# A. KALPINIS – N. SIMOS S.A.

## S.A. Companies Registry No. 7365/06/B/86/32

# Annual Financial Statements
# for the Period
# from 1 January to 31 December 2007

The attached Annual Financial Statements are confirmed to be those approved by A. KALPINIS—N. SIMOS S.A. Board of Directors on 14 March and have been posted on the internet at **www.kalpinis-simos.gr.** It is noted that the summary financial data published in the press are intended to provide the reader with certain general financial data, but they do not give the complete picture of the financial position and results of the Company and the Group, in accordance with the International Financial Reporting Standards (IFRS). Furthermore, it should be noted that the summary financial data published in the press have a number of abridgements and reclassification of accounts, which have been made for simplification purposes.

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

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### NOTES ON THE FINANCIAL STATEMENTS

# AUDIT REPORT
# INDEPENDENT CERTIFIED AUDITOR/ACCOUNTANT

To the shareholders of A. KALPINIS – N. SIMOS S.A.

## Report on the Financial Statements

We have audited the attached Consolidated Financial Statements of A. KALPINIS – N. SIMOS S.A. ("the Company"), which consist of the Company and Group balance sheet, dated 31 December 2007, and statements of results, changes in equity, and cash flows during the fiscal year that ended on that date, along with a summary of important auditing policies and other clarification notes.

## Management Duties with Regard to the Financial Statements

The Company's Management has the duty of drafting and reasonably presenting these Financial Statements in accordance with the International Financial Reporting Standards, as same have been adopted by the European Union. The said duty includes the planning, application, and maintenance of an internal audit system with regard to the drafting and reasonable presentation of the financial statements, without significant inaccuracies due to fraud or error. The said duty also includes the choice and application of appropriate auditing policies and the conducting of accounting estimates that are reasonable in view of the circumstances.

## Auditor's Duties

Our duty is the expression of an opinion on the said Financial Statements, on the basis of our audit. Our audit was performed in accordance with Greek Auditing Standards, which follow International Auditing Standards. The said standards require that we comply with rules of ethics, and that we plan and carry out our audit aiming at reasonably ensuring that the Financial Statements are free from substantial inaccuracies.

The audit includes the implementation of procedures for the specification of auditing assumptions with regard to amounts and information included in the financial statements. The procedures are chosen at the auditor's judgment, taking into consideration a risk estimate of significant inaccuracy in the financial statements, due to fraud or error. To assess that risk, the auditor takes into consideration the internal audit system with regard to the drafting and reasonable presentation of the financial statements, with the purpose of planning auditing procedures in view of the circumstances and not expressing an opinion on the effectiveness of the internal audit system adopted by the Company. The audit also includes an assessment of the suitability of the auditing policies applied and the validity of the estimates made by the Management, as well as assessing the overall presentation of the financial statements.

We believe that the audit assumptions that we have specified are sufficient and appropriate for the establishment of our opinion.

## Opinion

In our opinion, the attached Financial Statements reasonably present, from every significant aspect, the financial status of the Company and the Group on 31 December 2007, their financial performance and Cash Flows for the fiscal year that ended on that date, in accordance with the International Financial Reporting Standards, as same were adopted by the European Union.

Without expressing a reservation as to the conclusions of our audit, we bring your attention to Note 21 of the Financial Statements, in which the current tax position of the Company and the Group are mentioned and specifically regarding the non-audited fiscal years. The outcome of the tax audit cannot be predicted at present and therefore the financial statements do not include any prediction regarding the said matter.

**Reference to Other Legal and Regulatory Issues**

The Board of Directors Report includes information pursuant to Article 43[a], paragraph 3 and Article 107, paragraph 3 of Codified Law 2190/20, as well as Article 11[a] of Law 3371/2005, and its contents are consistent with the attached financial statements.

Athens, 18 March 2007

CHARTERED AUDITOR ACCOUNTANT

IOANNIS T. KARALIS
Body of Chartered Accountants & Auditors Registration No 10801
SOL S.A.
CHARTERED AUDITORS ACCOUNTANTS
3 Fok. Negri Street, Athens

# 1. Balance Sheet

| (Amounts in €) | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| **ASSETS** | | | | | |
| | | | | | |
| **Non Current Assets** | | | | | |
| Tangible Fixed assets | 5 | 49,177,906.14 | 46,349,598.11 | 36,963,690.95 | 34,997,732.56 |
| Investments in Property | 5 | 5,173,578.96 | 5,225,052.64 | 5,173,578.96 | 5,225,052.64 |
| Intangible Assets | 5 | 47,025.77 | 22,901.05 | 39,833.91 | 14,877.10 |
| Investment in Subsidiaries and Joint Ventures | 2.3 | 21,350.00 | 1,350.00 | 5,301,750.00 | 4,040,700.00 |
| Customers and Other Receivables | | 52,618.23 | 36,947.01 | 43,326.40 | 30,219.28 |
| **Total Non Current Assets** | | **54,472,479.10** | **51,635,848.81** | **47,522,180.22** | **44,308,581.58** |
| | | | | | |
| **Current Assets** | | | | | |
| Inventories | 8 | 52,662,852.84 | 45,491,307.81 | 34,066,111.18 | 36,790,172.54 |
| Trade and Other Receivables | 7 | 95,160,824.44 | 83,052,295.76 | 75,573,031.18 | 66,955,719.62 |
| Securities | 7 | 464,150.00 | 0.00 | 0.00 | 0.00 |
| Cash Reserves and Equivalents | 9 | 1,752,159.61 | 1,875,688.23 | 1,104,086.44 | 1,389,028.01 |
| **Total Current Assets** | | **150,039,986.89** | **130,419,291.80** | **110,743,228.80** | **105,134,920.17** |
| | | | | | |
| **Total Assets** | | **204,512,465.99** | **182,055,140.61** | **158,265,409.02** | **149,443,501.75** |
| | | | | | |
| **EQUITY** | | | | | |
| **Capital and Reserves Attributable to the parent Company Shareholders** | | | | | |
| Share Capital | 10 | 14,918,400.00 | 11,188,800.00 | 14,918,400.00 | 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 | 20,501,526.86 | 23,952,943.98 | 20,340,493.73 | 23,795,093.73 |
| Results Carried Forward | 10 | 38,959,662.77 | 32,100,602.94 | 36,250,998.97 | 30,504,406.47 |
| Minority Interest | 10 | 9,271,016.32 | 8,502,245.54 | 0.00 | 0.00 |
| **Total Equity** | | **98,551,383.65** | **90,645,370.16** | **86,410,670.40** | **80,389,077.90** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Long Term Liabilities** | | | | | |
| Loans | 12 | 32,507,796.51 | 30,000,000.00 | 27,000,000.00 | 30,000,000.00 |
| Deferred Income Tax | 13 | 2,185,149.43 | 1,766,570.22 | 1,493,418.65 | 1,118,211.50 |
| Provisions for Employee Benefits | 14 | 586,703.95 | 523,755.22 | 509,716.86 | 457,166.86 |
| Long-term Income Tax | | 0.00 | 11,760.14 | 0.00 | 0.00 |
| Subsidies | 25 | 1,682,202.91 | 0.00 | 812,507.54 | 0.00 |
| Other Long-term Liabilities | | 707,915.56 | 0.00 | 707,915.56 | 0.00 |
| Financial Lease Liabilities | 24 | 16,181.61 | 2,422.67 | 0.00 | 0.00 |
| **Total Long Term Liabilities** | | **37,685,949.97** | **32,304,508.25** | **30,523,558.61** | **31,575,378.36** |
| | | | | | |
| **Short Term Liabilities** | | | | | |
| Suppliers and Other Liabilities | 11 | 18,754,754.46 | 14,040,932.96 | 11,766,669.69 | 10,451,443.45 |
| Current Income Tax | | 1,773,363.92 | 3,755,846.47 | 1,642,842.01 | 3,096,981.20 |
| Short-term Loans | 12 | 47,735,661.68 | 41,304,953.90 | 27,921,668.31 | 23,930,620.84 |
| Financial Lease Liabilities | 11,24 | 11,352.31 | 3,528.87 | 0.00 | 0.00 |
| **Total Short Term Liabilities** | | **68,275,132.37** | **59,105,262.20** | **41,331,180.01** | **37,479,045.49** |
| | | | | | |
| **Total Liabilities** | | **105,961,082.34** | **91,409,770.45** | **71,854,738.62** | **69,054,423.85** |
| | | | | | |
| **Total Equity and Liabilities** | | **204,512,465.99** | **182,055,140.61** | **158,265,409.02** | **149,443,501.75** |

## 2. *Results Statement*

| (Amounts in €) | Note | GROUP 1 JAN – 31 DEC 2007 | GROUP 1 JAN – 31 DEC 2006 | COMPANY 1 JAN – 31 DEC 2007 | COMPANY 1 JAN – 31 DEC 2006 |
|---|---|---|---|---|---|
| Sales | 16 | 189,345,382.82 | 150,439,913.26 | 155,278,706.65 | 125,229,435.59 |
| Sales Cost | | -159,633,153.20 | -125,576,763.28 | -131,570,486.83 | -105,288,464.19 |
| **Gross Profit** | | **29,712,229.62** | **24,863,149.98** | **23,708,219.82** | **19,940,971.40** |
| Other Income | 17 | 2,486,466.32 | 2,535,735.04 | 2,321,984.24 | 2,267,854.11 |
| Selling Expenses | | -9,936,755.60 | -8,191,036.56 | -8,163,998.62 | -6,681,898.61 |
| Administrative Expenses | | -3,710,156.14 | -3,766,740.05 | -2,846,879.52 | -3,152,784.34 |
| Other Expenses | 17 | -616,006.64 | -1,679,682.91 | -532,449.58 | -1,571,335.22 |
| Financial Income | 17 | 549,569.45 | 648,500.04 | 415,011.20 | 523,656.27 |
| Financial cost | 17 | -4,690,648.82 | -2,913,715.00 | -3,390,678.49 | -2,257,859.27 |
| Dividends from Subsidiary Companies | | 0.00 | 0.00 | 0.00 | 0.00 |
| **Before-tax Profits** | | **13,794,698.19** | **11,496,210.54** | **11,511,209.05** | **9,068,604.34** |
| Income Tax | 18 | -3,469,194.24 | -4,377,350.41 | -3,003,216.55 | -3,702,852.14 |
| | | | | | |
| Profit after Taxes from Continuing Activities (a) | | **10,325,503.95** | **7,118,860.13** | **8,507,992.50** | **5,365,752.20** |
| Profit after Taxes from Discontinued Activities (b) | | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| **Distributed to** | | | | | |
| parent Company Shareholders | | 9,556,733.17 | 6,210,432.98 | 8,507,992.50 | 5,365,752.20 |
| Minority Interest | | 768,770.78 | 908,427.15 | 0.00 | 0.00 |
| | | | | | |
| Profits per Share Attributable to the parent Company Shareholders | 19 | **0.256** | **0.167** | **0.228** | **0.144** |

# 3. *Statement of Changes in Equity*

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

| | | Due to parent Company Shareholders | | | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|
| | | Share Capital | Reserves | Results Carried Forward | | |
| **Balance on 1 January 2006** | | **26,089,577.70** | **23,847,943.98** | **26,678,929.97** | **7,161,818.39** | **83,778,270.04** |
| Financial Period Net Profits | | 0.00 | 0.00 | 6,210,432.98 | 908,427.15 | 7,118,860.13 |
| **Net Profits Recorded for Period (Total)** | | **0.00** | **0.00** | **6,210,432.98** | **908,427.15** | **7,118,860.13** |
| Non-Recognition of Untaxed Reserves | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profits Transferred to Reserves | | 0.00 | 105,000.00 | -105,000.00 | 0.00 | 0.00 |
| Share Issue Proceeds | | 0.00 | 0.00 | 0.00 | 432,000.00 | 432,000.00 |
| Dividend of 2005 Period | | 0.00 | 0.00 | -683.760.00 | 0.00 | -683,760.00 |
| Minority Interest Redemption | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | **0.00** | **105,000.00** | **5,421,672.98** | **1,340,427.15** | **6,687,100.13** |
| **Balance on 31 December 2006** | | **26,089,577.70** | **23,952,943.98** | **32,100,602.94** | **8,502,245.54** | **90,645,370.16** |
| Profit for the Period | | 0.00 | 0.00 | 9,556,733,17 | 768,770.78 | 10,325,503.95 |
| **Net Profits Recorded for Period (Total)** | | **0.00** | **0.00** | **9,556,733.17** | **768,770.78** | **10,325,503.95** |
| Non-Recognition of Tax-Free Reserves | | 0.00 | -34,409.81 | 34,409.81 | 0.00 | 0.00 |
| Profits Transferred to Reserves | | 0.00 | 312,592.69 | -312,592.69 | 0.00 | 0.00 |
| Share Issue Proceeds | | 3,729,600.00 | -3,729,600.00 | 0.00 | 0.00 | 0.00 |
| Dividend of 2006 Period | | 0.00 | 0.00 | -2,486,400.00 | 0.00 | -2,486,400.00 |
| Damages from Liquidation of Subsidiary | | 0.00 | 0.00 | 66,909.54 | 0.00 | 66,909.54 |
| | | **3,729,600.00** | **-3,451,417.12** | **6,859,059.83** | **768,770.78** | **7,906,013.49** |
| **Balance 31 December 2007** | | **29,819,177.70** | **20,501,526.86** | **38,959,662.77** | **9,271,016.32** | **98,551,383.65** |

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

| | | Due to parent Company Shareholders | | | Minority interests | Total Equity |
|---|---|---|---|---|---|---|
| | | Share Capital | Reserves | Results Carried Forward | | |
| **Balance on 1 January 2006** | | **26,089,577.70** | **23,690,093.73** | **25,927,414.27** | **0.00** | **75,707,085.70** |
| Net Profits of Period | | 0.00 | 0.00 | 5,365,752.20 | 0.00 | 5,365,752.20 |
| **Net Profits Recorded for Period (Total)** | | **0.00** | **0.00** | **5,365,752.20** | **0.00** | **5,365,752.20** |
| Non-Recognition of Untaxed Reserves | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profits Transferred to Reserves | | 0.00 | 105,000.00 | -105,000.00 | 0.00 | 0.00 |
| Dividend of 2005 Period | | 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 on 31 December 2006** | | **26,089,577.70** | **23,795,093.73** | **30,504,406.47** | **0.00** | **80,389,077.90** |
| Profit for the Period | | 0.00 | 0.00 | 8,507,992.50 | 0.00 | 8,507,992.50 |
| **Net Profits Recorded for Period (Total)** | | **0.00** | **0.00** | **8,507,992.50** | **0.00** | **8,507,992.50** |
| Profits Transferred to Reserves | | 0.00 | 275,000.00 | -275,000.00 | 0.00 | 0.00 |
| Share Issue Amount | | 3,729,600.00 | -3,729,600.00 | 0.00 | 0.00 | 0.00 |
| Dividend of 2006 Period | | 0.00 | 0.00 | -2,486,400.00 | 0.00 | -2,486,400.00 |
| | | **3,729,600.00** | **-3,454,600.00** | **5,746,592.50** | **0.00** | **6,021,592.50** |
| **Balances 31 December 2007** | | **29,819,177.70** | **20,340,493.73** | **36,250,998.97** | **0.00** | **86,410,670.40** |

# 4. Cash Flows Statement

| (Amounts in €) | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC 2007 | 1 JAN – 31 DEC 2006 | 1 JAN – 31 DEC 2007 | 1 JAN – 31 DEC 2006 |
| **Operating Activities** | | | | |
| Profits Before Tax | 13,794,698.19 | 11,496,210.54 | 11,511,209.05 | 9,068,604.34 |
| Plus / Minus Adjustments For : | | | | |
| Depreciation | 1,760,676.98 | 1,499,054.76 | 1,318,473.07 | 1,171,804.20 |
| Provisions | 62,948.73 | 31,016.52 | 52,550.00 | 26,447.27 |
| Foreign Exchange Differences | -1,662.73 | -16,752.66 | -1,662.73 | -16,752.66 |
| Investment Activities Results (Income, Expenses, Profit and Loss) | 52,390.00 | -7,372.36 | 67,605.31 | -1,045.91 |
| Debit Interests and Similar Expenses | 4,690,648.81 | 2,913,800.73 | 3,390,678.49 | 2,257,859.27 |
| | 20,359,699.98 | 15,915,957.53 | 16,338,853.19 | 12,506,916.51 |
| Plus/Minus Adjustments for Working Capital Account Changes or Adjustments Related to Operating Activities | | | | |
| Inventories Reduction / (Increase) | -7,171,545.02 | -5,070,566.03 | 2,724,061.36 | -4,555,835.50 |
| Receivables Reduction / (Increase) | -12,124,199.91 | -12,628,037.11 | -8,630,418.68 | -9,101,743.97 |
| Liabilities (Reduction)/Increase (Except Bank Liabilities) | 6,024,182.81 | -2,288,337.14 | 1,158,809.56 | -447,051.49 |
| Less: | | | | |
| Debt Interests and Related Expenses Paid | -4,238,455.68 | -2,872,381.19 | -3,161,849.35 | -2,245,052.74 |
| Taxes Paid | -5,031,166.77 | -494,062.33 | -4,082,148.59 | -293,376.31 |
| **Total Cash Inflows/(Outflows) from Operating Activities (a)** | **-2,181,484.59** | **-7,437,426.27** | **4,347,307.49** | **-4,136,143.50** |
| | | | | |
| **Investment Activities** | | | | |
| Acquisition of Subsidiaries, Affiliates, Joint Ventures and Other Investments | -20,000.00 | 0.00 | -1,316,459.54 | 0.00 |
| Purchase of Securities | -464,150.00 | 0.00 | 0.00 | 0.00 |
| Purchase of Tangible and Intangible Fixed Assets | -4,347,105.65 | -7,476,677.59 | -1,600,660.01 | -3,332,048.67 |
| Income from Sales of Tangible and Intangible Assets | 872,135.45 | 5,700.00 | 6,500.00 | 5,100.00 |
| Interest Received | 15,774.59 | 11,648.72 | 1,161.72 | 1,685.49 |
| Dividends Received | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total Cash Inflows/(Outflows) from Investment Activities (b)** | **-3,943,345.61** | **-7,459,328.87** | **-2,909,457.83** | **-3,325,263.18** |
| | | | | |
| **Financial Activities** | | | | |
| Amounts Collected from Share Capital Increase | 0.00 | 432,000.00 | 0.00 | 0.00 |
| Amounts Collected from Issued / Raised Loans | 128,913,206.18 | 105,983,825.00 | 112,428,644.18 | 75,233,825.00 |
| Repayments of Loans | -120,426,895.03 | -90,934,721.92 | -111,666,425.85 | -66,933,825.00 |
| Dividends paid | -2,485,009.56 | -685,458.38 | -2,485,009.56 | -685,458.38 |
| **Total Cash Inflows/(Outflows) from Financial Activities (c)** | **6,001,301.59** | **14,795,644.70** | **-1,722,791.23** | **7,614,541.62** |
| | | | | |
| **Net Increase / (Decrease) in Cash and Cash Equivalents in the period (a) + (b) + (c)** | **-123,528.61** | **-101,110.44** | **-284,941.57** | **153,134.94** |
| Cash and Cash Equivalents at the Beginning of the Period | 1,875,688.22 | 1,976,798.67 | 1,389,028.01 | 1,235,893.07 |
| **Cash and Cash Equivalents at the End of the Period** | **1,752,159.61** | **1,875,688.23** | **1,104,086.44** | **1,389,028.01** |

# *5. Notes on the Financial Statements*

# *1. General Information*

The Company "A. KALPINIS—N. SIMOS S.A. STEEL PRODUCTS" was founded in 1958 as a Limited Liability Company and in 1965 was converted to a S.A. Company. It has its headquarters in Aspropirgos Municipality (Diilistirion Avenue, Agios Ioannis) and it is registered with the Ministry of Development, General Secretariat of Commerce, Corporations and Credit Directorate, under the Registration Number 7365/06/B/86/32.

The Company's main activity is the import, processing, and trade of steel, steel plates, iron and metal goods, and similar goods.

The Company's shares are listed for trading in the Athens Stock Exchange since 1990.

The Company has no disputes in litigation or in arbitration, nor are there any decisions by judicial or arbitration bodies that may have a significant impact on its financial situation or operation.

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

The financial statements dated 31 December 2007 were approved by the Company's Board of Directors on 14 March 2008.

# *2. The Main Accounting Principles Used by the Group*

### 2.1 Framework of Drafting Financial Statements

A. KALPINIS – N. SIMOS S.A Company and Group financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) and Interpretations, as they have been adopted by the European Union. The date the Group converted to IFRS was set as 1 January 2004, at which time the Opening Balance Sheet was drafted.

The above statements are based on the financial statements that are drafted by the Company and the Group in accordance with Greek Trade Law, with the appropriate off-balance adjustments made in order to comply with the IFRS, and they have been drafted according to the historical cost principle, except for some exceptions that pertain to tangible assets (land plots & buildings – building installations) that were valued based on their fair market value.

The preparation of the financial statements in accordance with generally accepted accounting principles, requires the use of evaluations and assumptions that affect the balances of the assets and liabilities accounts, as well as the disclosure of the contingent receivables and payables on the date of drafting of the financial statements, as well as the reported income during the fiscal years in question. Even though these specific evaluations are based on the Management's (the Group's) best knowledge, the actual results may eventually differ from these estimates.

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

New IFRS, amendments and interpretations have been issued, which are mandatory for accounting years that begin on or after 1 January 2007. The assessment of Group and Company Management in relation to the effect of the application of these new standards and interpretations is as follows:

**Amendment to IAS 1 "Presentation of Financial Statements,"** effective for annual accounting periods beginning on or after 1 January 2009. The amended IAS 1 basically replaces the "Results Statement" with the extensive "Total Income Statement" and it inserts the additional "Financial Position Statement" at the beginning of the first comparative period shown, in the event of a retroactive application of accounting policy and retroactive restatement or reclassification of financial statements' data. Besides the differences in presentation, the application of this standard does not impact the financial statements

**Replacement of IAS 23 "Borrowing Costs,"** effective for annual accounting periods beginning on or after 1 January 2009. The new standard removes the option that the previous one offered for immediate accounting of borrowing cost expenses related to the acquisition, construction, or production of assets. Given that the application of this standard does not have a retroactive effect, the Company's financial statements will not be affected.

**Replacement of IFRS 3 "Business Combinations,"** effective for business combinations that have an acquisition date within the annual accounting periods beginning on or after 1 July 2009. The new standard introduces changes in matters of recognition and evaluation of assets, liabilities, goodwill, and non controlling interests, as well as to the required disclosures during business combinations. Its application will impact future acquisitions of businesses. However, the Group is not willing to proceed to a premature application of the standard (which is permissible) for acquisitions it may effect prior to the mandatory effective date.

**IFRS 8 "Operating Segments,"** effective for annual accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 "Segment Reporting." The substantial changes that the standard will bring are the basis for differentiating the operating segments and the ability to evaluate their assets on a different basis, which will now take place based on internal reports presented to the decision maker in order to allocate resources and assess the performance. This standard is not expected to have a substantial impact on the presentation of the financial statements.

**Interpretation 11 "IFRS 2 – Group and Treasury Share Transactions,"** effective for annual accounting periods beginning on or after 1 March 2007. This interpretation provides guidance in the accounting treatment of a Company granting rights to its equity instruments to its employees, for which (rights) the entity either chooses or is required to buy those equity instruments from a third party to satisfy its obligations, granting rights to equity instruments, either by the entity itself or by its shareholders, and which (equity instruments) the shareholders provide, as well as provisions to equity instruments in which two or more companies from the Group are involved. This interpretation does not apply to the Group.

**Interpretation 12 "Service Concession Agreements,"** effective for annual accounting periods beginning on or after 1 January 2008. This interpretation provides guidance in the accounting treatment, on behalf of the concessionaire, of service concession agreements, from the public to the private sector. This interpretation does not apply to the Company.

**Interpretation 13 "Customer Loyalty Programmes,"** effective for annual accounting periods beginning on or after 1 July 2008. This interpretation describes the accounting treatment of loyalty awards that an entity provides its customers, in the context of transactions involving the sale of goods, services, or usage of its assets by them and which (the loyalty award), if the given requirements are met, may be redeemed in future, by receiving free or discounted goods or services. This interpretation does not apply to the Company.

**Interpretation 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,"** effective for annual accounting periods beginning on or after 1 January 2008. This interpretation addresses the issues of refunds or reductions of future contributions, how a minimum funding requirement may affect the possibility of reducing future contributions and when a minimum funding requirement may create an obligation on a defined benefit program. This interpretation does not apply to the Company.

## 2.3 Consolidation

The consolidated financial statements consist of the financial statements of the parent Company A. KALPINIS – N. SIMOS S.A. and the other Companies of the Group, which are the following:

| | HEADQUARTERS | ACTIVITIES | PARTICIPATION PERCENTAGE | PARTICIPATION COST | CONSOLIDATION METHOD |
|---|---|---|---|---|---|
| CORUS - KALPINIS–SIMOS S.A. STEEL PROCESSING CENTRE **(*)** | Aspropirgos | Processing-distribution and sale of steel and steel related products | 50.00% (Joint Ventures) | 2,200,000.00 | Pro Rata |
| CORUS - KALPINIS–SIMOS COATING MATERIALS S.A. | Aspropirgos | Construction of metal polyurethane panels | 50.00% (Joint Ventures) | 3,081,750.00 | Pro Rata |
| STEEL CENTER S.A. **(**)** | Nikea | Marketing of special steels | 0.00% | 0.00 | Total |

(*) The General Meeting of its 100% owned subsidiary "SINTHETA METALLICA PROIODA S.A. UNDER LIQUIDATION" on 1 December 2006 decided to resurge under the new trade name "METALLICA PROIODA VOREIOU ELLADOS " and the distinctive title "METALPRO S.A. " The damages to the parent Company from this liquidation amounted to EUR 66,909.54.
Pursuant to the decision by the Extraordinary General Meeting on 21 September 2007, the Company METALLICA PROIODA VOREIOU ELLADOS S.A. was renamed CORUS-KALPINIS-SIMOS STEEL PROCESSING CENTER S.A.". As of 5 October 2007, our participation was readjusted to 50% after CORUS joined, which is a member of TATA STEEL, an Indian multinational colossus in the metals sector. The agreement includes new commercial and industrial facilities in the industrial area of Sindos in Thessalonica. We note that as of 31 December 2006 the Company has been incorporated into the Group's financial statements with the total consolidation method.

(**) The above Company is subject to inspection by the parent Company in accordance with IAS 27, paragraph 13, due to joint management.
Cross-company transactions, balances and non realized profit from transactions between the companies of the Group are written-off. The non realized losses are also written-off, unless the transaction provides indications of impairment of the transferred asset. During the buyout of a Company, the fair value of its assets, liabilities as well as contingent obligations on the buyout date are estimated.
The cost of the buyout, in the amount that exceeds the fair value of the acquired net assets (assets –liabilities – contingent obligations), is recorded as goodwill in the fiscal year in which the buyout took place.

In the event that the buyout cost is less than the above fair value, the difference is recorded in the results of the fiscal year in which the buyout took place. Minority interest is recorded according to its ratio to the fair value. In the following fiscal years, any damages are proportionally distributed to the minority, in addition to minority interest.
The results of the acquired or sold subsidiaries within the fiscal year are included in the consolidated fiscal year results statement from or until the date of acquisition or sale, respectively. The accounting principles of the Group's companies have been amended so that they conform to those adopted by the Group. The participation of the above companies in the A. KALPINIS - N. SIMOS S.A. Company financial statements is estimated at acquisition cost, minus any provision for impairment of their value.

The participation in subsidiaries or affiliated companies, as recorded in the consolidated balance sheet, concerns the following entities:

- A subsidiary of CORUS – KALPINIS – SIMOS S.A. COATING MATERIALS in Romania under the trade name CORUS – KALPINIS – SIMOS ROM S.R.L., with headquarters in Bucharest. The participation in said Company is 100%. The total assets amount to EUR 1,350.00 and the participation value is EUR 1,350.00.

- A subsidiary of A. KALPINIS – SIMOS S.A. in Romania under the trade name CORUS – KALPINIS – SIMOS ROM S.R.L., with headquarters in Bucharest. The participation in said Company is 100%. The total assets amount to EUR 10,000.00 and the participation value is EUR 10,000.00.

- A subsidiary of A. KALPINIS – SIMOS S.A. in Bulgaria under the trade name KALPINIS – SIMOS BULGARIA E.O.O.D., with headquarters in Sofia. The participation in said Company is 100%. The total assets amount to EUR 10,000.00 and the participation value is EUR 10,000.00.

Consolidation did not occur due to negligent significance in relation to the scope of Article 100, paragraph 3 of Law 2190/20.

### 2.4 Foreign Exchange Conversions

The reference currency of the Group is the Euro and therefore the financial statements are presented in Euro (€). Transactions in foreign currency are converted to Euro using the applicable exchange rates on the date of the transactions. The receivables and liabilities in foreign currency on the date the financial statements were drafted are adjusted so that they reflect the exchange rates on the drafting date. The profits and losses that arise from such transactions are recorded in the results statement.

### 2.5 Consolidated Financial Statements

(a) Subsidiary Companies

Subsidiaries are companies which the parent Company controls. The subsidiaries are fully consolidated using the total consolidation method from the date whereupon control over them is acquired and they stop being consolidated from the date when such control ceases to exist. The intercompany balances between the Group's companies, transactions between the Group's companies, as well as the unrealized profits are fully written off in the consolidated financial statements. The consolidated financial statements are drafted using the same accounting principles, while the necessary adjustments are made whenever deemed necessary. Investments in subsidiaries are entered under acquisition cost minus any impairment.

(b) Associated – Affiliated Companies

Associated companies are ones over which the parent Company exercises substantial influence and which are not considered subsidiaries or joint ventures. In general, ownership of 20% to 50% of voting rights signifies the existence of substantial influence. Investments in associated companies are accounted for using the net equity method and are initially entered under acquisition cost.

(c) Joint Ventures (Entities under Joint Control)

The entity under joint control is a joint venture that consists of the incorporation of a Company in which each participant receives a share. It operates like any other entity except that there is a contractual arrangement between the participants that determines the joint control of the entity's financial activities. The Company unifies its share in joint ventures using the pro rata consolidation method.

## 2.6 Tangible Assets

The tangible assets under Assets are shown in the financial statements at their acquisition cost (historical cost) minus the accumulated depreciations and any impairment in value.

The acquisition cost of land plots and buildings-building installations was determined on the transfer date at the market value. The Group assigned the appraisal of its properties to an independent appraiser in order to record them at their fair value on the transfer date.

The acquisition cost includes all the expenses directly attributable to the acquisition of the assets. Later additions and improvements are recorded as increase in the cost of related assets, on condition they increase the useful life or production capacity of the asset or decrease its operating cost. Repairs and maintenance are recorded as expenses of the period in which they were carried out.

Depreciation of tangible assets (besides land plots, which are not depreciated) is calculated based on the straight line method over their estimated useful life. The estimated useful life per class of fixed assets is as follows:

| | |
|---|---|
| Buildings – Building 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 value of tangible assets exceeds their recoverable value, the difference (impairment) is recorded as an expense in the results. The related cost and accumulated depreciations of assets that are sold or withdrawn are written off from the corresponding accounts at the time of withdrawal or sale, and corresponding profits or losses are recorded in the operating results statements.

Installation Expenses

The pluri-annual depreciation expenses that did not meet the IAS recognition criteria have been written off. Asset acquisition expenses that were included in the pluri-annual depreciation expenses were transferred to an increase in acquisition cost of immovable property. The asset expenses that were transferred to an increase in acquisition cost of immovable property on 31 December 2007 are EUR 524,435.83 for the Group and EUR 308,561.61 for the Company.

## 2.7 Intangible Assets

Intangible assets include software programs, which are evaluated at acquisition cost less depreciation. The depreciation is estimated using the standard method throughout the useful life of these items, which is approximately 3.3 years. Expenses generated from the development and maintenance of software are Acknowledged as expenses when they occur.

## 2.8 Investments in Real Estate Property

Investments in property are real estate (land plots or buildings or part of a building or both) that is owned (by the owner or by the lessee with financial leasing) in order to yield rents or an increase in their value or both, and not for:

- Use in production (plants) or supplying of goods (warehouses) or for administrative purposes (office buildings);
- Sale in the regular course of the Company's business.

Investments in immovable property are appraised according to the acquisition cost method (in the exact same way as operational immovable property) and are shown in the balance sheet at acquisition cost minus the accumulated depreciation and the accumulated impairment losses.

### 2.9 Tangible and Intangible Assets Impairment Audit

Assets that are depreciated are subject to impairment audit when indications exist that their book value is not recoverable. Recoverable value is the larger value between the net selling value (selling price minus the selling expenses) and use value. Damage due to asset depreciation is recognized when the book value of these items or the cash-flow generating units is greater than their recoverable amount.

### 2.10 Segment Reporting

IAS 14 "Segment Reporting" establishes criteria for determining distinct segments of business activity. The segments are determined based on the Group's structure of companies, on condition that those responsible for making financial decisions are monitoring the financial information separately, as recorded by the Company and by each one of its subsidiary companies that are included in the consolidation. The segments that must be recorded separately are determined on the basis of the quantitative criteria set by the Standard.
A business segment is defined as a group of assets and activities in order to provide products and services, which are subject to different risks and returns to those of other business segments. A geographical sector is defined as a geographical area in which products and services are provided and which is subject to different risks and returns to other areas.

### 2.11 Borrowing Cost

The underwriting, legal, and other direct costs that occur in relation to the issuance of a loan readjust the borrowing amount recorded in the Results based on the actual interest rate method for the duration of the loan agreement. Expenses are recorded in the results on the date they are incurred.

### 2.12 Financial Assets

#### (a) Financial Assets Valued at their Fair Value with Changes Documented in the Results

This involves financial assets that satisfy any of the following conditions:

- Financial assets held for commercial purposes (including derivatives, excluding those that are specified and effective as hedges), those that are acquired or created with the intent of sale or re-purchase, and finally those that are part of a portfolio of recognized financial instruments that are managed for profit purposes.
- Upon initial recognition, the Company specifies it as an asset measured at fair value by recording the changes in the Fiscal year Results Statement.
- On the Group's Balance Sheet the transactions and fair market valuations of the derivatives are recorded in separate funds of the Assets and Liabilities under the title "Derivatives of Financial Assets." Fair market value fluctuations of the derivatives are recorded in the fiscal year results statement.

#### (b) Investments Retained to Maturity

This includes non derivative financial assets with fixed or specific payments and specific maturity, which the Group has the intention and ability to retain until their maturity.

#### (c) Financial Assets Available for Sale

This includes non derivative financial assets that cannot be included in any of the above categories. They are included in the non circulating assets, provided that the management does not intend to liquidate them within a 12 month period from the Balance Sheet date.
The purchase and sales of investments are recorded on the date of the transaction, which is the date that the Group commits itself to purchase or sell the asset. The investments are initially accounted for at their fair value increased by the expenses directly attributed to the transaction, with the exception as regards expenses directly attributed to the transaction, of those assets that are valued at their fair value, with changes recorded in the results. The investments are written-off when the right to the cash flows from investments ceases to exist and the Group has transferred all the risks and rewards that the ownership entails. The financial assets available for sale are valued at their fair value, while the profits or losses that may arise are recorded in the equity reserves until these assets are sold or designated as impaired. During the sale or when designated as impaired, the profits or losses are transferred to the results.
The fair values of the financial assets that are traded in active markets are determined by their market prices. For the non traded assets, the fair values are determined using valuation techniques, such as future cash flows discount and stock option valuation models.

On every balance sheet date, the Group must proceed with evaluations of whether its financial assets have been subject to impairment. For participating securities which have been classified as financial assets available for sale, such an indication constitutes a significant reduction to their fair market value compared to their acquisition cost. If there is impairment, the accumulated damage on equity is transferred to the results. Impairment losses from participating securities that have been accounted for in the results are not reversed through results.

**(d) Recognition, Write-off, Determination of Fair Value**

The purchase and sales of investments are acknowledged on the date of the transaction, which is the date that the Group commits itself to purchase or sell the asset. The investments are initially recognized at their fair value plus the expenses directly attributed to the transaction, with the exception of those expenses directly attributed to the transaction, that are evaluated at their fair value with changes in the results. The investments are written-off when the right to the cash flows from investments expires or is transferred and the Group has essentially transferred all the risks and rewards ownership entails.
The realized and non realized profits or losses arising from the changes in the fair values of the financial assets measured at fair value with changes in the results are recorded in the results during the period that they arise.
The fair values of the financial assets that are traded in active markets are determined by the current demand prices. For the non traded assets, the fair values are determined using evaluation techniques such as the analysis of recent transactions, comparative assets traded, and discounted cash flows. The equity instruments, non-traded in an active market, that have been classified under the category Financial Assets Available For Sale and the fair value of which cannot be determined in a reliable way, are valued at their acquisition cost.

**(e) Depreciation of Financial Asset Value**

On every balance sheet date, the Group estimates whether there is objective evidence leading to the conclusion that the financial assets have been subject to impairment. For shares of companies classified as financial assets available for sale, such an indication consists of the significant or extended drop of their fair value in relation to their acquisition cost. If impairment is substantiated, the accumulated loss to equity, namely the difference between acquisition cost and fair value, is carried over to the results.

## 2.13 Inventories

Inventories are measured at the lower value between acquisition or production cost and their net liquidating value. The cost is determined by the weighted average cost method and includes expenses to acquire the inventories or expenses for their production and the expenses to transport them to their storage location. Borrowing cost is not included in the acquisition cost of inventories. The net liquidating value is estimated based on the current selling price of inventories in the context of normal activity, less the given distribution cost, where applicable.

### 2.14 Cash Reserves and Equivalents

Cash reserves and equivalents include cash, demand deposits, and short-term investments of up to 3 months, with high liquidity and low risk.

### 2.15 Share Capital and Reserves

Ordinary shares are classified as equity.
Share Capital increase expenses, minus the related tax debt, are offset with the Reserves Above Par. Direct expenses that are related to the issue of shares for the acquisition of companies are included in the acquisition cost of the Company acquired.

The acquisition cost of own shares decreased by income taxes (if applicable) appears as subtracted from the Group's equity, until the same shares are sold or cancelled. Every profit or loss from own share sales, free of other immediate transaction costs and income tax, if applicable, appears as reserves in Equity.

We note that the Company's Ordinary General Meeting on 29 June 2006 decided to convert its shares from bearer to registered. The share conversion procedure was completed on 8 September 2006, at which time the trading of the new registered shares commenced on the Athens Stock Exchange.

### 2.16 Borrowing

Loans are initially recorded at their fair value reduced by any direct costs for the implementation of the transaction. They are subsequently measured at the undepreciated cost, using the actual interest rate method. The profits or losses from these assets are recognized as a financial income or expense using the procedure of effective interest rate depreciation. Loans for which the Company is entitled to defer repayment for more than 12 months are considered long term.

### 2.17 Income Tax – Deferred Income Tax

The encumbrance of the fiscal year with income tax consists of the current taxes and deferred taxes, i.e. taxes or tax relief related to the economic benefits arising in the current period but which have already been accounted for or will be accounted for by the tax authorities in different periods.

The deferred tax is calculated upon all the temporary differences of the balance sheet (the difference between the book value of each asset and its corresponding recognized tax value).

Concerning readjustment for undepreciated fixed assets (sports fields, etc.) at their fair value, the deferred tax is calculated upon its liquidation (selling) value.

The cost of deferred taxes encumbers the results of the fiscal year in which they are accounted. However, in the event that the temporary differences have been recorded in the equity, the corresponding deferred tax is directly recorded in equity.

Deferred tax is not ascribed to a tax liability that may be created solely pursuant to a decision made by the Company.

The calculation of deferred tax is done based on the tax rate that is expected to be in effect during the next fiscal year.

The recording of a claim for deferred income tax occurs only when there is certainty that the Company will achieve profits in the future, so that it will offset the present receivable with the future tax liability.

The fiscal year (or period) damage that is carried forward to the next fiscal year (or period) in order to offset the taxable profits of a following fiscal year (period) contains a tax requirement equal to the income tax that will be to the benefit of the Company in the next fiscal year (or period) in which the offset will occur. This receivable is recorded when it considered certain that the Company will achieve profits in the future in order for it to be possible to offset the liability. When there is a change in tax legislation, the tax liabilities and receivables recorded in the books are adjusted accordingly. The adjustment differences are accounted for in the fiscal year results.

## 2.18 Employee Benefits

**(a) Short Term Benefits**

Short-term benefits toward personnel in cash and in goods are recorded as expenses when they become payable.

**b) Compensation Obligations to Personnel Due to Retirement**

Compensation obligations to personnel due to retirement are calculated at the discounted value of the future benefits in place at the end of every year, recognizing the personnel entitlements to provisions during the period of employment. These liabilities are calculated annually by an independent actuary using the projected unit credit method. The fiscal year's net retirement costs include the present value of the benefits that became payable during the fiscal year, actuarial profits and losses, as well as the interest of the benefits, and are included in the results account statement of the Company and the Group.

## 2.19 Provisions

Conditions for recording provisions:

- Legal Commitment

Contract, Legislation, or other application of the Law.

- or Constructive Obligation

This is an obligation that arises 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 is possible 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 Company actions. Where the Company 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 the provision is capitalized as an asset.

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

### 2.20 Income Recognition

Income consists of the fair value of the selling of goods and the provision of services, net of VAT, discounts and refunds and they are accounted for only when the economic benefits associated with the transaction shall be received by the Company.

Inter-Company income within the Group is written-off entirely.

Income recognition is carried out as follows:

**(a) Income from Sale of Goods**

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

**(b) Income from 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 recorded based on the time proportion (accrual principle) and by 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).

### 2.21 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 not. In this case, the fixed asset and the liability are recorded at the lowest of the current 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.

A lease is classified as financial or operating based on the essence of the transaction and not the type of contract.

If it is arises from the lease agreement that all the benefits and risks derived from the ownership of the asset substantially remain with the lessor, then it is classified as an operating lease. The lease payments of an operating lease are registered as an expense in the results on a regular basis during the lease period.

### 2.22 Distribution of Dividends

Distribution of dividends to the parent Company's shareholders is recorded as a liability in the financial statements when distribution is approved by the General Shareholders Meeting.

**2.23 State Grants**

State grants constitute assistance by transferring economic resources, provided that the Company has or will comply with the terms related to the grant. Grants related to assets are reported as deferred income and are recorded during the asset's useful life Grants related to income are recorded in those fiscal years required in order to correlate them to the respective expenses that they will offset.

**2.24 Profits per Share**

The basic earnings, per share, are calculated by dividing the net profits after taxes by the weighted average number of shares of each fiscal year.

**2.25 Long Term Receivables / Liabilities**

Long term receivables and liabilities, which are without interest or bear an interest lower than the given market rates, appear at their current net value. The discount differences are shown as financial earnings / expenses in the Results of the given year in which they occur.

**2.26 Related Parties**

Transactions and balances with related parties appear separately in the Financial Statements. These related parties basically involve the major shareholders and the Management of a business and/or its subsidiary companies, companies with a joint ownership status and/or Management with the business and the consolidated subsidiaries or subsidiaries of these companies.

**2.27 Capital Management**

It is the Group's policy to maintain a strong equity base in order to retain investors' and creditors' confidence and so that its future development will be supported. Management monitors own capital, which it considers in its entirety, with the exception of minority interest, so that the ratio between debt (except for Company deposits) to its equity will amount to less than between 2 and 2.5 to 1.
Based on the balance sheets data, the ratio of debt to equity for fiscal years 2007 and 2006 amounted to, 1.16 and 1.09 for the Group, and 0.82 and 0.84 for the Company, respectively.
In accordance with Codified Law 2190/1920, regarding societe anonymes, there are limits imposed in relation to equity that are as follows:
The acquisition of own shares, with the exception of acquisition with the intent of their distribution to employees, cannot exceed 10% of the paid share capital and cannot result in the decrease of equity to an amount less than the amount of the share capital augmented with the reserves for which distribution is prohibited by Law.
In the event total Company equity amounts to less than ½ of share capital, the Board of Directors is obligated to call a General Meeting, within a six month time limit from the end of the fiscal year, which will decide the dissolution of the Company or the adoption of another measure.
When the Company's total equity reaches below 1/10 of the share capital and the General Meeting does not take the appropriate measures, the Company may be dissolved by a court decision following a claim by anyone with a lawful interest.
At least 1/20 of the net profits are removed annually in order to create a regular reserve, which is used exclusively for hedging, before any dividend distribution, any debit balance of the results carried forward account. The formation of this reserve is rendered optional when its amount reaches 1/3 of share capital.

The payment of dividends to the shareholders in cash, to an amount at least 35% of net profits, after the deduction for the regular reserve and the net result of the assessment of assets and liabilities at their fair value, is mandatory. This is not applicable pursuant to a decision of a General Shareholder Meeting by a majority of at least 65% of the fully paid share capital. In this situation, the non distributed dividend of up to at least 35% of the above net profits is recorded in a special reserve for capitalization account, within four years with the issue of new shares that are offered at no charge to the entitled shareholders. Finally, with a majority of at least 70% of the fully paid share capital, the General shareholders Meeting may decide not to distribute dividend.

The Company fully complies with the relevant provisions imposed by Law regarding equity.

# *3. Financial Risk Management*

The Group is exposed to the following risks arising from the use of its financial resources.

- Credit Risk
- Liquidity Risk
- Market Risk

Information is provided regarding the exposure of the Group to each of the above risks, on the goals of the Group, its risk assessment and management policies and procedures, as well as the Group's capital management.
More quantitative information on these disclosures is included throughout the Consolidated Financial Statements.
The Group's risk management policies are implemented in order to identify and analyze risks faced by the Group as well as set risk-taking limits and implement controls thereon. Risk management policies and related systems are periodically monitored, in order to ensure that they incorporate the changes in market conditions and in the Group's activities.
The Internal Auditing department is responsible for monitoring compliance with risk management policies and procedures. The department carries out regular as well as special audits in order to ascertain compliance with proper procedures and its findings are communicated to the Board of Directors.

**Credit Risk**

Credit risk refers to the Group's risk of incurring a loss in the event a customer or third party fails to fulfill his contractual obligations under a financial instrument agreement. It is preeminently related to receivables from customers.

**Customers and Other Receivables**

The Group's exposure to credit risk is mainly affected by the specific characteristics of each customer.
There is no indication of geographic concentration of credit risk No customer exceeds 10% of sales and, as a result, market risk is divided among a large number of customers.
The Board of Directors has defined a credit policy, based on which the creditworthiness of every new customer is assessed on an individual basis, before the usual payment terms are offered.
Each customer is assigned a credit limit, which is reexamined depending on ongoing conditions and sales and collection terms may be accordingly readjusted, if so required. The customer credit limits are usually determined based on the insurance limits set by insurance companies and their receivables are subsequently insured based on the abovementioned limits.
When monitoring customer credit risk, customers are classified in accordance with their credit profile, the maturity of their receivables and any prior solvency problems they may have displayed.
Customers and other receivables mainly concern wholesale customers of the Group. Customers characterized as "high risk" are placed in a special list and future sales have to be prepaid and approved by the Board of Directors. Depending on the customer's prior record and profession, the Group reserves the right to demand tangible or other guarantees (such as letters of guarantee).

The Group records a depreciation projection which represents its assessment of losses incurred in relation to customer liabilities, other receivables and investment securities. This projection mainly consists of losses due to depreciation of specific receivables that were deemed realizable in relation to specific conditions but which have not as yet been finalized.
The amount of impairment loss is the difference between the book value of the receivables and the present value of the anticipated future cash flows, discounted by the initial real interstate. The amount of impairment loss is recorded as an expense in the results. Receivables that are assessed as uncollectible are written off.

**Investments**

Investments are classified by the Group based on the purpose for which they were obtained. Management decides on the suitable classification of the investment at the time of its purchase and reexamines said classification at each of the dates when it is due for assessment.
Management estimates that payment default will not be observed on these investments.

**Guarantees**

The policy of the Group is not to offer financial guarantees, except to subsidiary or affiliated companies and in part to its partners if there is lawful interest, and then only on an exceptional basis and by decision of the Board of Directors.

**Liquidity Risk**

Liquidity risk is the risk that the Group will be unable to fulfill financial obligations when those become due. The approach adopted by the Group regarding liquidity management is to ensure, by maintaining minimum necessary cash reserves and sufficient credit limits from the banks with which it cooperates, that it will always preserve enough liquid assets in order to fulfill financial obligations when those become due, under standard as well as under exceptional circumstances, without incurring unacceptable losses or risking the Group's reputation.
In order to avoid liquidity risks, the Group anticipates annual cash flows when drafting the annual budget, as well as a rolling monthly prediction for a period of three months, in order to ensure that it will always have enough cash reserves in order to cover its operational costs, including the fulfillment of its financial liabilities. The effects of unforeseeable extreme circumstances are not taken into consideration in this policy.

**Market Risk**

Market risk is the risk of fluctuations in the prices of raw materials, exchange and interest rates affecting the Group's financial results or the value of its financial instruments. The purpose of risk management against market conditions is to control the Group's exposure to those risks, within the framework of acceptable parameters and with a concurrent optimization of results.

**Danger of Fluctuation in the Prices of Metal Raw Materials (Iron, Steel, and Other Metals)**

The Group bases both purchases and sales on international prices / indexes on the value of iron and of the other metals it uses and which are included in its products. However, the Group does not hedge its entire basic operating inventory and, as a result, a possible reduction in the prices of metals could have an adverse effect on its results, through a depreciation or overvaluation of its inventory.

**Currency Risk**

The Group is exposed to currency risk in its transactions and in loans issued in a currency other than the operational currency of the Group's companies, which is principally the Euro. The currencies in which these transactions are carried out are mainly the Euro and the US dollar.
Over time, the Group hedges the larger part of its estimated exposure from purchases made using foreign currency by purchasing foreign currency in advance. Interest from loans is in Euro.

**Interest Rate Risk**

The Group does not have significant interest-bearing assets and consequently the income and operational cash flows are essentially independent of the changes in the interest rate market. The interest rate risk arises from long term and short term bank loans in Euro with floating interest rates.
The Group finances its investments as well as its operating capital needs through self financing, bank and bond loans, which result in debit interest being recorded in its financial results. Inflationary tendencies on interest rates will have adverse effects on results, as the Group will incur additional loan costs.
Interest rate risk is contained, as part of the Group's loans is secured with the use of financial instruments (Swaps interest rates).

On 31 December 2007 the after tax profits and the Group's net position would have been altered, lower / higher, by EUR 450 thousand (EUR 290 thousand in 2006) while the Company's would have been altered, lower / higher by EUR 330 thousand (EUR 225 in 2006) if Euro interest rates were 50 (0.5%) basis points higher / lower, with other variables remaining constant. This would take place mainly due to the higher / lower financial cost of bank borrowing with a floating interest rate in Euro.

# *4. Important Accounting Estimates and Judgments of the Management*

The Group proceeds with 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 several 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 broken down as follows:

| MOVEMENT IN FIXED ASSETS | Land plots & Buildings | Vehicles & Mechanical Equipment | Furniture and Other Equipment | Capital Investments in Progress | Intangible Assets | Investment Property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition Book Value | 33,010,275.24 | 17,543,994.24 | 846,336.75 | 938,979.17 | 185,492.02 | 5,379,473.68 | 57,904,551.10 |
| Accumulated Depreciation and Value Impairment | -1,861,063.64 | -4,483,871.34 | -509,687.76 | 0.00 | -162,590.96 | -154,421.04 | -7,171,634.74 |
| **Undepreciated Book Value as of 31 DEC 2006** | **31,149,211.60** | **13,060,122.90** | **336,648.99** | **938,979.17** | **22,901.06** | **5,225,052.64** | **50,732,916.36** |
| Acquisition Book Value | 34,391,806.03 | 19,027,762.45 | 969,220.79 | 3,307,375.96 | 227,152.40 | 5,379,473.68 | 63,302,791.31 |
| Accumulated Depreciation and Value Impairment | -2,607,007.84 | -5,311,769.70 | -599,481.56 | 0.00 | -180,126.62 | -205,894.72 | -8,904,280.44 |
| **Undepreciated Book Value as of 31 DEC 2007** | **31,784,798.19** | **13,715,992.75** | **369,739.23** | **3,307,375.96** | **47,025.78** | **5,173,578.96** | **54,398,510.87** |

| MOVEMENT IN FIXED ASSETS | Land plots & Buildings | Vehicles & Mechanical Equipment | Furniture and Other Equipment | Capital Investments in Progress | Intangible Assets | Investment Property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition Book Value | **31,149,211.60** | **13,060,122.90** | **336,648.99** | **938,979.17** | **22,901.06** | **5,225,052.64** | **50,732,916.36** |
| Additions | 1,381,530.82 | 1,520,776.60 | 134,206.94 | 3,231,950.96 | 41,660.38 | 0.00 | 6,310,125.70 |
| Depreciation | -745,944.23 | -844,606.71 | -101,116.70 | 0.00 | -17,535.66 | -51,473.68 | -1,760,676.98 |
| Value Impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales – Write-offs | 0.00 | -37,008.41 | -11,322.90 | 0.00 | 0.00 | 0.00 | -48,331.31 |
| Depreciation of Items Sold – Written Off | 0.00 | 16,708.37 | 11,322.90 | 0.00 | 0.00 | 0.00 | 28,031.27 |
| Transfer to Investment Property | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer to Fixed Assets | 0.00 | 0.00 | 0.00 | -863,554.17 | 0.00 | 0.00 | -863,554.17 |
| **Undepreciated Book Value as of 31 DEC 2007** | **31,784,798.19** | **13,715,992.75** | **369,739.23** | **3,307,375.96** | **47,025.78** | **5,173,578.96** | **54,398,510.87** |

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

| MOVEMENT IN FIXED ASSETS | Land plots & Buildings | Vehicles & Mechanical Equipment | Furniture and Other Equipment | Capital Investments in Progress | Intangible Assets | Investment Property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition Book Value | 26,094,534.14 | 13,005,060.41 | 623,095.39 | 916,956.67 | 111,882.66 | 5,379,473.68 | 46,131,002.95 |
| Accumulated Depreciation and Value Impairment | -1,658,313.04 | -3,576,806.21 | -406,794.79 | 0.00 | -97,005.56 | -154,421.04 | -5,893,340.64 |
| **Undepreciated Book Value as of 31 DEC 2006** | **24,436,221.10** | **9,428,254.20** | **216,300.60** | **916,956.67** | **14,877.10** | **5,225,052.64** | **40,237,662.31** |
| Acquisition Book Value | 27,137,666.72 | 14,233,530.77 | 710,669.48 | 1,764,618.10 | 147,178.04 | 5,379,473.68 | 49,373,136.79 |
| Accumulated Depreciation and Value Impairment | -2,260,516.93 | -4,145,600.90 | -476,676.29 | 0.00 | -107,344.13 | -205,894.72 | -7,196,032.97 |
| **Undepreciated Book Value as of 31 DEC 2007** | **24,877,149.79** | **10,087,929.87** | **233,993.19** | **1,764,618.10** | **39,833.91** | **5,173,578.96** | **42,177,103.82** |

| MOVEMENT IN FIXED ASSETS | Land plots & Buildings | Vehicles & Mechanical Equipment | Furniture and Other Equipment | Capital Investments in Progress | Intangible Assets | Investment Property | Total |
|---|---|---|---|---|---|---|---|
| Acquisition Book Value | **24,436,221.10** | **9,428,254.20** | **216,300.60** | **916,956.67** | **14,877.10** | **5,225,052.64** | **40,237,662.31** |
| Additions | 1,043,132.56 | 1,264,153.60 | 87,574.08 | 1,706,693.10 | 35,295.38 | 0.00 | 4,136,848.72 |
| Depreciation | -602,203.87 | -584,575.44 | -69,881.49 | 0.00 | -10,338.57 | -51,473.68 | -1,318,473.05 |
| Value Impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales – Write-offs | 0.00 | -35,683.24 | 0.00 | 0.00 | 0.00 | 0.00 | -35,683.24 |
| Depreciation of Items Sold – Written Off | 0.00 | 15,780.75 | 0.00 | 0.00 | 0.00 | 0.00 | 15,780.75 |
| Transfer to Investment Property | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer to Fixed Assets | 0.00 | 0.00 | 0.00 | -859,031.67 | 0.00 | 0.00 | -859,031.67 |
| **Undepreciated Book Value as of 31 DEC 2007** | **24,877,149.79** | **10,087,929.87** | **233,993.19** | **1,764,618.10** | **39,833.91** | **5,173,578.96** | **42,177,103.82** |

## 6. *Analysis of Investments in Subsidiaries and Joint Ventures*

The Company participation rates in subsidiaries and joint ventures under incorporation, none of which are listed, are as follows:

| | Country of Establishment | Assets | Liabilities | Income | Profit / Loss | Participation Rate |
|---|---|---|---|---|---|---|
| **31.12.2007** | | | | | | |
| CORUS - KALPINIS – SIMOS STEEL SERVICE CENTRE S.A. | Greece | 4,285,651.72 | 11,122.01 | 0.00 | (167,293.72) | 50% |
| CORUS - KALPINIS – SIMOS COATING MATERIALS S.A. | Greece | 24,222,654.42 | 12,191,694.88 | 28,212,132.66 | 2,815,877.33 | 50% |
| **TOTALS** | | | | | | |
| **31.12.2006** | | | | | | |
| CORUS - KALPINIS – SIMOS STEEL SERVICE CENTRE S.A. | Greece | 1,912,289.22 | 1,008,748.76 | 0.00 | (55,388.97) | 100% |
| CORUS – KALPINIS –SIMOS S.A. COATING MATERIALS | Greece | 21,320,260.11 | 11,486,491.79 | 22,357,541.05 | 1,816,172.58 | 50% |
| **TOTALS** | | | | | | |

## 7. *Analysis of Receivables*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Trade Receivables | 38,792,533.94 | 26,690,070.52 | 32,915,387.63 | 21,980.004.22 |
| Provisions for doubtful claims | (672,185.73) | (660,268.98) | (488,819.21) | (487,512.53) |
| Post-dated cheques | 55,699,829.45 | 55,268,161.16 | 42,850,304.58 | 43,906,657.96 |
| Notes | 26,111.96 | 415,384.01 | 26,111.96 | 348,384.01 |
| **Trade Receivables** | **93,846,289.62** | **81,713,346.71** | **75,302,984.96** | **65,747,533.66** |
| Securities | 464,150.00 | 0.00 | 0.00 | 0.00 |
| Other Debtors | 1,314,534.82 | 1,338,949.05 | 270,046.22 | 1,208,185.96 |
| **Total Receivables** | **95,624,974.44** | **83,052,295.76** | **75,573,031.18** | **66,955,719.62** |

# 8. *Analysis of Inventories*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Merchandise | 31,199,234.27 | 23,784,058.20 | 17,535,524.83 | 17,820,198.73 |
| Goods in Stock | 6,326,149.08 | 6,232,320.00 | 6,326,149.08 | 6,232,320.00 |
| Products | 8,907,724.00 | 5,632,711.64 | 6,676,634.35 | 4,904,996.33 |
| Orders | 4,010,259.75 | 8,548,689.48 | 3,527,802.92 | 7,832,657.48 |
| Raw Materials – Consumables | 2,219,485.74 | 1,306,468.99 | 0.00 | 0.00 |
| **Total** | **52,662,852.84** | **45,504,248.31** | **34,066,111.18** | **36,790,172.54** |
| **Less Provisions for inventory impairment:** | | | | |
| Merchandise | 0.00 | (615.50) | 0.00 | 0.00 |
| Products | 0.00 | (1,553.50) | 0.00 | 0.00 |
| Raw Materials | 0.00 | (10,771.50) | 0.00 | 0.00 |
| **Total** | **52,662,852.84** | **45,491,307.81** | **34,066,111.18** | **36,790,172.54** |

# 9. *Analysis of Cash*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Cash-In-Hand | 143,855.54 | 31,282.82 | 80,135.18 | 15,916.75 |
| Demand deposits | 1,608,304.07 | 1,844,405.41 | 1,023,951.26 | 1,373,111.26 |
| **Total** | **1,752,159.61** | **1,875,688.23** | **1,104,086.44** | **1,389,028.01** |

# *10. Analysis of All Equity Accounts*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Share Capital | **14,918,400.00** | **11,188,800.00** | **14,918,400.00** | **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** |
| | | | | |
| Ordinary Reserve | 2,840,909.12 | 2,528,248.68 | 2,780,000.00 | 2,505,000.00 |
| Extraordinary Reserves | 5,270,400.00 | 9,000,000.00 | 5,270,400.00 | 9,000,000.00 |
| Untaxed Reserves under Special Law Provisions | 11,985,901.87 | 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** | **20,501,526.86** | **23,952,943.98** | **20,340,493.73** | **23,795,093.73** |
| | | | | |
| Profit carried forward | 29,402,929.60 | 25,890,169.96 | 27,743,006.47 | 25,138,654.27 |
| Results for Fiscal year | 9,556,733.17 | 6,210,432.98 | 8,507,992.50 | 5,365,752.20 |
| **Accumulated Profit** | **38,959,662.77** | **32,100,602.94** | **36,250,998.97** | **30,504,406.47** |
| | | | | |
| **Total Equity without Minority Interest** | **89,280,367.33** | **82,143,124.62** | **86,410,670.40** | **80,389,077.90** |
| | | | | |
| Minority Interest | 9,271,016.32 | 8,502,245.54 | 0.00 | 0.00 |
| | | | | |
| **Total Equity** | **98,551,383.65** | **90,645,370.16** | **86,410,670.40** | **80,389,077.90** |

The Extraordinary General Shareholder Meeting of the Company on 12 September 2007 decided the following:

a) The share capital increase of the Company by the amount of 3,729,600.00 euro by capitalizing extraordinary taxable reserve and the subsequent increase in the share's par value to EUR 1.20 from EUR 0.90 per share.

b) The decrease in the nominal value of the share from EUR 1.20 to EUR 0.40 and the simultaneous increase in the total number of shares from 12,432,000 to 37,296,000 common registered shares (split).

The aforementioned 24,864,000 new shares were distributed to the shareholders at no charge at a ratio of 2 new ordinary registered shares for every one existing ordinary registered share. After the abovementioned corporate changes, the Company's share capital amounts to EUR 14,918,400 divided by 37,296,000 shares with a nominal value of EUR 0.40 each.

# 11. *Analysis of Suppliers and Other Liabilities*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Suppliers | 8,720,984.64 | 5,552,812.26 | 2,287,731.14 | 2,590,471.28 |
| Notes Payable | 8,653,132.85 | 7,220,741.43 | 8,484,235.28 | 7,129,829.17 |
| Accrued Income | 111,498.65 | 68,316.44 | 0.00 | 15,680.99 |
| Insurance Accounts and other taxes | 703,225.49 | 721,837.43 | 462,436.25 | 430,370.67 |
| Advances from Customers | 308,070.73 | 289,616.03 | 190,502.17 | 235,176.11 |
| Other Liabilities | 257,842.10 | 187,609.37 | 341,764.85 | 49,915.23 |
| **Total** | **18,754,754.46** | **14,040,932.96** | **11,766,669.69** | **10,451,443.45** |
| Financial Lease Liabilities | 11,352.31 | 3,528.87 | 0.00 | 0.00 |
| **Total** | **18,766,106.77** | **14,044,461.83** | **11,766,669.69** | **10,451,443.45** |

# 12. *Analysis of Loans*

The loan liabilities of the Group and the Company are analyzed as follows:

**Long-term Loans**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Bond Loans | 32,507,796.51 | 30,000,000.00 | 27,000,000.00 | 30,000,000.00 |

**Short-term Loans**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Bank Loans | 32,362,160.10 | 36,248,430.57 | 12,774,819.78 | 18,874,097.51 |
| Short Term Segment of Bond Loans | 15,373,501.58 | 5,056,523.33 | 15,146,848.53 | 5,056,523.33 |
| **Total** | **47,735,661.68** | **41,304,953.90** | **27,921,668.31** | **23,930,620.84** |

| | | | | |
|---|---|---|---|---|
| **TOTAL LOANS** | **80,243,458.19** | **71,304,953.90** | **54,921,668.31** | **53,930,620.84** |

## *13. Analysis of deferred taxes*

Deferred tax receivables and liabilities are calculated at the level of each individual Company of the Group. If receivables and liabilities incur these are offset against each other at the individual Company level.
The deferred tax receivables (DTR) and liabilities (DTL) are offset when there is an enforceable legal right for the current tax claims to be offset against current tax liabilities and when the deferred income taxes concern the same tax authority.

Deferred taxes are as follows:

a) For the Group

| | 31.12.2007 | | 31.12.2006 | |
|---|---|---|---|---|
| | DTR | DTL | DTR | DTL |
| From tax claim for the depreciation of tangible fixed assets at a time prior to the encumbrance of the results | 0.00 | 2,245,609.75 | 0.00 | 1,935,512.58 |
| From tax claim for the depreciation of intangible fixed assets at a time prior to the encumbrance of the results | 0.00 | 9,958.45 | 0.00 | 3,245.38 |
| From tax claim for the depreciation of intangible fixed assets at a time following the encumbrance of the results | 156.49 | 0.00 | 1,969.97 | 0.00 |
| From tax loss offset with taxable gain of subsequent fiscal years & periods | 4,552.83 | 0.00 | 0.00 | 0.00 |
| From accounting recognition of tax deductible liabilities to employees at the time they are paid | 146,675.99 | 0.00 | 130,938.81 | 0.00 |
| From claims written off | 0.00 | 0.00 | 995.38 | 0.00 |
| From tax claim for the depreciation of establishment cost at a time prior to the encumbrance of the results | 31,100.64 | 0.00 | 0.00 | 0.00 |
| From a depreciation tax claim for setup expenses at a time following the encumbrance of the results | 0.96 | 0.00 | 219.74 | 0.00 |
| From Leasing Liabilities | 6,883.48 | 0.00 | 0.00 | 0.00 |
| From Inventory Impairment | 10,659.37 | 0.00 | 0.00 | 1,197.50 |
| From a Provision for Bad Debt | 0.00 | 124,555.17 | 37,933.40 | 0.00 |
| From Exchange Differences | 0.00 | 415.68 | 0.00 | 4,188.17 |
| Subsidies | 0.00 | 5,837.67 | 0.00 | 0.00 |
| Difference in Product Valuation | 764.96 | 0.00 | 790.14 | 0.00 |
| From Unrealized Profits from Intercompany Transactions | 432.57 | 0.00 | 4,725.97 | 0.00 |
| | **201,227.29** | **2,386,376.72** | **177,573.41** | **1,944,143.63** |
| Deferred Tax Liability | | **2,185,149.43** | | **1,766,570.22** |
| Deferred Tax for Fiscal year | | **428,954.77** | | **115,858.38** |

b) for the Company

| | 31.12.2007 | | 31.12.2006 | |
|---|---|---|---|---|
| | DTR | DTL | DTR | DTL |
| From tax claim for the depreciation of tangible fixed assets at a time prior to the encumbrance of the results | 0.00 | 1,495,295.44 | 0.00 | 1,290,038.18 |
| From tax claim for the depreciation of intangible fixed assets at a time prior to the encumbrance of the results | 0.00 | 9,958.45 | 0.00 | 3,245.38 |
| From tax claim for the depreciation of intangible fixed assets at a time following the encumbrance of the results | 0.00 | 0.00 | 0.00 | 0.00 |
| From accounting recognition of tax deductible liabilities to employees at the time they are paid | 127,429.22 | 0.00 | 114,291.72 | 0.00 |
| From valuation of long-term liabilities at present value | 0.00 | 0.00 | 0.00 | 0.00 |
| From tax claim for the depreciation of setup expenses at a time prior to the encumbrance of the results | 0.00 | 0.00 | 0.00 | 0.00 |
| From a depreciation tax claim for setup expenses at a time following the encumbrance of the results | 0.00 | 0.00 | 178.37 | 0.00 |
| From Inventory Impairment | 10,659.37 | 0.00 | 0.00 | 0.00 |
| From Exchange Differences | 0.00 | 415.68 | 0.00 | 4,188.17 |
| From a Provision for Bad Debt | 0.00 | 120,000.00 | 52,500.00 | 0.00 |
| Difference in Product Valuation | 0.00 | 0.00 | 790.14 | 0.00 |
| Subsidies | 0.00 | 5,837.67 | | |
| Impairment of Participation Value | 0.00 | 0.00 | 11,500.00 | 0.00 |
| **Income taxes that shall burden the accounts of subsequent periods** | **138,088.59** | **1,631,507.24** | **179,260.23** | **1,297,471.73** |
| Deferred Tax Liability | | **1,493,418.65** | | **1,118,211.50** |
| Deferred Tax for Fiscal year | | **375,207.15** | | **116,706.96** |

# 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 recorded on 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 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Balance Sheet Liabilities** | **586,703.95** | **523,755.22** | **509,716.86** | **457,166.86** |
| **Charges in Results** | **77,118.41** | **202,371.23** | **59,500.00** | **191,636.27** |
| | | | | |
| Current Value of Funded Liabilities | 659,222.12 | 600,752.34 | 573,252.21 | 521,859.93 |
| Non-recorded proportional (profits) / losses | -75,485.58 | -76,997.12 | -63,535.35 | -64,693.07 |
| Non-recorded cost of previous service | 0.00 | 0.00 | 0.00 | 0.00 |
| **Liability in balance sheet** | **586,703.95** | **523,755.22** | **509,716.86** | **457,166.86** |
| | | | | |
| **Changes in the net liability Acknowledged in the Balance Sheet** | | | | |
| Net Liability at Beginning of the year | 523,755.22 | 492,738.70 | 457,166.86 | 430,719.59 |
| Employer Contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| Benefits Paid | -14,169.68 | -171,354.71 | -6,950.00 | -165,189.00 |
| Total Expenditure Acknowledged in the Results Account | 77,118.41 | 202,371.23 | 59,500.00 | 191,636.27 |
| **Net Liability at the End of the Period** | **586,703.95** | **523,755.22** | **509,716.86** | **457,166.86** |
| | | | | |
| **Analysis of Expenditures Acknowledged in the Results Account** | | | | |
| Cost of Current Service | 49,035.50 | 35,199.42 | 35,863.18 | 27,408.25 |
| Interest on Liability | 26,571.37 | 21,843.84 | 22,479.00 | 19,309.32 |
| Cost of Additional Benefits | 0.00 | 35,000.00 | 0.00 | 35,000.00 |
| Settlement Costs from Employee Transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Actuarial (Profit) / Loss | 1,511.54 | 5,209.57 | 1,157.82 | 4,800.30 |
| Termination Benefits | 0.00 | 105,118.40 | 0.00 | 105,118.40 |
| **Total expenditure Acknowledged in the results account** | **77,118.41** | **202,371.23** | **59,500.00** | **191,636.27** |
| | | | | |
| **Main Actuary Benefits used for Accounting Purposes** | | | | |
| Discount Rate | 3.60% | 3.60% | 4.25% | 4.25% |
| Future Wage Increases | 3.20% | 3.20% | 3.20% | 3.20% |

## 15. Analysis of Provisions

By virtue of Law 3220/2004, the Company and the Group formed untaxed reserves amounting to EUR 2,560 thousand and EUR 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 there may eventually be an outflow of resources and has made a provision burdening the results of 2006 in the amounts of EUR 750 thousand and EUR 825 thousand for the Company and the Group, respectively
According to par. 2 of Article 17 of Law 3614 / 2007 and the interpretive circular 1148/11-12-2007, the recovery of a special untaxed reserve is not applicable for each of the fiscal years 2004 / 2005 for businesses that have been granted exemption for up to EUR 100,000 due to the untaxed reserve they formed. Consequently, for the Group's companies STEEL CENTER S.A. and CORUS - KALPINIS – SIMOS S.A. COATING MATERIALS, the outflow of resources is not applicable and the existing provision in fiscal year 2006 is reversed.
Furthermore, in accordance with par. 2 of Article 47 of Law 3614/2007, the judgment of the Company's management is that the investments of the parent A. KALPINIS – N. SIMOS S.A. are such that they are exempt from recovery and consequently there arises no possibility of resource outflow from the parent Company either. However, because up to the drafting date of the financial statements for fiscal year 2007 no tax audit had been conducted, and for reasons of prudence, the parent Company did not implement a reversal of the executed provision of EUR 750,000.

## 16. Information by Segment

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

The geographical sector can be considered as a secondary reporting sector. It includes the following reporting sectors:
-Domestic Sales (about 91%)
-Foreign Sales (about 9 %)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Merchandise Sales | 109,622,004.01 | 84,198,463.79 | 99,237,434.02 | 74,420,014.86 |
| Product Sales | 79,009,398.94 | 65,851,659.91 | 56,039,304.83 | 50,808,313.63 |
| Other Sales | 713,979.87 | 389,789.56 | 1,967.80 | 1,107.10 |
| **Total Sales** | **189,345,382.82** | **150,439,913.26** | **155,278,706.65** | **125,229,435.59** |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Domestic Sales | 173,352,866.14 | 139,407,579.43 | 141,854,540.55 | 115,065,924.86 |
| Foreign Sales | 15,992,516.68 | 11,032,333.83 | 13,424,166.10 | 10,163,510.73 |
| **Total Sales** | **189,345,382.82** | **150,439,913.26** | **155,278,706.65** | **125,229,435.59** |

# *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 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Income from Transport & Delivery Expenses | 1,865,588.82 | 1,943,249.27 | 1,642,116.90 | 1,740,757.89 |
| Income from Unused Prior Fiscal year Provisions | 13,493.62 | 99,106.89 | 0.00 | 0.00 |
| Income from Foreign Exchange Differences | 109,440.40 | 87,349.46 | 72,803.78 | 82,217.39 |
| Rental Income | 342,653.28 | 318,600.00 | 306,653.28 | 297,600.00 |
| Other Income | 155,290.20 | 87,429.42 | 300,410.28 | 147,278.83 |
| **Total Other Operating Income** | **2,486,466.32** | **2,535,735.04** | **2,321,984.24** | **2,267,854.11** |

(b) Other Expenses

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Bad Debts | 54,543.50 | 1,158,653.75 | 10,000.00 | 1,080,000.00 |
| Losses from Sale of Fixed Assets | 19,878.61 | 296.03 | 13,357.50 | 639.58 |
| Other Expenses (Foreign Exchange Differences, etc) | 587,584.53 | 517,083.13 | 555,092.08 | 490,695.64 |
| Impairment of Participation Value | (46,000.00) | 3,650.00 | (46,000.00) | 0.00 |
| **Total Other Operating Expenses** | **616,006.64** | **1,679,682.91** | **532,449.58** | **1,571,335.22** |

(c) Financial result

The Financial Results of the Group and the Company are analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Interest and Related Income | 549,569.45 | 648,500.04 | 415,011.20 | 523,656.27 |
| Interest and Related Expenses | (4,690,648.82) | (2,913,715.00) | (3,390,678.49) | (2,257,859.27) |
| **Financial Result** | **(4,141,079.37)** | **(2,265,214.96)** | **(2,975,667.29)** | **(1,734,203.00)** |

## 18. Reconciliation of Income Tax

The Tax Obligations of the Group and the Company are analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Tax for Fiscal year | 3,115,039.47 | 3,237,899.62 | 2,628,009.40 | 2,669,563.10 |
| Deferred Tax | 428,954.77 | (115,858.38) | 375,207.15 | (116,706.96) |
| Provision for taxation of untaxed reserves | (74,800) | 824,800.00 | 0.00 | 750,000.00 |
| Balance of Tax Audit | 0.00 | 430,509.17 | 0.00 | 399,996.00 |
| **Total** | **3,469,194.24** | **4,377,350.41** | **3,003,216.55** | **3,702,852.14** |

## 19. Analysis of Profit per Share

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Net Profit Attributable to Shareholders | 9,556,733.17 | 6,210,432.98 | 8,507,992.50 | 5,365,752.20 |
| Number of Shares | 37,296,000 | 37,296,000 | 37,296,000 | 37,296,000 |
| **Profit Per Share (€)** | **0.256** | **0.167** | **0.228** | **0.144** |

## 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 analyzed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Sales of Goods, Services, and Fixed Assets | 0.00 | 0.00 | 904,827.80 | 1,589,706.72 |
| Purchases of Goods, Services, and Fixed Assets | 0.00 | 0.00 | 549,949.40 | 735,457.24 |
| Receivables | 0.00 | 0.00 | 40,045.84 | 208,816.62 |
| Liabilities | 0.00 | 0.00 | 0.00 | 0.00 |
| Transactions and Fees of Directors and Managers | 1,242,539.99 | 1,077,804.67 | 884,504.85 | 767,321.47 |
| Receivables from Directors and Managers | 0.00 | 0.00 | 0.00 | 0.00 |
| Receivables to Directors and Managers | 0.00 | 0.00 | 0.00 | 0.00 |

## 21. Contingent Liabilities –Receivables

There are no disputes in court or in arbitration, nor are there any decisions by judicial or arbitration bodies that may have a significant impact on the Company's or Group's financial situation or operation.

The parent Company has been tax audited for the periods up to 2005 inclusive.

CORUS-KALPINIS-SIMOS S.A. COATING MATERIALS has been audited up to and including fiscal year 2004, CORUS – KALPINIS – SIMOS STEEL SERVICE CENTRE S.A. has been tax audited up to and including fiscal year 2005 and STEEL CENTER S.A. has been audited up to and including fiscal year 2004. Therefore, tax obligations have not been rendered final for the non audited fiscal years.

The Group and Company incur contingent liabilities and receivables with regard to banks, other guarantees and other issues that arise in the context of usual activities, as follows:

| | 31.12.2007 | |
|---|---|---|
| | **Group** | **Company** |
| Guarantees to Secure Obligations to Banks | 11,048,515.68 | 11,048,515.68 |
| Guarantees to Secure Obligations to Suppliers | 3,311,173.86 | 0.00 |
| Guarantees to Secure Receivables from Customers | 3,797,903.49 | 3,797,903.49 |
| Payable Cheques that were Offset with Customer Down payments | 602,983.02 | 512,422.62 |
| Other Guarantees | 10,000.00 | 0.00 |
| **Total** | **18,770,576.05** | **15,358,841.79** |

## 22. Dividends

According to Greek Commercial Law, companies are obligated to distribute to the shareholders 35% of the profits that remain after deducting taxes and withholding for the regular reserve. The recommendation of the Board of Directors to the General Shareholder Meeting will be for a dividend distribution of EUR 0.10 per share.

## 23. Information about Personnel

(a) Number of Personnel

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Salaried Personnel | 136 | 121 | 83 | 78 |
| Day Laborers | 155 | 153 | 111 | 114 |
| **Total Personnel** | **291** | **274** | **194** | **192** |

(b) Remuneration of Personnel

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1 JAN – 31 DEC | | 1 JAN – 31 DEC | |
| | 2007 | 2006 | 2007 | 2006 |
| Remuneration of employees | 6,151,047.66 | 5,289,897.70 | 4,658,377.99 | 4,073,013.18 |
| Employer Contributions | 1,687,087.76 | 1,477,874.88 | 1,297,093.68 | 1,163,556.48 |
| Other Benefits | 71,670.71 | 79,185.47 | 20,798.08 | 27,028.44 |
| **Total** | **7,909,806.13** | **6,846,958.05** | **5,976,269.75** | **5,263,598.10** |

# 24. Financial Lease

The Financial Lease obligation is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| Up to 1 year | 12,705.69 | 3,679.08 | 0.00 | 0.00 |
| From 1 to 5 years | 17,069.20 | 2,454.22 | 0.00 | 0.00 |
| **Total** | **29,774.89** | **6,133.30** | 0.00 | 0.00 |
| Minus Future Financial Leases | (2,240.97) | (181.76) | 0.00 | 0.00 |
| **Current Value of Financial Lease Obligations** | **27,533.92** | **5,951.54** | **0.00** | **0.00** |
| | | | | |
| **Present Value of Financial Lease Obligations** | | | | |
| Up to 1 year | 11,352.31 | 3,528.87 | 0.00 | 0.00 |
| From 1 to 5 years | 16,181.61 | 2,422.67 | 0.00 | 0.00 |
| **Total** | **27,533.92** | **5,951.54** | **0.00** | **0.00** |

# 25. State Grants

| | Grants on Completed Investments | Grants in Revenue | Grant Collection | Grant Receivables (advance payment) |
|---|---|---|---|---|
| A. KALPINIS – N. SIMOS S.A. | 835,858.21 | 23,350.67 | 1,543,773.77 | (707,915.56) |
| STEEL CENTER S.A. | 975,771.78 | 41,362.87 | 0.00 | 934,408.91 |
| **TOTAL** | **1,811,629.99** | **64,713.54** | **1,543,773.77** | **226,493.35** |

Advance payment of grants appears in other long term liabilities in the company's and the group’s financial statements and grant receivables in other receivables of the consolidated financial statements.

(a) Parent Company

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

1. The construction of buildings and special installations in the amount worth EUR 4.94 million.
2. New mechanical equipment for processing steel products worth EUR 5.94 million.
3. Technical equipment worth EUR 2.32 million.
4. New vehicles worth EUR 740 thousand.
5. Equipment transport and installation expenses worth EUR 410 thousand.
6. Office Automation Computerized systems worth EUR 350 thousand.

The investment cost grant is subject to limitations and conditions that are reasonably expected to be implemented in whole.

(b) Steel Center S.A.

On 11 September 2006 the Ministry of Economy and Finance approved the new investment plan submitted by the subsidiary "Steel Center S.A." amounting to EUR 2.72 million. A 35% grant is expected on the above investment plan.

The plan includes:

1. Landscape works in the surrounding area worth EUR 250 thousand.
2. The erection of building and special installations in the amount worth EUR 985 thousand.
3. New mechanical and other equipment worth EUR 1.37 million.
4. New vehicles worth EUR 60 thousand.
5. Survey and consultant fee expenses worth EUR 57 thousand.

(c) Proceeds on account of Grants

In June 2007 "A. KALPINIS – N. SIMOS S.A." received an advance payment of EUR 1.54 million, corresponding to 30% of the total grant amount, making use of the option of a lump sum advance payment. As of 31 December 2007, "Steel Center S.A." had yet to receive any amount on account of the grant.

(d) Accounting Treatment of the Grants

The company accounted for grants corresponding to 35% of completed investments.

## *26. Post Balance Sheet Events*

There were no events affecting the financial statements.

# BOARD OF DIRECTORS MANAGEMENT REPORT
# OF A. KALPINIS – N. SIMOS S.A.
# FOR FISCAL YEAR 2007 TO THE
# 42ND ORDINARY GENERAL SHAREHOLDERS MEETING

Dear Shareholders,

We have the honor to submit for your approval the financial statements drawn up in accordance with the International Financial Reporting Standards for the period 2007 as well as with the provisions of Law 2190/1920 and the Articles of Association and which provide a true and accurate picture of the financial standing of the Group and the Company as of December 31 2007.

2007 was a year of intense interest for our Group and our Company in which all the objectives that had been initially set were achieved. Steel prices were characterized by intense fluctuations internationally during fiscal year 2007. Specifically, the conditions that prevailed on the market during the first half of the year, due to the continuously rising prices, created the prerequisites for satisfactory profitability. On the contrary, during the second half of the year prices dropped which resulted in the containment of profit margins. Despite the reversal of this picture in the second half of the year, the final outcome for the total fiscal year was quite satisfactory and within our initial estimations.

More specifically the consolidated turnover was increased by 26% and stood at EUR 189 million compared to EUR 150 million for fiscal year 2006. The consolidated gross earnings amounted to EUR 29.7 million compared to EUR 24.8 million in the corresponding previous fiscal year, showing an increase of 19.5%, while the gross profit margin was contained to 15.7% of the consolidated turnover due to the drop in the price of steel in the second half of the fiscal year. EBITDA, i.e. financial results before taxes, financing, investment results and depreciation increased by 29 % and amounted to EUR 19.8 million in profits compared to EUR 15.3 million in 2005; the pre-tax consolidated results increased by 20% and amounted to EUR 13.8 million in profits, compared to EUR 11.5 million for 2006 and, finally, consolidated net earnings after taxes and minority interests increased by 55% and amounted to EUR 9.6 million compared to EUR 6.2 million for 2006.

The turnover of the parent company was increased by 24% and stood at EUR 155 million compared to EUR 125 million for fiscal year 2006. Gross profit reached EUR 23.7 million compared to EUR 20 million for the corresponding previous fiscal year while the gross profit margin was maintained at 15.3%. Results before taxes, financing, investment results and depreciation (EBITDA) of the parent Company were up by 32% and stood at EUR 15.8 million compared to EUR 12.0 million in 2005. Respectively, the parent Company's pre-tax profits increased by 26 % to EUR 11.5 million compared to EUR 9.1 million for 2006, and finally net profits after tax increased by 58.6% and amounted to EUR 8.5 compared to EUR 5.4 million for 2006.

In the context of its long-term investment plan that the Company is implementing, investments of approximately EUR 3 million were completed in fiscal year 2007, which mainly concern building and updated office automation equipment aiming to increase the Company's production capacity and efficiency.

With dedication to its investment program, the Company confirmed its long standing and consistently growing development with the abovementioned financial results. At the same time and with 2007 as its springboard, it proceeded to implement the new strategy aiming to expand its activities into areas beyond its borders and mainly to the Balkan countries. Long term experience and know-how will assist in these new challenges, as will the high visibility that it has enjoyed in these past decades both from our customers in the domestic market, as well as from our world renowned suppliers and our longstanding cooperation with them.

In the context of this new development policy, a series of actions is being implemented. The Company has set as a priority to restructure management by staffing it with experienced and competent professionals capable of coping with the new challenges, in order to assure the new developmental direction as well as the productivity of the Group's and the Company's operations. This direction has also led to the consideration of renaming the Company, which would define the new era.

At the same time, it was decided to develop a steel product trade and processing plant in Romania as a joint venture with two of the largest Greek groups in the sector, Hellenic Halyvourgia Group and Trigonis Bros S.A. Group. Specifically, procedures were completed in accordance with which HELLENIC HALYVOURGIA S.A. and TRIGONIS BROS S.A., through their subsidiary companies, will participate in the share capital of the Romanian Company SC KALPINIS SIMOS ROM S.R.L., a subsidiary currently 100% owned by A. KALPINIS – N. SIMOS S.A.. The Company will be renamed BALKAN IRON GROUP S.R.L. (distinct title B.I.G S.R.L.). With participation by each Company with 1/3 and the total investment program is expected to amount to approximately EUR 12 million.

Moreover, in Bulgaria, the Company is seeking a suitable land property to develop a corresponding processing unit while it is examining every potential partnership very carefully.

The investment made by Corus Kalpinis Simos Steel Processing Centre S.A. in Thessalonica is advancing at a rapid pace. The mechanical equipment has already been ordered and it is estimated to be at operational readiness by autumn, while the construction of the offices is already being completed and management has been selected. The investment is valued to be worth EUR 15 million while the Company has already received pre-approval by the Ministry of Economy and Finance (MEF) in accordance with provisions of Law 3299/2004.

Furthermore, with the increase in sales and the reduction of the credit period of customers, the Group's required liquidity is reinforced while any bad debt is eliminated as all of the Group's sales are insured.

The subsidiary Corus-Kalpinis-Simos S.A., which is active in panel products, is expanding its productive capacity by implementing new investments worth EUR 2.75 million. These investments have already been pre-approved by the MEF in the context of investment Law 3229/2004. In 2007, the sales of Corus-Kalpinis-Simos S.A. increased by approximately 26% and amounted to EUR 28.2 million, compared to EUR 22.4 million in 2006. The net pre-tax earnings increased by 8% and amounted to EUR 2.8 million compared to EUR 2.6 million last year.

At Steel Center S.A., which is active in trade and processing of special and stainless steels, A. KALPINIS – N. SIMOS S.A. does not have any participation for the time being, and it is consolidated up to and including fiscal year 2007 in accordance with the provisions of Codified Law 2190/1920 as an associated Company that is under joint management. The IFRS that are now applied do not clearly impose the consolidation of companies solely with the criterion of common management and expert opinions differ. Taking into consideration the difficulties created during the analysis of the consolidated financial statements, the Board of Directors decided on 1 January 2008 not to include the financial data of Steel Center S.A. in the consolidated financial statements of A. Kalpinis – N. Simos S.A. During 2007, the Company STEEL CENTER S.A. completed the MEF approved investment program of EUR 2.7 million for which a 35% subsidy had been approved. Today, Steel Center S.A. owns private facilities in 16,000 sq. m. premises, of which 6,000 sq. m. are covered areas with modern mechanical equipment. It also owns 6,000 sq. m. of storage space of which 1,000 sq. m. are covered, and a decision has been made for the purchase of a land plot in the industrial area of Sindos, Thessalonica, for future expansion. As a result of its growth path Steel Center S.A. increased its sales by approximately 40%, but the net gains before taxes decreased and amounted to EUR 0.9 million compared to EUR 1.2 million last year.

For 2007, the Company's Board of Directors, in the context of its dividend policy, will recommend to the General Shareholders Meeting the distribution of a net dividend of EUR 0.10 per share, compared to a dividend of EUR 0.067 per share in 2006. The dividend result appears increased compared to the corresponding one last year by almost 50% and with a current price of EUR 1.45 per share, it amounts to approximately 7%.

As far as 2008 is concerned, the increase in the price of steel internationally to this day, creates the conditions for an even better year. Given that due to the vast fluctuations, every forecast becomes difficult, based on the initial evidence, it is estimated that growth will be registered both in activity as well as results, under the condition that this trend will persist.

Below, for your comprehensive information, we provide indexes regarding the progress of the Company's financial figures for 2007:

**(a) ECONOMIC STRUCTURE**

**1. Current Floating Assets / Total Assets** — **70 %**

This index shows the percentage of total assets that comprises inventories, customer receivables and other accounts that can be immediately liquidated, such as shares – securities or cheques and cash.

**2. Equity / Total Liabilities** — **120 %**

This index represents the degree of economic self-sufficiency of the economic unit.

**3. Current Assets / Short term Liabilities** — **268 %**

This index represents the general economic unit liquidity, providing a clear picture of the percentage of liquidatable assets compared to liabilities for the year.

**(b) RETURN AND PROFITABILITY**

**4. Net Earnings before taxes / Sales** — **7.4 %**

This index represents the final net result before taxes as a percentage of total sales.

**5. Net results before taxes / Equity** — **13 %**

This index represents net period results before taxes as a percentage of equity.

**6. Sales / Equity** — **180 %**

This index represents the reuse of previous year equity during the current fiscal year.

**(c) BORROWING**

**7. Debt / Equity** — **83 %**

This index represents debt as a percentage of equity.

**8. Bank Debt / Equity** — **64 %**

This index represents bank debt as a percentage of equity.

**(d) STOCK INDEXES**

(Stock closing price, EUR 2.30 on 31 December 2007)

**9. P/E multiplier before taxes** — **7.4**

This index is arrived at by dividing the closing price by the quotient of net earnings for the period before taxes to the total number of shares

**10. P/E multiplier after taxes** — **10.1**

This index is arrived at by dividing the closing price by the quotient of net earnings for the period after taxes to the total number of shares

**11. Price to Book Value (P/BV)** — **0.99**

This index is arrived at by dividing the closing price by the intrinsic value of the share.

**EXPLANATORY REPORT**

**(In accordance with paragraph 1, Article 11[a] of Law 3371/2005)**

**a) The Company's Share Capital Structure**

The Company's share capital amounts to EUR 14,918,400.00, divided into 37,296,000 ordinary registered shares with a nominal value of EUR 0.40, each. All shares are listed and freely traded on the Athens Stock Exchange.

Each ordinary registered Company share incorporates all the rights and obligations stipulated by the Law and the Company's Articles of Association, which do not stipulate provisions more restrictive than those provided by Law. The possession of a share automatically entails the acceptance from its owner of the Company's Articles of Association and the lawful decisions of the General Shareholders Meetings.

Shareholder liability is limited to the nominal value of the shares they own. The shareholders participate in the Management and the profits of the Company pursuant to the Law and the provisions of the Articles of Association. The rights and obligations arising from each share are embodied in same and transferred to any general or special shareholder assignee.

The shareholders exercise their rights with respect to the Company's Management only through the General Meetings.

The shareholders have pre-emptive rights in every future increase of the Company Share Capital, depending on their participation in the existing share capital, as stipulated in the provisions of Codified Law 2190/1920.

Shareholder lenders and their assignees cannot, under any circumstance, cause the attachment or sealing of any Company asset or book, nor request the Company's dissolution or liquidation, or interfere, in any way, in its management or administration.

Each shareholder, no matter where s/he resides, is considered to have his/her lawful residence at the Company headquarters as to his/her relations with same and is subject to Greek Law. Any dispute between the Company on the one hand and the shareholders or any other third party, on the other, is subject to the exclusive jurisdiction of Regular Courts; moreover, the Company can only be brought before the Courts of its headquarters.

Each share grants the right of one vote. In order for joint shareholders to have the right to vote, they must designate a joint representative for their shares and inform the Company, in writing;

this person will represent them in the General Meetings, while exercise of their rights shall be suspended until such appointment.

Each shareholder is entitled to participate in the Company's General Shareholders Meeting, either in person or by proxy. Shareholders wishing to attend the General Meeting must deposit a relevant certificate from the Central Securities Depository (CSD) in accordance with Article 51 of Law 2396/96 or a CSD-equivalent certificate at least five (5) full days prior to the date set for the General Meeting, with the Company's Treasury or the Loans and Deposits Fund or any bank in Greece. Shareholders entitled to attend the General Meeting may be represented by a duly authorized person. Share blocking certificates and authorization documents of shareholders' representatives must be deposited at the Company's offices at least five (5) full days prior to the General Meeting

Shareholders, who do not comply with the above, will only be allowed to participate following permission by the General Meeting.

The dividend for each share is paid to the shareholder within two (2) months from the date of the Ordinary General Meeting that approved the annual financial statements, and at the latest seven (7) business days from the date that the beneficiaries were specified. The method and place of payment will be announced through the Press.

Dividends that have not been collected after a period of five years are written off benefit of the State.

**b) Restrictions on the Transfer of Shares**

No restrictions apply to the transfer of shares

**c) Significant Direct or Indirect Participations Pursuant to Presidential Decree 51/1992**

The following Table presents Company shareholders holding a percentage greater than 5% of its shares, in accordance with information of the last Ordinary General Meeting on 12 September 2007:

| SHAREHOLDER | NUMBER OF SHARES | PERCENTAGE OF SHARE CAPITAL |
|---|---|---|
| PANAGIOTIS SIMOS | 6,767,375 | 18.15 % |
| ATHANASIOS KALPINIS | 6,208,500 | 16.65 % |
| IRINI SIMOU | 4,357,860 | 11.68 % |
| ELVIRA KALPINI | 4,141,000 | 11.10 % |

**d) Shares Granting Special Control Rights**

No such shares exist.

**e) Restrictions on Voting Right**

No restrictions on voting rights exist.

**f) Shareholder Agreements**

The Company is not aware of any agreements between its shareholders which might entail restrictions on the transfer of shares or restrictions to the exercise of voting rights.

**g) Rules for the Appointment and Replacement of BoD Members and Amendment to the Articles of Association**

No relevant rules demonstrating differences from those provided for in Codified Law 2190/1920 are in place.

**h) Powers of the BoD or its members a) for the issue of new shares or b) the purchase of own shares**

Pursuant to the provisions of Article 13 of Codified Law 2190/1920, and upon a relevant decision by the Company's General Meeting, which is subject to the publication requirements of Codified Law 2190/1920, the Company's Board of Directors has the right to increase the Company's share capital by issuing new shares, by a decision taken by a majority vote of at least two thirds (2/3) of its members and up to the amount of paid-up capital as at the date on which the BoD was assigned such powers. These powers shall remain in force for 5 years and may be renewed. No such decision is currently in place.
In accordance with the same Article 13, by means of a General Meeting decision, a program of distribution of shares to the BoD members and personnel may be established, in the form of a share option, in accordance with the special terms of such decision. The General Meeting decision determines the maximum number of shares to be issued, which, in accordance with Law, may not exceed 1/10 of existing shares, where beneficiaries exercise the option, the price and the terms of distribution to beneficiaries. The Board of Directors regulates, by a decision, all other relevant details that are not otherwise regulated by the General Meeting. No such decision is currently in place.

b) In accordance with article 16 of Codified Law 2190/1920, the BoD may convene a General Shareholders Meeting with the purpose of decision-making on the purchase of own shares. In case of the adoption of a relevant decision, the General Meeting shall determine any powers, always in accordance with the applicable provisions. No such decision is currently in place.

**i) Significant agreements, which come into force, are amended or terminated in the event of change of Company control, following a takeover bid.**
No such agreements are in place.

**j) Agreements with Members of the Board of Directors or Personnel**

There are no agreements between the Company and members of the Board of Directors or its personnel, which provide for the payment of compensation, especially in the event of resignation or termination of employment without reasonable grounds or termination of service or employment due to a takeover bid.

**Dear Shareholders,**

In conclusion, we hereby submit the financial statements of 2007 in accordance with the IFRS for your approval and request that, following your approval, you release the Board of Directors and the chartered auditor - accountant from the Body of Chartered Accountants and Auditors from all liability to compensation.

We would also like to thank the Company's personnel and partners, who contributed to the achievement of our business goals.

Aspropirgos, 12 March 2008

| 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 |