

## 6. *Analysis of investments in subsidiaries and joint ventures*

The Company and Group participation rates in consolidated companies, none of which is listed, are as follows:

| | Country of establishment | Assets | Liabilities | Income | Profit (loss) | Participation rate |
|---|---|---|---|---|---|---|
| **2006** | | | | | | |
| METALPRO SA **(*)** | Greece | 1,912,289.22 | 1,008,748.76 | 0.00 | -55,388.97 | 100.00% |
| CORUS – KALPINIS – SIMOS SA COVERING MATERIALS | Greece | 21,320,260.11 | 11,486,491.79 | 22,357,541.05 | 1,816,172.58 | 50.00% |
| **TOTAL 2006** | | **23,232,549.33** | **12,495,240.55** | **22,357,541.05** | **1,760,783.61** | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | | | | | | |
| METALPRO SA **(*)** | Greece | 1,333,075.68 | 374,146.25 | 1,300,412.95 | -289,367.78 | 100.00% |
| CORUS – KALPINIS – SIMOS SA COVERING MATERIALS (Joint Venture) | Greece | 19,836,235.21 | 11,818,639.46 | 20,450,887.63 | 93,731.33 | 50.00% |
| **TOTAL 2005** | | **21,169,310.89** | **12,192,785.71** | **21,751,300.58** | **-195,636.45** | |

## 7. *Analysis of receivables*

The receivables of the Group and the Company are analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Clients | 26,690,070.52 | 22,081,337.84 | 21,980,004.22 | 17,769,193.33 |
| Provisions for doubtful claims | (660,268.98) | (395,166.78) | (487,512.53) | (300,000.00) |
| Post-dated cheques | 55,268,161.16 | 46,802,587.08 | 43,906,657.96 | 39,302,860.59 |
| Notes | 415,384.01 | 1,210,302.68 | 348,384.01 | 751,094.89 |
| **Trade receivables** | **81,713,346.71** | **69,699,060.82** | **65,747,533.66** | **57,523,148.81** |
| Other debtors | 1,338,949.05 | 720,722.66 | 1,208,185.96 | 326,094.09 |
| Debit income taxes (*) | 0.00 | 506,384.43 | 0.00 | 429,201.59 |
| **Total receivables** | **83,052,295.76** | **70,926,167.91** | **66,955,719.62** | **58,278,444.49** |

Doubtful claims of previous periods were depreciated in 2006, standing at €892,487.47 and 893,551.55 for the company and the group, respectively.

(*) Debit income taxes resulted from the down payment of income tax for the period of 2004 which was higher than the debts for the year of 2005.

## 8. *Analysis of inventories*

The inventories of the Group and the Company are analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Merchandise | 23,784,058.20 | 21,387,815.69 | 17,820,198.73 | 15,355,235.03 |
| Goods in stock | 6,232,320.00 | 10,579,193.57 | 6,232,320.01 | 10,579,193.57 |
| Products | 5,632,711.64 | 4,417,941.99 | 4,904,996.32 | 4,143,874.88 |
| Orders | 8,548,689.48 | 2,257,164.81 | 7,832,657.48 | 2,156,033.56 |
| Raw materials | 1,306,468.99 | 1,778,625.73 | 0.00 | 0.00 |
| **Total** | **45,504,248.31** | **40,420,741.79** | **36,790,172.54** | **32,234,337.04** |
| **Less provisions for inventory impairment:** | | | | |
| Merchandise | (615.50) | 0.00 | 0.00 | 0.00 |
| Products | (1,553.50) | 0.00 | 0.00 | 0.00 |
| Raw materials | (10,771.50) | 0.00 | 0.00 | 0.00 |
| **Total** | **45,491,307.81** | **40,420,741.79** | **36,790,172.54** | **32,234,337.04** |

## 9. *Analysis of cash*

Cash and cash equivalents of the Group and the Company include:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Cash Register | 31,282.82 | 215,066.01 | 15,916.75 | 203,461.72 |
| Sight deposits | 1,844,405.41 | 1,761,732.66 | 1,373,111.26 | 1,032,431.35 |
| **Total** | **1,875,688.23** | **1,976,798.67** | **1,389,028.01** | **1,235,893.07** |

# 10. *Analysis of all equity accounts*

The equity of the Group and the Company is analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Share capital | **11,188,800.00** | **11,188,800.00** | **11,188,800.00** | **11,188,800.00** |
| | | | | |
| Premium from the issue of shares above par | **14,900,777.70** | **14,900,777.70** | **14,900,777.70** | **14,900,777.70** |
| | | | | |
| Statutory reserves | 2,528,248.68 | 2,423,248.69 | 2,505,000.00 | 2,400,000.00 |
| Extraordinary reserves | 9,000,000.00 | 9,000,000.00 | 9,000,000.00 | 9,000,000.00 |
| Untaxed reserves under special law provisions | 12,020,379.43 | 12,020,379.43 | 11,885,777.86 | 11,885,777.86 |
| Reserves of untaxed income | 404,315.87 | 404,315.87 | 404,315.87 | 404,315.87 |
| **Total reserves** | **23,952,943.98** | **23,847,943.99** | **23,795,093.73** | **23,690,093.73** |
| | | | | |
| Profit carried forward | 25,890,169.96 | 24,866,396.48 | 25,138,654.27 | 23,918,227.45 |
| Results for the period | 6,210,432.98 | 1,812,533.48 | 5,365,752.20 | 2,009,186.81 |
| **Accumulated profit** | **32,100,602.94** | **26,678,929.96** | **30,504,406.47** | **25,927,414.26** |
| | | | | |
| **Total equity without minority interest** | **82,143,124.62** | **76,616,451.65** | **80,389,077.90** | **75,707,085.69** |
| | | | | |
| Minority interest | 8,502,245.54 | 7,161,818.39 | 0.00 | 0.00 |
| | | | | |
| **Total Equity** | **90,645,370.16** | **83,778,270.04** | **80,389,077.90** | **75,707,085.69** |

The Company's share capital consists of 12,432,000 common shares with the nominal value of € 0.90 each.

## 11. *Analysis of trade and other payables*

The payables of the Group and the Company to suppliers and other third parties are analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Suppliers | 5,552,812.26 | 5,207,266.88 | 2,590,471.28 | 1,675,860.47 |
| Notes payable | 7,220,741.43 | 9,459,160.90 | 7,129,829.17 | 8,038,840.85 |
| Accrued expenses | 68,316.44 | 138,798.13 | 15,680.99 | 121,075.93 |
| Insurance and other taxes | 721,837.43 | 1,167,233.89 | 430,370.67 | 536,721.04 |
| Advances from customers | 289,616.03 | 391,414.82 | 235,176.11 | 337,877.09 |
| Other liabilities | 187,609.37 | 264,642.66 | 49,915.23 | 206,570.64 |
| Financial lease liabilities | 3,528.87 | 0.00 | 0.00 | 0.00 |
| **Total** | **14,044,461.83** | **16,628,517.28** | **10,451,443.45** | **10,916,946.02** |

## 12. *Analysis of loans*

The loans of the Group and the Company are analyzed as follows:

**Long-term loans**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Debenture loans | 30,000,000.00 | 35,117,814.31 | 30,000,000.00 | 35,117,814.31 |

**Short-term loans**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2006 | 31.12.2005 | 31.12.2006 | 31.12.2005 |
| Bank loans | 36,248,430.57 | 21,096,616.97 | 18,874,097.51 | 10,500,000.00 |
| Short-term segment of debenture loans | 5,056,523.33 | 0.00 | 5,056,523.33 | 0.00 |
| **Total** | **41,304,953.90** | **21,096,616.97** | **23,930,620.84** | **10,500,000.00** |

| | | | | |
|---|---|---|---|---|
| **TOTAL LOANS** | **71,304,953.90** | **56,214,431.28** | **53,930,620.84** | **45,617,814.31** |

## 13. *Analysis of deferred taxes*

Deferred tax assets and liabilities are calculated at the level of each individual Group company. If assets and liabilities incur these are offset against each other for each company.
Deferred tax assets (DTA) and liabilities (DTL) are offset when a relevant legal right applies allowing to offset current tax assets against current tax liabilities and when deferred income taxes involve the same tax authority.

Deferred taxes include:

a) For the Group

| | 31.12.2006 | | 31/12/2005 | |
|---|---|---|---|---|
| | DTA | DTL | DTA | DTL |
| From a depreciation tax claim for tangible fixed assets at a time earlier than the time when it is charged | 0.00 | 1,935,512.58 | 0.00 | 1,902,583.57 |
| From a depreciation tax claim for intangible assets at a time earlier than the time when it is charged | 0.00 | 3,245.38 | 1,244.11 | 0.00 |
| From a depreciation tax claim for intangible assets at a time later than the time when it is charged | 1,969.97 | 0.00 | 3,566.32 | 227.66 |
| From accounting recognition of liabilities to employees discounted from tax at the time they are paid. | 130,938.81 | 0.00 | 142,894.23 | 0.00 |
| From deletion of claims | 995.38 | 0.00 | 0.00 | 0.00 |
| From a depreciation tax claim for setup expenses at a time earlier than the time when it is charged on the results | 0.00 | 0.00 | 0.00 | 56,544.75 |
| From a depreciation tax claim for setup expenses at a time later than the time when it is charged on the results | 219.74 | 0.00 | 1,462.44 | 0.00 |
| From inventory impairment | 0.00 | 1,197.50 | 0.00 | 0.00 |
| From exchange differences | 0.00 | 4,188.17 | 0.00 | 0.00 |
| From a provision for doubtful claims | 65,998.88 | 28,065.48 | 11,600.00 | 85,604.76 |
| Difference of product valuation | 790.14 | 0.00 | 0.00 | 0.00 |
| From unrealized profits from inter-company transactions | 4,725.97 | 0.00 | 1,765.05 | 0.00 |
| | **205,638.89** | **1,972,209.11** | **162,532.15** | **2,044,960.74** |
| | | **205,638.89** | | **162,532.15** |
| | | **1,766,570.22** | | **1,882,428.59** |

b) For the Company

| | 31.12.2006 | | 31/12/2005 | |
|---|---|---|---|---|
| | DTA | DTL | DTA | DTL |
| From a depreciation tax claim for tangible fixed assets at a time earlier than the time when it is charged | 0.00 | 1,290,038.18 | 0.00 | 1,243,894.73 |
| From a depreciation tax claim for intangible assets at a time earlier than the time when it is charged | 0.00 | 3,245.38 | 0.00 | 227.66 |
| From accounting recognition of liabilities to employees discounted from tax at the time they are paid. | 114,291.72 | 0.00 | 124,908.68 | 0.00 |
| From a depreciation tax claim for setup expenses at a time earlier than the time when it is charged on the results | 0.00 | 0.00 | 0.00 | 56,544.75 |
| From a depreciation tax claim for setup expenses at a time later than the time when it is charged on the results | 178.37 | 0.00 | 0.00 | 0.00 |
| From exchange differences | 0.00 | 4,188.17 | 0.00 | 0.00 |
| From a provision for doubtful claims | 52,500.00 | 0.00 | 0.00 | 72,500.00 |
| Difference of product valuation | 790.14 | 0.00 | 0.00 | 0.00 |
| Impairment of participation value | 11,500.00 | 0.00 | 13,340.00 | 0.00 |
| | **179,260.23** | **1,297,471.73** | **138,248.68** | **1,373,167.14** |
| | | **179,260.23** | | **138,248.68** |
| | | **1,118,211.50** | | **1,234,918.46** |

## *14. Analysis of post-employment benefits*

The Group has assigned an actuary to conduct a study in order to investigate and calculate the actuarial figures, based on the specifications set by the International Accounting Standards (IAS 19), which must be posted in the balance sheet and the income statement. When performing the actuarial estimate all economic and population parameters connected to the employees of the Group were taken into account.

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Balance Sheet Obligations** | **523,755.22** | **492,738.71** | **457,166.86** | **430,719.59** |
| **Charges on Results** | **202,371.23** | **110,139.08** | **191,636.27** | **90,750.00** |
| | | | | |
| Present value of financed obligations | 600,752.34 | 610,589.63 | 521,859.93 | 536,369.91 |
| Unregistered actuarial (gains)/ loss | -76,997.12 | -117,850.92 | -64,693.07 | -105,650.32 |
| Unregistered past service cost | 0.00 | 0.00 | 0.00 | 0.00 |
| **Obligation in Balance Sheet** | **523,755.22** | **492,738.71** | **457,166.86** | **430,719.59** |
| | | | | |
| **Changes in net obligation recognized in the Balance Sheet** | | | | |
| Net obligation at year start | 492,738.70 | 483,330.72 | 430,719.59 | 428,296.59 |
| Employer's contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| Benefits paid | -171,354.71 | -100,731.09 | -165,189.00 | -88,327.00 |
| Total expenditure recognized in the results | 202,371.23 | 110,139.08 | 191,636.27 | 90,750.00 |
| **Net obligation at period end** | **523,755.22** | **492,738.71** | **457,166.86** | **430,719.59** |
| | | | | |
| **Analysis of expenditure recognized in the results** | | | | |
| Current service cost | 35,199.42 | 39,572.03 | 27,408.25 | 23,667.00 |
| Interest cost | 21,843.84 | 21,149.46 | 19,309.32 | 18,383.00 |
| Cost of additional benefits | 35,000.00 | 0.00 | 35,000.00 | 0.00 |
| Cost of settlement from employee transfer | 0.00 | 0.00 | 0.00 | 0.00 |
| Actuarial (gains)/ loss | 5,209.57 | 717.59 | 4,800.30 | 0.00 |
| Termination benefits | 105,118.40 | 48,700.00 | 105,118.40 | 48,700.00 |
| **Total expenditure recognized in the results** | **202,371.23** | **110,139.08** | **191,636.27** | **90,750.00** |
| | | | | |
| **Main actuarial benefits used for accounting purposes** | | | | |
| Discount rate | 3.60% | 3.60% | 4.25% | 3.60% |
| Future wage increases | 3.20% | 3.20% | 3.20% | 3.20% |

## 15. *Analysis of provisions*

Based on Law 3220/2004, the Company and the Group formed untaxed reserves amounting to € 2,560 thousand and € 2,960 thousand for the years 2003 – 2004, respectively. The untaxed reserves are considered by the European Union as a form of public aid and are subject to taxation. Due to this development, the Company considers that finally there might be an outflow of resources and made a provision against results amounting to € 750 thousand and € 825 thousand for the Company and the Group, respectively.

## 16. *Information by sector*

The Group operates only in one business sector, that of steel products, which is the primary reporting sector according to IAS 14. Therefore results are not presented by individual business sector.

As secondary reporting sector can be considered the geographical sector which is analyzed as follows:
- Domestic sales (about 90%)
- Foreign sales (about 10 %)

The sales of the Group and the Company are analyzed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Sales of Merchandise | 84,198,463.79 | 72,401,740.67 | 74,420,014.86 | 64,724,377.24 |
| Sales of Products | 65,851,659.91 | 55,361,308.76 | 50,808,313.63 | 43,519,017.98 |
| Other sales | 389,789.56 | 323,057.81 | 1,107.10 | 3,390.95 |
| **Total Sales** | **150,439,913.26** | **128,086,107.24** | **125,229,435.59** | **108,246,786.17** |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Domestic Sales | 139,407,579.43 | 115,982,109.46 | 115,065,924.86 | 96,754,959.88 |
| Foreign Sales | 11,032,333.83 | 12,103,997.78 | 10,163,510.73 | 11,491,826.29 |
| **Total Sales** | **150,439,913.26** | **128,086,107.24** | **125,229,435.59** | **108,246,786.17** |

## 17. Analysis of other accounts

(a) Other income

Other income of the Group and the Company is analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Income from transport & delivery expenses | 1,943,249.27 | 1,665,035.23 | 1,740,757.89 | 1,490,466.71 |
| Income from unused prior period provisions | 99,106.89 | 23,394.81 | 0.00 | 0.00 |
| Income from foreign exchange differences | 87,349.46 | 98,210.47 | 82,217.39 | 96,683.52 |
| Other income | 406,029.42 | 373,966.72 | 444,878.83 | 453,651.61 |
| **Total other operating income** | **2,535,735.04** | **2,160,607.23** | **2,267,854.11** | **2,040,801.84** |

(b) Other expenses

Other expenses of the Group and the Company are analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Doubtful debts | 1,158,653.75 | 395,166.78 | 1,080,000.00 | 300,000.00 |
| Losses from sale of fixed assets | 296.03 | 235,282.76 | 639.58 | 40,597.92 |
| Machinery impairment | 0.00 | 34,140.00 | 0.00 | 0.00 |
| Impairment of participation value | 3,650.00 | 0.00 | 0.00 | 46,000.00 |
| Other expenses (foreign exchange differences etc) | 517,083.13 | 223,547.10 | 490,695.64 | 109,896.00 |
| **Total other operating expenses** | **1,679,682.91** | **888,136.64** | **1,571,335.22** | **496,493.92** |

(c) Financial result

The financial results of the Group and the Company are analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Interest and related income | 648,500.04 | 767,497.85 | 523,656.27 | 627,829.26 |
| Interest and related expenses | (2,913,715.00) | (2,015,749.49) | (2,257,859.27) | (1,664,703.06) |
| **Financial result** | **(2,265,214.96)** | **(1,248,251.64)** | **(1,734,203.00)** | **(1,036,873.80)** |

## 18. *Reconciliation of income tax*

The tax obligations of the Group and the Company are analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Tax for the period | 3,237,899.62 | 1,250,036.28 | 2,669,563.10 | 1,112,441.70 |
| Deferred tax | (115,858.38) | 156,285.56 | (116,706.96) | 77,139.38 |
| Provision for taxation of untaxed reserves | 824,800.00 | 0.00 | 750,000.00 | 0.00 |
| Tax audit adjustments | 430,509.17 | 791,958.56 | 399,996.00 | 511,708.00 |
| **Total** | **4,377,350.41** | **2,198,280.40** | **3,702,852.14** | **1,701,289.08** |

## 19. *Analysis of profit per share*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Net profit attributable to shareholders | 6,210,432.98 | 1,812,533.48 | 5,365,752.20 | 2,009,186.81 |
| Number of shares | 12,432,000 | 12,432,000 | 12,432,000 | 12,432,000 |
| **Profit per share (€)** | **0.500** | **0.146** | **0.432** | **0.162** |

## 20. *Transactions with associated parties*

Amounts of sales and purchases of the Group and the Company to and from associated parties, as well as the balances of receivables and obligations are analysed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Sales of goods, services and fixed assets | 0.00 | 0.00 | 1,589,706.72 | 1,338,407.65 |
| Purchases of goods, services and fixed assets | 0.00 | 0.00 | 735,457.24 | 424,677.48 |
| Receivables | 0.00 | 0.00 | 208,816.62 | 279,754.80 |
| Obligations | 0.00 | 0.00 | 0.00 | 0.00 |
| Transactions and fees of directors and managers | 1,077,804.67 | 983,637.28 | 767,321.47 | 723,900.00 |
| Receivables from directors and managers | 0.00 | 0.00 | 0.00 | 0.00 |
| Obligations to directors and managers | 0.00 | 0.00 | 0.00 | 0.00 |

## 21. *Contingent Liabilities - Assets*

There are no Company disputes in litigation or arbitration nor court or arbitration bodies judgments that might significantly affect the financial status or operation of the Company and the Group.

The parent company has been audited by tax authorities for the periods up to 2005 inclusive.

CORUS-KALPINIS-SIMOS SA has been audited for the periods up to 2004 inclusive, METALPRO SA has been audited for the periods up to 2005 inclusive and STEEL CENTRE SA has been audited for to the periods up to 2004 inclusive. Therefore, tax obligations have not been finalized for the unaudited periods.

The Group and the Company have contingent liabilities and claims with banks, other guarantees and other issues arising in their ordinary course of business, as follows:

| | 31.12.2006 | |
|---|---|---|
| | Group | Company |
| Guarantees to third parties | 18,137,715.85 | 12,815,673.35 |
| Secured cheques receivable | 813,354.63 | 719,880.55 |
| **Total** | **18,951,070.48** | **13,535,553.90** |

## 22. Dividends

Based on the Greek commercial law, companies must annually distribute the higher of 35% of profit remaining after deducting taxes and withholding statutory reserves and 6% of paid-in share capital. The Company's Board of Directors proposed to the Annual Ordinary General Meeting of 2007 the distribution of dividend of €0.20 per share for 2006.

## 23. Information about personnel

(a) Number of personnel

The number of employees working in the Group and the Company is shown in the following table:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31.12 | | 31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Salaried employees | 121 | 112 | 78 | 72 |
| Day labourers | 153 | 137 | 114 | 105 |
| **Total personnel** | **274** | **249** | **192** | **177** |

(b) Remuneration of personnel

The remuneration of employees working in the Group and the Company is shown in the following table:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Remuneration of employees | 5,289,897.70 | 4,716,726.53 | 4,073,013.18 | 3,554,844.86 |
| Employer contributions | 1,477,874.88 | 1,304,686.13 | 1,163,556.48 | 993,240.78 |
| Other benefits | 79,185.47 | 38,677.31 | 27,028.44 | 108,163.06 |
| **Total** | **6,846,958.05** | **6,060,089.97** | **5,263,598.10** | **4,656,248.70** |

## 24. Financial Lease

The Financial Lease obligation is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12 | | 1.1-31.12 | |
| | 2006 | 2005 | 2006 | 2005 |
| Up to 1 year | 3,679.08 | 0.00 | 0.00 | 0.00 |
| From 1 to 5 years | 2,454.22 | 0.00 | 0.00 | 0.00 |
| **Total** | **6,133.30** | **0.00** | **0.00** | **0.00** |
| Less future financial leases | (181.76) | 0.00 | 0.00 | 0.00 |
| **Current value of financial lease obligations** | **5,951.54** | **0.00** | **0.00** | **0.00** |
| | | | | |
| **Present value of financial lease obligations** | | | | |
| Up to 1 year | 3,528.87 | 0.00 | 0.00 | 0.00 |
| From 1 to 5 years | 2,422.67 | 0.00 | 0.00 | 0.00 |
| **Total** | **5,951.54** | 0.00 | 0.00 | 0.00 |

## 25. State Grants

On 22/12/2006 the Ministry of Development approved a five-year investment plan of €14.7 million. An investment plan grant of 35% is anticipated from the aforementioned amount.
The plan includes:

1. The erection of building and special installations of €4.94 million.
2. New mechanical equipment for the processing of steel products of €5.94 million.
3. Technical equipment of €2.32 million.
4. New vehicles of €740 thousand.
5. Equipment transport and installation expenses of €410 thousand.
6. Automation-computerisation systems, etc, of €350 thousand.

The grant of investment cost is subject to the following restrictions:

1. No grant of this investment by another source
2. Official supporting documents proving all expenses. In the case of purchase of new mechanical and other equipment whose net value exceeds €300,000.00 for each machinery or other equipment, the grant shall apply provided that the purchase by the investor is directly made from the manufacturing firm.

Until lapse of the five-year period from publication of the decision on completion and commissioning of the investment, the entity must not:

1. Interrupt production activity of the investment, unless Force Majeure applies due to natural disasters.
2. Cease operation of the entity, unless Force Majeure applies due to natural disasters.
3. Transfer subsidized fixed assets in no case whatsoever, unless replaced by other fixed assets held by the entity of equivalent value within a period of six months, able to serve the productive operation of the entity, subject to notification of the competent service within three (3) months to that respect. Requests for the replacement of fixed assets for any subsidized investment may not be approved more than twice.

The grant of € 5,145,912.56 shall be collected in two equal instalments. The 1st instalment of € 2,572,956.28 shall be paid upon certification by the competent inspection bodies under article 7 of Law 3299/2004, that 50% of the investment has been implemented and that the investor complies with the terms and conditions of the inclusion decision. The remaining 50% of the grant shall be paid upon certification of the completion and commissioning of the investment by the competent inspection body under article 7 of Law 3299/2004.
It is possible to pay a lump-sum advance payment which shall not exceed 30% of that anticipated in the relevant decision on inclusion to the grant, upon procurement of a guarantee letter to the equivalent amount, incremented by 10% from a bank incorporated and legally operating in Greece. The aforementioned advance payment forms part of the totally paid grant.

The grant shall appear in the form of untaxed reserves under a special account in the entity's accounting books and shall be subject to the provisions of article 8(6) of Law 3299/2004.

## 26. *Correction of error*

In the corporate and consolidated Cash Flow statement for the period 1.1-30.09.06, the amount of €63,00 thousand recorded by oversight equally increased two accounts under Cash Flows, without affecting any account of the Balance Sheet, Statement of Accounts and Changes in Equity.

In detail (amounts in thousand euros)

**Group:** Depreciations stood at 1,170.07 instead of the correct amount of 1,107.07. Following correction, the account "Total inflows/ (outflows) from operating activities" stands at 13,645.04. The account "Purchase of tangible and intangible assets" stood at 3,095.98 instead of the correct amount of 3,032.98. Following correction, the account "Total inflows/ (outflows) from investments" stands at 3,875.56.

**Company:** Depreciations stood at 928.65 instead of the correct amount of 865.65. Following correction, the account "Total inflows/ (outflows) from operating activities" stands at 11,747.16. The account "Purchase of tangible and intangible assets" stood at 2,523.50 instead of the correct amount of 2,460.50. Following correction, the account "Total inflows/ (outflows) from investments" stands at 2,453.77.

## *27. Post balance sheet events*

No events occurred that affect the Financial Statements.

Aspropirgos, March 13th 2007

| THE CHAIRMAN OF THE BOD | THE MANAGING DIRECTOR | THE ACCOUNTING DIRECTOR |
|---|---|---|
| PANAGIOTIS SIMOS | ATHANASIOS KALPINIS | STELIOS KOUTSOTHANASIS |
| ID Card No. AE 063856/07 | ID Card No. Π620166/90 | ID Card No. AB 669589/06 |