Annual Report 2005

CHIPITA INTERNATIONAL S.A.

Societe Anonyme Industrial and Commercial of Standardized Foods

CHIPITA INTERNATIONAL S.A.

Societe Anonyme Industrial and Commercial of Standardized Foods

Index

Entrance of the 2nd Factory – Lamia

1 I Message from the Chairman

Mr. / Mrs. Shareholders,

With great emotion I address to you with this letter, my last one as Chairman of the BoD of Chipita International, if you adopt the overture of the Board of Directors' for the merge of our company with DELTA HOLDINGS, DELTA Milk, GENERAL FOODS (Uncle - Stathis) and Goody's aiming to the creation of the largest Greek food company, temporarily named Brandco.

With 32 years, 12 of them as a company listed in the ASE, of self-grooved business path, our company will be part of a much larger company, with total turnover in 2005 of 872 millions and with a prospect to oversize sales of 1 billion in 2007.

I am positive that with the creation of the new company, the prospects for both the shareholders and the personnel of our group will be much better.

As far as the shareholders concern, the financial power and the business size of Brandco create better prospective of value creation, as well as increase the potentiality of dividends payment.

Furthermore, the employment of our personnel in the largest Greek food company, also the 7th largest industrial company of the country, will create even more prospects for a better professional career.

I wouldn't like to thoroughly refer to the results of 2005, which are presented analytically in the next pages of the Annual Report. Certainly, 2005 was a great fiscal year given that all sales figures, EBITDA and EBT have been increased.

To conclude my letter, I would like first of all to thank all the group personnel for the abnegation of their work all these years who make our company one of the faster developing food companies in Europe.

1 I Message from the Chairman

Moreover, I would like to thank all of you the shareholders who support our company in all of the 32 years of its business path and also to ensure you that our decision for the participation of Chipita in Brandco, was indicated by a high sentiment of responsibility to you and to the thousands of our employees.

I believe that Greek economy has the need of national champions and I am positive that other companies will follow our example, provided that the willing for progress will be prevailed instead of the willing to keep positions and titles.

With great honor,

Sp. J. Theodoropoulos

Chairman of BoD

Chipita International S.A. – Head Office, Athens

2 I Directors' Report

Chipita International S.A.

DIRECTORS' REPORT TO THE SHAREHOLDERS IN GENERAL MEETING

Dear Shareholders,

As more fully explained in the attached consolidated financial statements of the Group, our Company achieved, on a consolidated basis, an increase in turnover from € 255,398 thousand in 2004 to € 297,082 thousand in 2005, an increase of the order of 16%. Profits, before taxes, increased by 54% from € 9,608 thousand in 2004 to € 14,839 thousand in 2005, while the profits after tax that are attributable to the shareholders of the holding company, increased by 3% from € 5,720 thousand in 2004 to € 5,884 thousand in 2005. The disparity in the increase of profits, before and after tax, between the current and the preceding year is primarily due to the proposal to distribute a dividend out of untaxed reserves, which is referred to below. The proposed dividend distribution has generated a substantial tax burden in the current year.

The most notable business events of 2005 were:

(a) The completion of the construction of the new production facilities in Poland (Chipita Poland) and in Romania (Cream Line Romania).

(b) The further development of the distribution network in Greece, through the full utilisation of existing exclusive distributors and the full coverage of supermarkets.

(c) The conclusion of an agreement with Pepsico for the use of their distribution network in Romania for the purposes of distributing our products.

2 I Directors' Report

(d) The successful completion of the development of a new line of products (paximadia ruskies) in 2005, which, as from January 2006, has already been launched in the Greek market. The successful development of new products as well as the transfer of technology to our subsidiary companies are considered important factors in the attainment of the strategic development of the Group.

(e) The development and maturing of our subsidiary Chipita Bulgaria Foods. This subsidiary company was acquired in August 2004. Pursuant to the necessary restructuring of the company and its integration into the Group, a process completed in September 2005, the company showed the first signs of profitability in the fourth quarter of 2005. In parallel, its products (cake bars and swiss rolls) have been placed in the market under the 7Days brand and their presence was clearly visible in other countries beyond Bulgaria (Greece, Romania and other Balkan countries), making a satisfactory contribution to the profitability of the Group.

(f) The merger of our two Egyptian subsidiaries, Edita and Hostess, by the former absorbing the latter, resulted in a dynamically developing entity. It is worth noting that the profits of Edita that are attributable to the shareholders of the holding company, increased from € 693 thousand in 2004 to € 2,428 thousand in 2005. We anticipate a continuation of this dynamic trend as a result of the installation of new production lines, which have enhanced its production capacity.

(g) The conclusion of an agreement that anticipates the setting up of a joint venture in Nigeria, which will produce and distribute our croissant products and in which we will participate with a 40% share.

An important factor which supports and promotes the healthy growth of our Group is the steady growth of the economies of the Eastern European countries in which we have a presence and, in particular, those of Bulgaria and Romania. More specifically, in the case of Romania, the strengthening of the currency of this country has decisively contributed to the economic stability of that country.

It is a fact that in the past three years we have invested and strengthened our position in the countries of Eastern Europe, reaping the benefits, in the year under review, of the ascending course followed by the markets of these countries. It is important to underline the fact that, in the coming year, the main countries in which we are active will become members of the European Union.

As to our Russian subsidiaries, our plans include the restructuring of our Russian sub-group by merging these subsidiaries into one entity and by focusing on the development of sales and the containment of costs.

Our Group is already targeting the attainment of positive aggregate operating and investment cash flows in the coming year, mainly emanating from the Eastern European markets. Within this framework, we have already sought and secured the acquisition of minority equity holding in respect of this more mature segment of our activities in Eastern Europe. More specifically, in July 2005, we acquired minority interests representing an equity state of 41.42% in our most important, profitable subsidiaries in this area.

This development, combined with the anticipated steady improvement of our net cash inflows, as a result of the gradual completion of our investment plans, will afford us the possibility of substantially reducing the required borrowed funds, over the next few years.

2 I Directors' Report

In respect of the year under review, we propose to our shareholders the distribution of a total dividend of € 2,891 thousand, corresponding to a dividend of € 0.06 per share. The distribution will be funded through the utilisation of untaxed reserves, resulting in the precipitation of an additional tax charge of approximately € 1,181 thousand.

Finally, we must stress the far-reaching decision of the Board of Directors that was taken on 16 December 2005 and is placed before the approval of the shareholders in general meeting.

According to this proposal, our Company will be merged by absorption with DELTA Participations S.A. The absorption will take place in parallel with the absorption by DELTA Participations S.A., of DELTA Milk Dairies S.A., Goody's S.A. and Uncle Stathis General Foods S.A. and the divestment of its holding in DELTA Ice Cream Industries S.A., the goal being to establish the largest food company in Greece and one of the large companies in Europe - a Group with leading brands within the food industry.

We believe that in the context of the merged entity, the prospects of development and international expansion of Chipita International S.A. will be strengthened and substantial added value will be generated for the benefit of shareholders. It is anticipated that the merger will be completed by July 2006.

In closing this report, we wish to assure our shareholders that the Board of Directors firmly believes that the future of our Company, based on our strong competitive advantages and enhanced by the anticipated merger, is promisingly bright.

By order of the Board

Metamorphossi, 21 February 2006

3 I Information on the Group and the Company

Outline of Chipita Group expansion

Chipita International was founded in 1973 and it is the parent company of Chipita Group's companies. The Group constitutes from 50 companies, 25 of which are productive or trading companies. These companies are involved in the process of production, sale and distribution of patterned dough products.

From its foundation up to 1990, the parent company was producing only salty snacks and was selling its products only in the Greek market.

In 1991 the company began the production of patterned croissants, initially for the Greek market and following the exports in foreign markets.

In 1995, simultaneously with the successful marketing of Bake Rolls at Greece, the company started its international expansion by establishing the first two factories at Bulgaria and Portugal (in cooperation with PepsiCo).

In 1997 the company has founded a productive company at Cairo, Egypt.

In 1999 the group tookover two productive units of patterned croissants at Romania and Poland.

In 2001 the group bought a factory of dough products at St Petersburg, Russia and installed two croissant production lines. At the same year has founded a company that produces croissant at Mexico in cooperation with PepsiCo.

3 I Information on the Group and the Company

In 2003, in cooperation with the Egyptian group Edic, has tookover a company listed in Cairo Stock Exchange named Hostess, the business of the company was the production of cakes.

In 2004 the group tookover Royal Cake, which is a productive and merchandise company of pound cake products (swiss rolls) at Bulgaria.

In 2005 the two Egyptian companies Edita and Hostess were merged. Also the restructuring of Royal Cake was completed and renamed to Chipita Foods Bulgaria.

Along with the above actions, the company had found trading companies (Chipita Italia, Chipita Germany, Chipita Czech and other) in order to promote the Groups sales.

The detailed chart of the Group is illustrated in Appendix 5.

Business Objective

The business of the company is to produce patterned food (snacks).

The company's major element of philosophy, in selecting the products for production, is the respect to the consumer and the high quality standard of the products that meet his needs.

Flour is the basic ingredient and the linchpin of Chipita product categories.

Chipita's continuing research and development has improved the recipes and the production technology of soft dough and main products, individual and mini croissant, along with other contiguous products (treccia, strudel, mini strudel).

Chipita is recognized at a European level as one of the largest companies in the production of these products.

On the other side the innovative production technology and the variant use of flour made Chipita as the first company in Europe to produce and distribute a dough snack product, which became a brand and a product category at the same time, the Bake Rolls (baked roll cracker with natural tasty ingredients).

A recent development of this category is Bars with crispy dough, sold with the brand name Bake Bars, which are exported successfully at Western Europe.

Swiss Rolls and Cake Bars were introduced in 2005, under the brand name 7days, with high quality standards, which characterize the products of this brand. These products were introduced with a great success at Greece and the other Eastern European Countries.

Except of the two above mentioned significant product categories, which have as a base ingredient the flour, Chipita produces salty snacks and chips. These constitute the products that the company started its business in 1973.

3 I Information on the Group and the Company

Management – Business Administration

The Board of Directors constitutes from the following members:

1. Spyridon John Theodoropoulos, Chairman
2. Constantinos Pericles Apostolides, Vice-Chairman
3. Nikolaos Stylianos Stellakis, Vice-Chairman
4. Thenistoklis Athanasios Makris, Chief Executive Officer
5. Errikos Fredy Abravanel, Member
6. Eleftherios Dionisios Antonakopoulos, Member
7. Dimitris Aristidis Daskalopoulos, Member
8. Thomas Argyriou Zimnis, Member
9. Constantinos Georgios Nikolaidis, Member

From the above members of the Board of directors the following are executive members: Sp. Theodoropoulos, C. Apostolidis, N. Stellakis, T. Makris, the following are non-executive members: D. Daskalopoulos and N. Nikolaidis and the following are non-executive independent members: E. Abravanel, E. Antonakopoulos, T. Zimnis.

The service of the above Board of Directors ends at 30.6.2007.

The executive members listed below are included in the company's payroll as salary based managers:

- Spyridon Theodoropoulos, Chairman of Board of directors and Director of International Business
- Constantinos Apostolidis, Vice-Chairman of Board of directors, responsible for Group relations with financial Institutions and Investors Funds, as well as supervisor of service department of investors, and company announcements and Risk Management.
- Nikolaos Stellakis, Vice-Chairman of Board of directors, and Director of business.
- Themistoklis Makris, Chief Executive Officer and Director of Greek business.

The Managers / Directors of Chipita International are the following:	
Theodoropoulos I. Spyros	Chairman of B.o.D
Apostolides P. Constantinos	A' Vice-Chairman of B.o.D
Stellakis S. Nikos	B' Vice- Chairman of B.o.D / Director of business
Makris A. Themistoklis	C.E.O. / General Director of Greece
Argiropoulou X. Pelli	Group Marketing Manager
Theodoropoulos I. Theodoros	Group Procurement Manager
Panayiotopoulos E. Dimitris	Group Production Manager
Papaioanou Grigoris	Group Research and Development Manager
Voukakis G. John	Exports Manager
Lampousis P. Paraschos	IT Manager
Litsas D. Christos	Lamia Factories Manager
Dousia A. Artemis	Finance Manager
Tsili S. Matina	Human Resource Manager

3 I Information on the Group and the Company

Corporate Governance

Chipita Group considers particularly important to secure the transparency of all its actions and dealings. In this way it strengthens its credibility to its shareholders, employees, suppliers, customers, investors, and to any individual person or institution that deals with.

In applying the above general principle, the Group has adopted and included in the organizational and operational form the principles of Corporate Governance, which have been adopted by listed companies in mature Stock Exchange Markets.

Board of Directors

Since the company listed in the Athens Stock Exchange in 1994, non-executive members participate in the Board of Directors. Today, from the 9 members of the B.oD, 5 are non-executive (they are not linked to a salary-based relation with the company) and 3 of them are independent, meaning that they are not shareholders or they are not represent shareholders of the company, nor they are in an dependence relation with the company or are related parties. The independent members are elected from the General Assembly Meeting of Shareholders and they operate in environments, which are non-competing to the company's objectives.

Committees of the Board of Directors

The Board of Directors role is supported by the Audit Committee and Emolument Committee.

Audit Committee

The Audit Committee comprises of two independent non-executive members, and has extensive audit permissions, one of which is the supervision of the internal audit department, the opinion on the B.o.D. suggestion for the selection of the company's auditors to the General Assembly Meeting, and the approval of the annual and interim financial statements before their presentation for approval to the Board of Directors.

Emolument and benefits Committee

The Committee comprises of three members from which the two are independent non-executive members. The main objective of the Committee is the submission of proposals for determining the emoluments of B.o.D executive members and the compensation of senior management executives.

3 | Information on the Group and the Company

Internal Audit Department

The main tasks of the internal audit department are the test of internal control procedures and the audit checks on the various operating sectors of the company.

The Internal Audit Department reports to the Audit Committee, which meets in regular time intervals.

Service and information of Shareholders

The company considers of great importance the accurate update and service of shareholders. The vice-chairman, Mr. Constantinos Apostolides (tel. +30 210 2885422, fax +30 210 2885423, email: apostolides@chipita.com) is supervisor of the following services.

Investors Relation

This service has as primary objective the updated of Investors Funds and Financial analysts at Greece and abroad. It has the supervision role of the following services.

Shareholders` Service

This service provides information to shareholders and other important news, which may relate to the exercise of their rights. This service informs the shareholders for the General Assembly Meetings, the distribution of dividends and in cases of share capital increase, the issuance of new shares and the exercise of their rights.

This service also has a record and updates the shareholders register and has the responsibility of the communication with supervisory authorities.

Press Release Service

The objective of this service is the preparation of press releases, annual bulletin reports, update of the company's Internet address and to provide information in the mass media.

3 I Information on the Group and the Company

Human Resource

The most important factor for the successful operation of a company is the people working for the company.

The opportunities to learn offered to employees, which relate to their professional training and also their personal development, are continuous. These relate to the training of each employees task, the training of new methods and systems, the training of health and security issues at work, the improvement of professional skills and personal progress.

The Company sponsors Master degree programs for employees with abilities and special interest in professional development.

The Company's importance on the training of its employees is demonstrated in the foundation and operation of the Chipita Commercial Academy (Chipita Academy).

It is the first internal corporate university at Greece. The Academy has two programs. The first program applies to new salesmen and includes eight seminar courses that last one year. The second program refers to sales executives. This program has seminars with the aim to enhance the knowledge of sales executives and to develop their abilities in guiding and developing their subordinates.

The international environment that the company operates provides the employees with opportunities to develop in multinational environments with various ethnical, social and economical characteristics, broadening the spectrum of professional experience.

Chipita provides equal opportunities and faces equally all employees in all segments of operations, independently of race, colour, nationality, age, disability, sex, political or religious beliefs.

BEST WORKPLACES HELLAS 2006

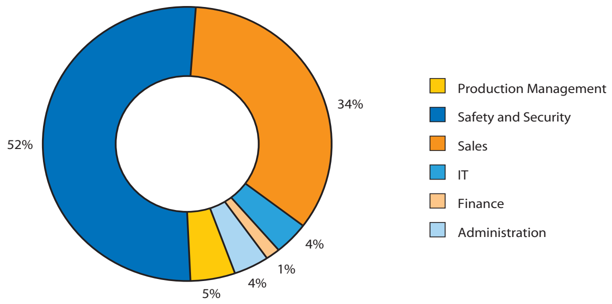
Our company participated in the contest of nominating the companies with the best workplace at Greece. Between the 20 awarded companies in this years contest, Chipita was awarded the 6th place; a big award that is ought to Chipita employees.

We feel satisfied to have proud and dedicated colleagues. This award encourages us in our effort to become better.

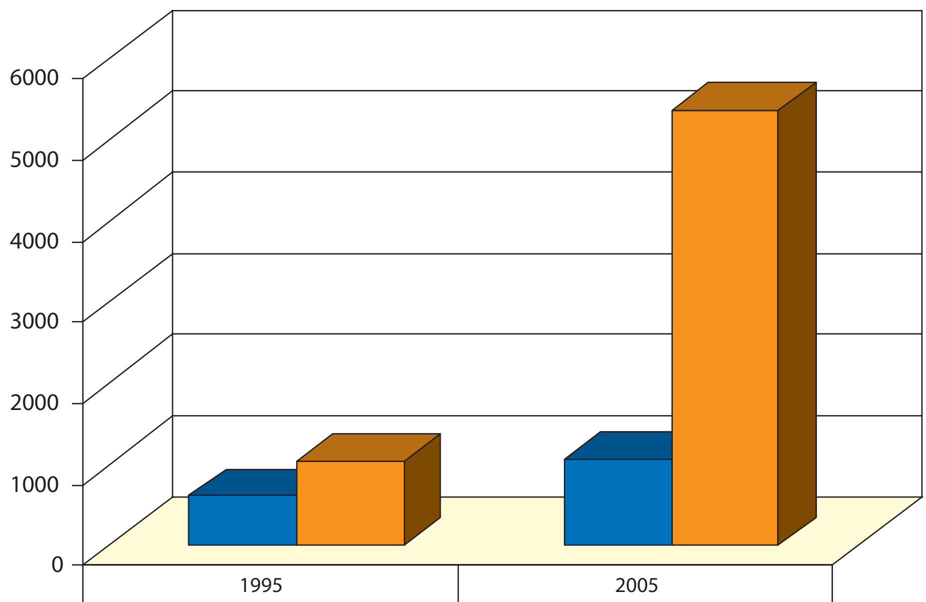
3 I Information on the Group and the Company

The following tables represent our emploees' profile:

Personnel Training by Thematic Unit



Chipita Group Personnel Development

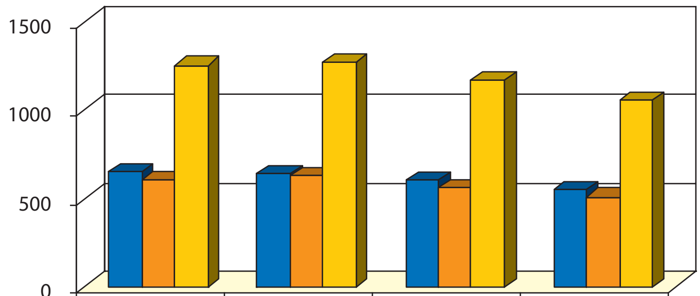


	1995	2005
Chipita International	600	1056
Chipita Group	1000	5353

3 I Information on the Group and the Company

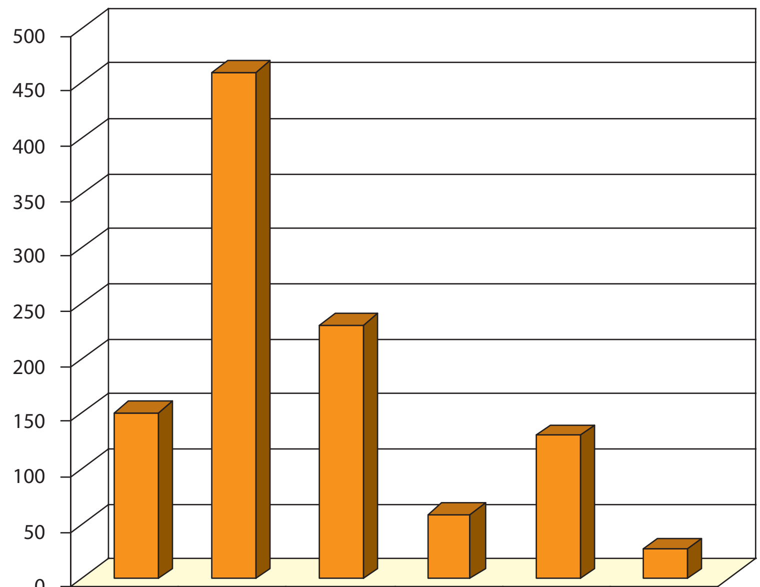
Distribution of Chipita International Emploees:

a) Per Gender



	2002	2003	2004	2005
Men	645	640	608	548
Women	605	625	562	508
Total	1250	1265	1170	1056

b) Per Educational Level



	PRIMARY	SECONDARY	TECHNICAL	TECHNICAL COLLEGE	UNIVERSITY	POST GRADUATE
Educational Level	151	460	230	58	130	27

4 I Business overview for the fiscal year 2005

Greece

The fiscal year of 2005 was very important as far as the marketing strategy and the brands' management concerns. After the preparation of almost 2 years, the company's target for the creation and invigoration of an international brand was achieved by the implementation of the renewal strategy of 7Days.

Utilizing the market's trends, the opportunities gained from the international presence of the brand and the merit that the consumers give to 7Days, Chipita modulated the brand's profile and gave it elements related to a more balanced and enjoyable nourishment.

The overall communication strategy based on the new identity and implemented with new media communications and also with new packaging.

Based on the same rational, the company expanded its product gamut with cakes, a market that is underestimated in Greece. With 7Days Swiss Rolls it actually revived a product category, focused on the excellent quality and price and with the 7Days Cake Bars gave a very yummy choice to the consumers.

Both product categories were highly accepted from the consumers.

One of the most important projects of the previous year was the preparation for the entry of the company - in 2006- into a new category, which will lead 7Days brand to new markets and will entitle it even more recognition and appreciation from a very interested, trade speaking, part of people.

The particular moves, in conjunction with the utilization of the available capabilities of the sales network, led to the increase of sale of approximately 9% compared to 2004.

4 I Business overview for the fiscal year 2005

West Europe

Both our companies in Italy and Germany succeed during 2005 a successful growth.

Chipita Italia improved the distribution of the products in the Super Markets and expand the gamut of its products, with the addition of the, Bulgarian produced, cakes.

Chipita Germany's new management structure has already affected positively to the growth of the company.

East Europe

Bulgaria

Chipita Group operates with three productive companies, Chipita Bulgaria, Bulgaria Foods and Carmellina, a subsidiary of Cream Line, which render us as the largest producer and exporter of snacks in the country.

In 2005 Cake Bars, produced by the Chipita Foods Bulgaria, are introduced to the local market as well as to the markets abroad.

Romania

Is the largest country in the Balkans and is prepared along with Bulgaria for its entry in the European Union in 2007. During 2005 the construction of the new factory of Cream Line was completed and a contractual agreement, for the distribution of our products, with Fritolay (subsidiary of Pepsico Group) was signed. We believe that our cooperation with a big logistics company will lead us to a further growth in Romania.

Poland

During 2005 the construction of the new factory was completed and new production lines were added, in order to have the capability to satisfy the needs of the large local market, as well as the Germany's market to which we export.

Hungary - Czech - Slovakia

In these countries we distribute our products with our own logistic network to the Super Markets as well as to the wholesale.

In 2005 Cake Bars were introduced to these markets, successfully, increasing the already large market share.

4 I Business overview for the fiscal year 2005

West Balkans

The presence of our company in every market of the West Balkans, Serbia, Montenegro, Kosovo, Albania, FYROM, Bosnia, Croatia and Slovenia, continued with success during 2005.

Markets, with totally different structure and different growth rates, which show increasingly interest for all the producers, from all over Europe, of consumer goods or not, having in mind the social, economical and political problems they face.

In all these countries we cooperate with the best logistics networks and we have managed a great distribution of all of our products to both the traditional and modern organized wholesale and retail.

In all of the above countries we have advertising support for our products and we have managed to be the dominant market player (or monopoly) in both the croissants and the Bake Rolls markets.

In 2006 our goal is the development of the above product categories and the improvement of our market share into the two new product categories, which are introduced in the end of 2005 and in the beginning of 2006, the Swiss Rolls and the Cake Bars.

Our increased know how and experience in these markets and their close monitoring are encouraging us to accomplish the place of the market leader in both of the above categories.

CIS

Russia

In the wider area of the CIS countries, which Russia, Ukraine and 10 smaller countries, which bordered with them, are included (i.e. Uzbekistan, Adjerbaistan, Tajikistan, and Kirzikhistan), Chipita Group operates with three companies, the productive Chipita Saint Petersburg LLC, based on Saint Petersburg, a trading company Chipita Trading LLC, based on Moscow and the Chipita Ukraine LLC which is a trading company based on Kiev, Ukraine.

The trading environment of Russia is rapidly changed as the organized retail sector (Super Market chains) is continuously growing, with mergers and acquisitions and the entry of international large retailer chains. On the same time, the country changes from the traditional structure and the operating ways of the market to more organized systems and structures following the western standards.

Our plans for our companies in Russia include the restructure of the Russian sub - Group, by the merge of all of the subsidiaries in a company and focusing to the increase of sales and the control of its operating cost.

4 I Business overview for the fiscal year 2005

Ukraine

This subsidiary continues its normal transition to a company that performs by itself its imports, its distribution and sales, with the same salesmen network for small retailers, key account managers and merchandisers for organized retailers, as well as its logistics network for areas outside Kiev.

Other Countries

Egypt

The recent merger of HOSTESS SAE with EDITA SAE marked the Group's business path in the Egyptian market.

The Egyptian subsidiary managed to improve significantly its results during 2005 based on the continuous development of new products in every category it operates, the major investments in speciate products and the continuously advertising presence.

2006 is expected to be a year of further implementation of major investment plans, most important of which is the expansion of the factory, as well as of further growth of sales and profitability that already have been occurred during the first two months.

Portugal

The Chipita's joint venture with Matutano (a subsidiary company of PEPSICO Group) in the country has, for a decade now, a successful business path that continued during 2005. The major parameters of the above is the Chipita's know - how and Matutano's wide logistics network and marketing support.

2005 was a good fiscal year for our subsidiary Chipima, which products are successfully sold in the markets of Spain and Portugal both to small retailers, the distribution is made directly by the company, and to the organized retailers of the country. The prospects are very propitious as our products, little - by - little, become more recognizable and appreciated by both the Portuguese and Spaniards consumers.

Mexico

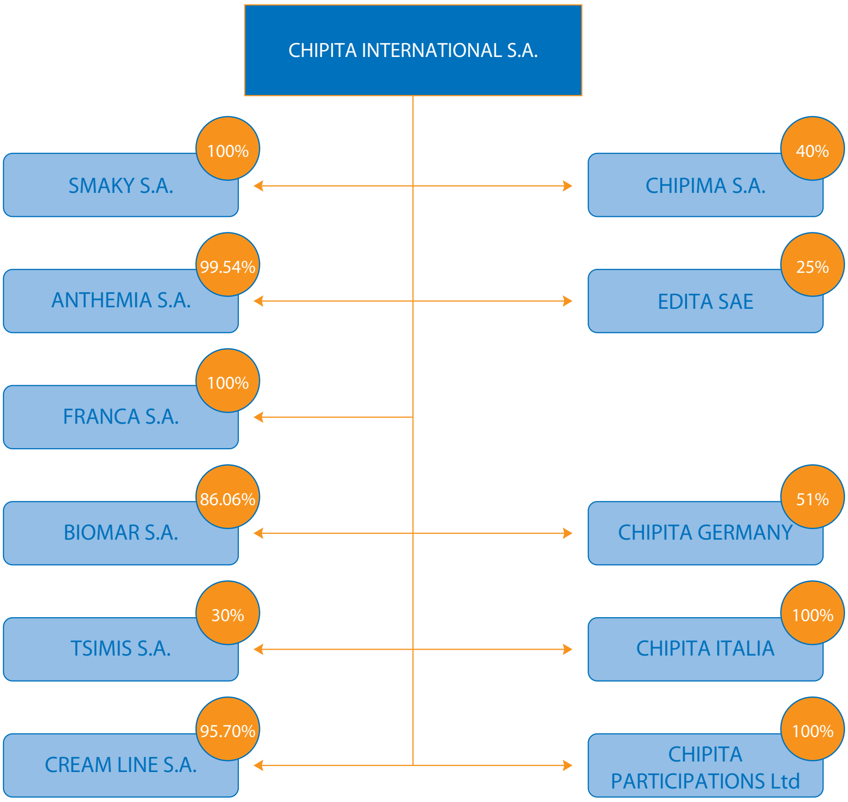
In Mexico stands our second cooperation, in a joint venture form, with a subsidiary company of PEPSICO Group, Chipiga, which has major development prospects in Mexico's large market.

2005 was for the local company Gamesa a fairly better year than 2004, as the development plans of new products and of investments in the marketing, for the company's brands, are implemented. On the same time, the specifications for the company's further development steps have been planned and placed in operation.

5 | Presentation of Chipita Group

5 | Presentation of Chipita Group

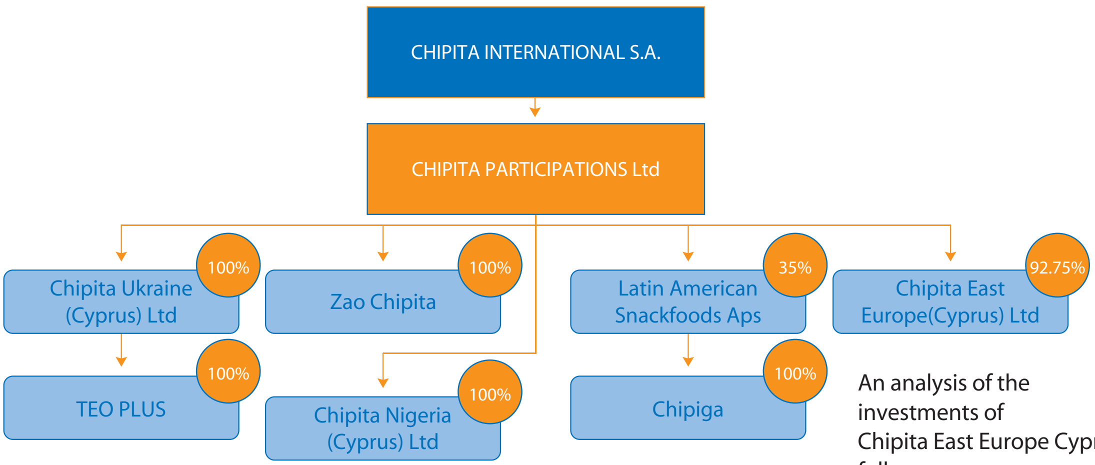
Investments of Chipita International SA



An analysis of the investments of Cream Line follows

An analysis of the investments of Chipita Participations follows

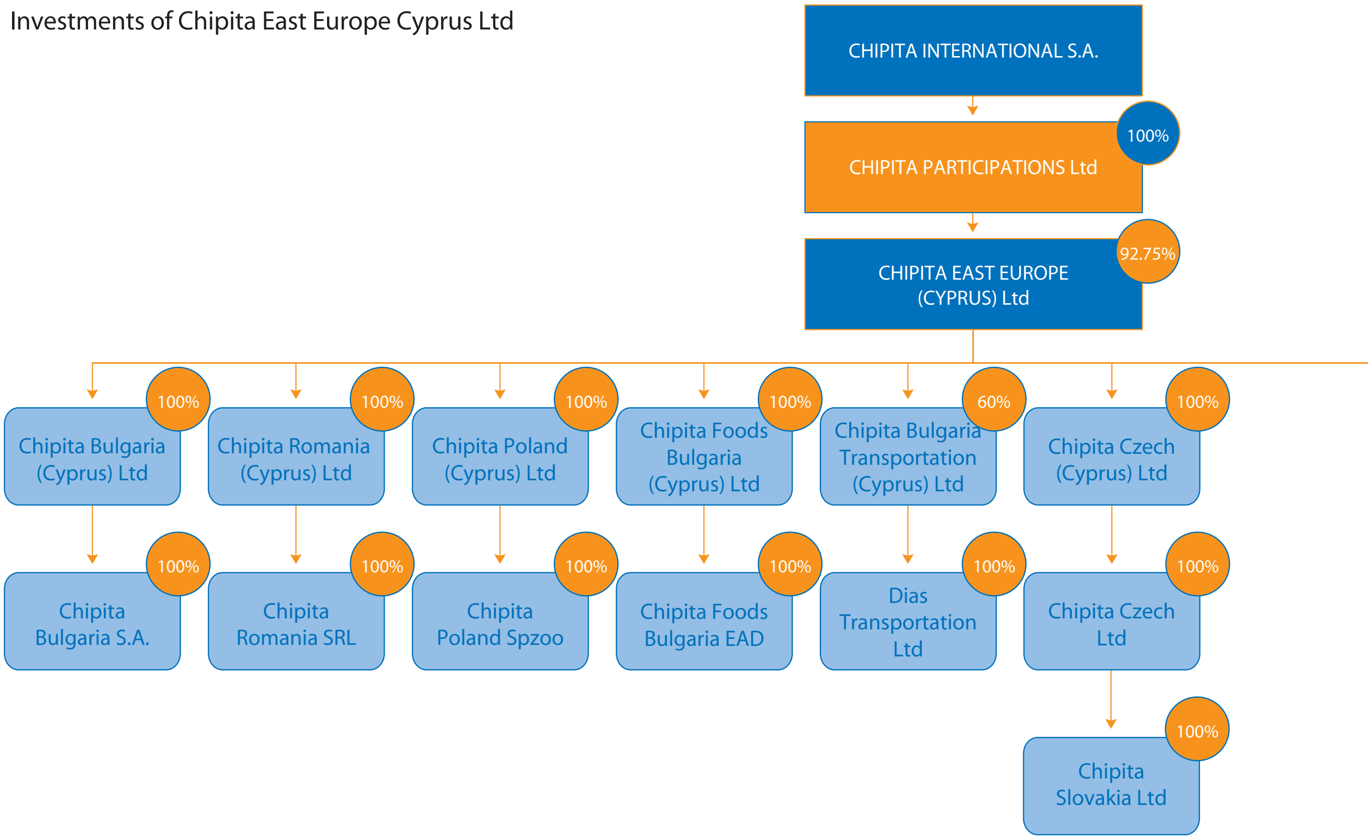
Investments of Chipita Participations Ltd



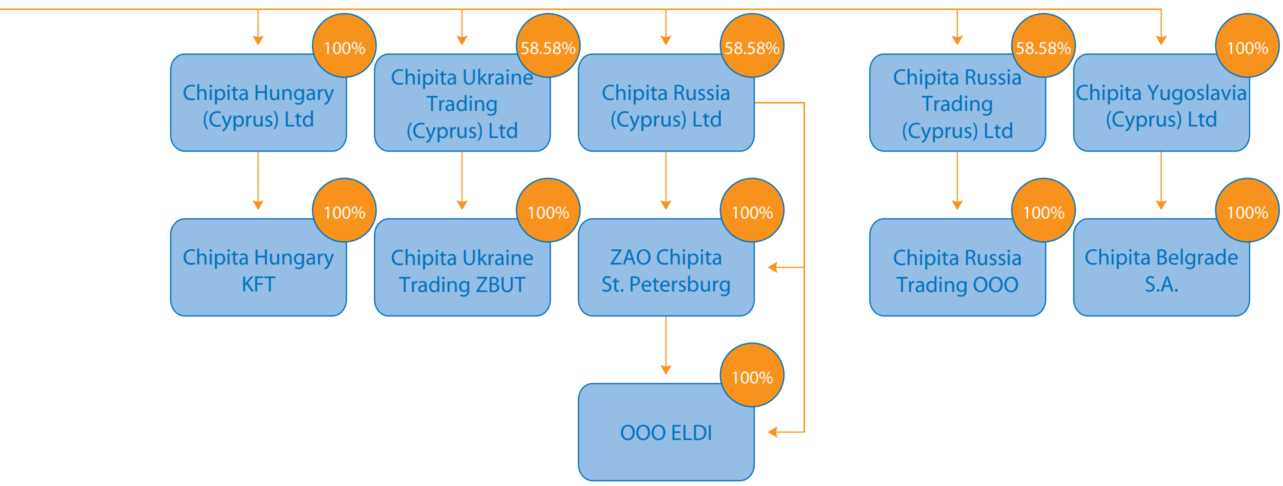
An analysis of the investments of Chipita East Europe Cyprus Ltd follows

5 I Presentation of Chipita Group

Investments of Chipita East Europe Cyprus Ltd

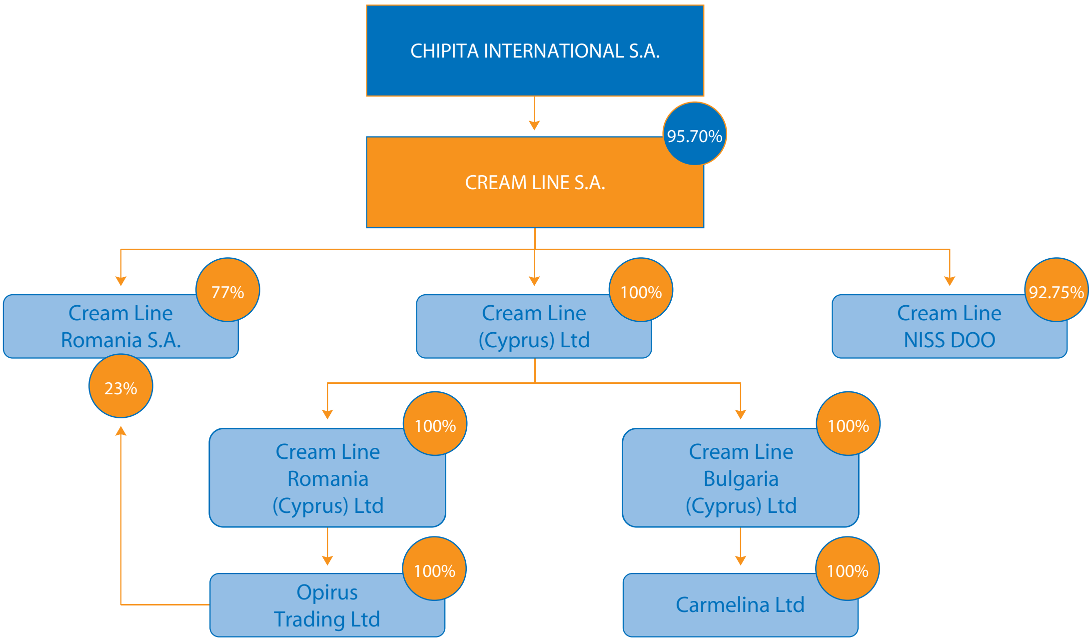


5 I Presentation of Chipita Group



5 I Presentation of Chipita Group

Investments of Cream Line S.A.



6 | Stock Exchange Data

On the following table, data for the price of the share and the volume of shares traded for the period from 01/01/2005 to 31/12/2005 are presented.

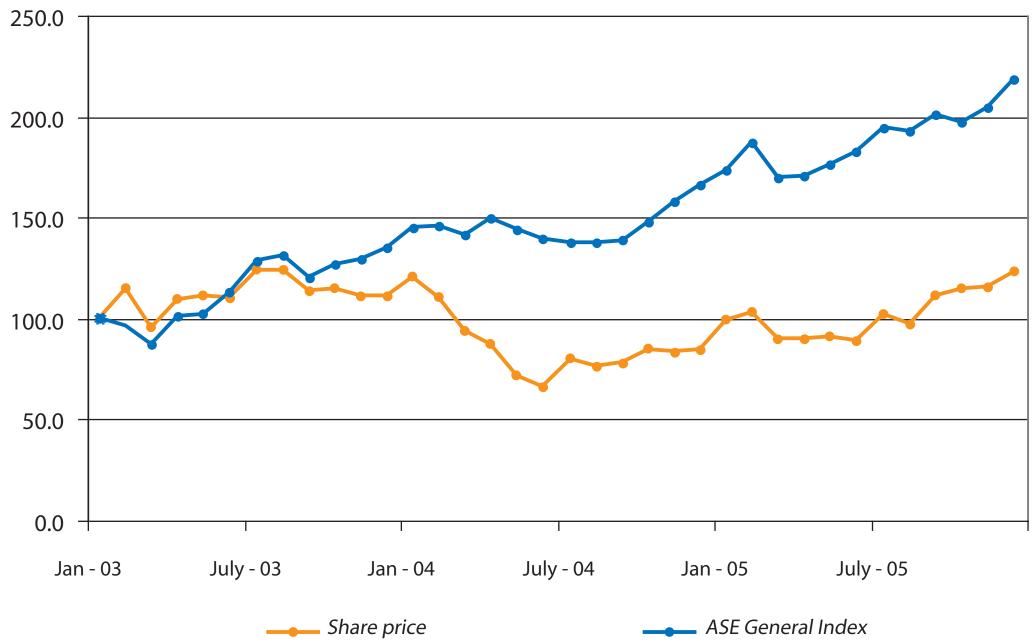
Amounts are in thousand euros.

Fiscal Year 2005	Closing price of the last trading day of each month	Monthly value of the traded shares volume
January	2.56	9,819.67
February	2.67	11,131.53
March	2.34	6,084.89
April	2.33	3,291.47
May	2.35	2,553.61
June	2.3	5,701.05
July	2.64	6,719.25
August	2.53	6,670.61
September	2.88	16,698.40
October	2.97	13,047.20
November	2.99	10,801.18
December	3.2	25,381.94

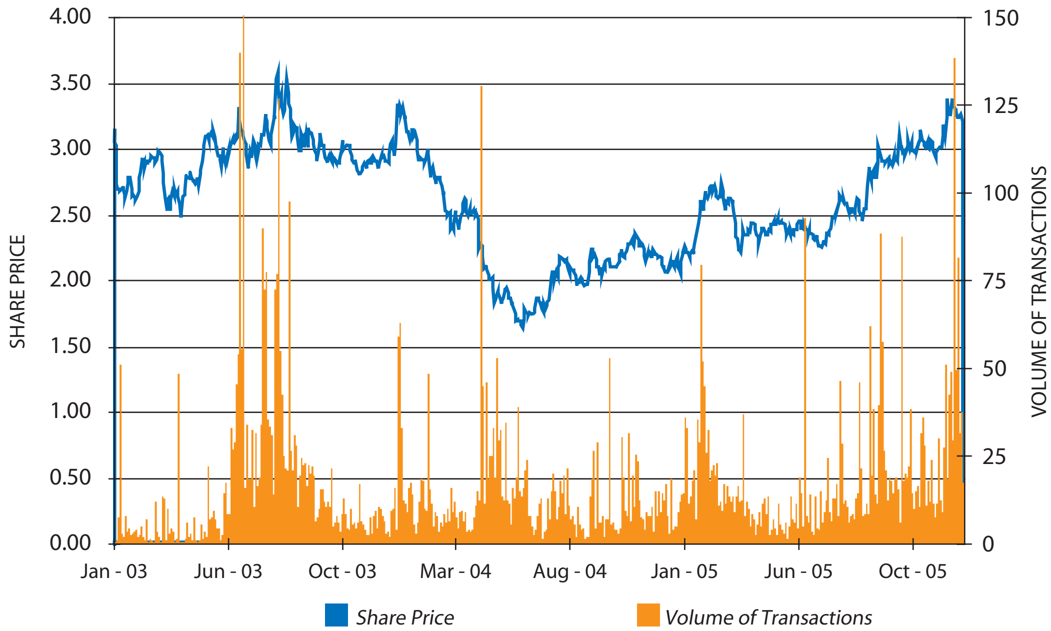
6 I Stock Exchange Data

On the following diagrams it is presented the development of the share price and the volume of transactions of the company's share as well as the development of the ASE General Index from January 2003 to December 2005.

Development of the ASE General Index and the share price of Chipita International for the period from January 2003 to December 2005



Development in volume of transactions and the share price of Chipita International for the period from January 2003 to December 2005



Ready Product's Central Warehouse – Lamia Factory

7 | Company's Transactions with Affiliated Companies

7 I Company's Transactions with Affiliated Companies

STATEMENT

(Article 2, §4 Law 3016/2002)

Regarding the transactions between the Company and the affiliated Companies - according to the Law 2190/1920 Article 42 §5.

During 2005 the Company's transactions with the above mentioned companies are as follows:

Inflows from subsidiaries (amounts in Euro)

Subsidiary company	Sales of Materials	Sales of Property Plant and Equipment	Sales of Services	Finance cost	Total
Cream Line SA	6,648		47,798		54,446
Franca SA			600		600
Smaky SA			600		600
Anthemia SA	2,892,108				2,892,108
Viomar SA			3,600		3,600
Chipita Czech	97,362		53,323		150,685
Chipita Germany GmbH	9,175,021		5,800		9,180,821
Chipita Hungary Ltd	180,865		160,969		341,834
Chipita Italia SRL	4,121,132				4,121,132
Chipita Poland sp zoo	1,142,104	76,200	258,327		1,476,631
Chipima Soc. de Prod. Alim. SA	86,783				86,783
Chipita East Europe (Cyprus) Ltd				1,710,507	1,710,507
Chipita Participations Ltd			1,832,473	81,946	1,914,419
Chipita Bulgaria SA	6,814,689	410,300	795,181		8,020,170
Chipita Foods Bulgaria	1,312,751	7,600	142,045		1,462,396
Chipita Romania SRL	2,796,630	2,000	367,994		3,166,624
Chipita Russia Trading	4,371				4,371
Chipita St Petersburg ZAO	1,312,550	18,741	75,885		1,407,176
EDITA SAE		94,316			94,316
Total of inflows	29,943,014	609,157	3,744,595	1,792,453	36,089,219

7 I Company's Transactions with Affiliated Companies

Outflows to subsidiaries (amounts in Euro)

Subsidiary Company	Purchases of Materials	Purchases of Property Plant and Equipment	Purchases of Services	Share capital increase	Loans	Total
Anthemia SA			4,265,768	1,998,000		6,263,768
Cream Line SA	3,106,119					3,106,119
Smaky SA			2,349			2,349
Viomar SA	2,740,034					2,740,034
Chipita Germany GmbH			65,753			65,753
Chipita Italia SRL			135,131	68,000		203,131
Chipita Poland sp zoo						0
Chipima Soc. de Prod. Alim. SA	12,081		6,811			18,892
Chipita East Europe (Cyprus) Ltd					21,400,000	21,400,000
Chipita Participations Ltd					6,650,000	6,650,000
Chipita Bulgaria SA	932,905					932,905
Chipita Foods Bulgaria	2,240,920					2,240,920
Chipita Poland sp zoo		8,607				8,607
Chipita Romania SRL		388,000				388,000
Cream Line Romania	1,522,926					1,522,926
Chipita St Petersburg ZAO		14,500				14,500
EDITA SAE						0
Total of outflows	10,554,984	411,107	4,475,812	2,066,000	28,050,000	45,557,903

8 I Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005 COMPILED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS, THAT HAVE BEEN ADOPTED BY THE EUROPEAN UNION

This is to certify that the attached annual Financial Statements are those which have been approved by the Board of Directors of Chipita International S.A. on 21 February 2006 and have been published by filing them with the Registrar of Companies and by posting them on the internet, at the address www.chipita.com. The attention of the reader is drawn to the fact that the extracts published in the press aim at providing the public with certain elements of financial information but they do not present a comprehensive view of the financial position and the results of operations of the Company and the Group, in accordance with International Financial Reporting Standards. Attention is also drawn to the fact that, for simplification purposes, certain financial data published in the press may have been reclassified or amalgamated.

Spyros I. Theodoropoulos

Chairman of the Board of Directors
Chipita International S.A.

BDO Hellenic Auditing Company AE
Certified and Registered Auditors

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AUDITORS' REPORT

To the Shareholders of *Chipita International AE*

We have audited the accompanying financial statements as well as the consolidated financial statements of *Chipita International AE*, as of and for the year ended 31 December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with the Greek Auditing Standards, which are based on the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall financial statement presentation as well as assessing the consistency of the Board of Directors' report with the aforementioned financial statements. We believe that our audit provides a reasonable basis for our opinion.

It is noted that it may have been appropriate to recognise an impairment in the value at which the investments of the holding company in its subsidiaries *Anthemia AE* and *Franca AE* are reported. These investments are reflected at their aggregate cost of approximately € 11 million (2004: € 9 million), while the shareholders' equity of these two entities, as at 31 December 2005, amounted to € 1.5 million (in 2004 it was negative, amounting to approximately – € 0.5 million). Given that from an operational perspective, these two entities are dependent on their holding company, the quantification of the fair value of the investments was a particularly difficult task and, as a consequence, we are unable to form and express an opinion as to whether there is a real need for recognising a permanent impairment in the reported value of these investments.

Subject to the uncertainty referred to in the immediately preceding paragraph, in our opinion, the aforementioned financial statements give a true and fair view of the financial position of the Company and, without any reservation, that of the Group (of which this Company is the holding company), as of 31 December 2005, and of the results of its operations and those of the Group and their cash flows and changes in shareholders' equity for the year then ended, in accordance with the International Financial Reporting Standards that have been adopted by the European Union and the Board of Directors' Report is consistent with the aforementioned financial statements.

Without further qualifying our report, we draw attention to the reference made in Note 5 to the financial statements to the pending tax returns of the Company and of certain of its subsidiaries. These returns have not been examined by the tax authorities as yet and, as a consequence, the possibility exists of additional taxes and penalties being assessed or of the right to seek and secure the refund of prepaid taxes being challenged, at the time when the returns will be examined and will be accepted as final. The outcome of these tax inspections cannot be predicted at present and, therefore, no provision has been made in these financial statements in this respect. We also draw attention to the fact that, as more fully explained in Note 27, at 31 December 2005, the Group has recognised future tax relief and, by extension, a deferred tax asset of € 3.9 million (2004: € 2.2 million), in relation to losses that have been accumulated by certain subsidiaries of the Group. The liquidation of this asset is dependent on the generation, in the future, of sufficient profits to cover the accumulated losses.

Maroussi, 23 February 2006

Christos P. Panayiotides
Certified Registered Auditor
Registration #11631

8 I Financial Statements

Chipita International S.A.

STATEMENTS OF EARNINGS

(The amounts are stated in Euro thousand)

	Notes	The Group		The Company	
		2005	2004	**2005**	2004
Sales revenue		**297,082**	255,398	**114,819**	105,686
Less: Cost of goods sold		**(197,691)**	(171,269)	**(76,077)**	(69,230)
Gross profit		**99,391**	84,129	**38,742**	36,456
Other revenues	1	**10,721**	7,434	**7,559**	5,273
		110,112	91,563	**46,301**	41,729
Marketing and distribution expenses		**(63,651)**	(53,053)	**(30,161)**	(27,248)
A dministrative expenses		**(19,458)**	(18,749)	**(9,302)**	(7,565)
Other o perating expenses		**(3,699)**	(2,617)	**(1,116)**	(1,197)
Profit, before finance charges		**23,304**	17,144	**5,722**	5,719
Cost of financing	4	**(8,574)**	(7,470)	**(3,659)**	(3,273)
Profit from ordinary activities		**14,730**	9,674	**2,063**	2,446
Dividend income from subsidiaries		**–**	–	**360**	–
Share of the Group in the profits (losses) of associates		**109**	(66)	**–**	–
Profit, before taxes		**14,839**	9,608	**2,423**	2,446
Income taxes	5	**(3,339)**	(1,075)	**(2,086)**	(872)
Net profit (after taxes)		**11,500**	8,533	**337**	1,574
Minority interest		**(5,616)**	(2,813)	**–**	–
Profit (after taxes), attributable to the shareholders of the holding company		**5,884**	5,720	**337**	1,574
Earnings per share (in Euro)	26	**0.12**	0.12	**0.01**	0.03

The attached notes form an integral part of the financial statements

8 | Financial Statements

Chipita International S.A.

BALANCE SHEETS

(The amounts are stated in Euro thousand)

	Notes	The Group		The Company	
		2005	2004	**2005**	2004
Tangible fixed assets	9	**279,364**	231,381	**119,098**	108,223
Intangible fixed assets	10	**4,297**	3,703	**1,989**	1,759
Goodwill	11	**36,013**	19,148	**–**	–
Investments in subsidiaries	7	**–**	–	**65,404**	58,403
Investments in associates	8	**4,845**	4,042	**2,539**	2,435
Other investments	12	**2,396**	1,501	**866**	1,096
Long-term receivables	13	**264**	243	**62,878**	34,803
Deferred tax assets	27	**3,951**	4,262	**–**	1,788
Long-term assets		**331,130**	264,280	**252,774**	208,507
Inventories	14	**34,389**	28,024	**11,092**	8,834
Receivables	15	**59,188**	54,445	**26,398**	22,741
Prepaid taxes		**1,281**	1,957	**921**	1,348
Restricted bank deposits		**424**	170	**–**	–
Cash and cash equivalents	16	**21,496**	9,110	**6,645**	2,062
Current assets		**116,778**	93,706	**45,056**	34,985
Total assets		**447,908**	357,986	**297,830**	243,492
Trade payables	20	**(46,474)**	(40,632)	**(24,272)**	(17,569)
Obligations related to the acquisition of shares of subsidiaries	7	**(36,984)**	–	**–**	–
Income taxes payable		**(1,667)**	(290)	**(654)**	–
Short-term interest bearing borrowings	17	**(62,097)**	(66,455)	**(26,784)**	(36,333)
Current liabilities		**(147,222)**	(107,377)	**(51,710)**	(53,902)
Long-term interest bearing loans	17	**(120,877)**	(104,988)	**(98,129)**	(71,922)
Employee benefits	21	**(695)**	(652)	**(595)**	(587)
Deferred government grants	22	**(8,864)**	(10,659)	**(5,873)**	(7,372)
Deferred income from the sale & leaseback of property	9	**(2,801)**	(2,946)	**(2,801)**	(2,946)
Deferred tax liabilities	27	**(7,955)**	(2,808)	**(2,751)**	–
Other long-term obligations	19	**(34,605)**	(14,651)	**(33,894)**	(13,908)
Long-term liabilities		**(175,797)**	(136,704)	**(144,043)**	(96,735)
Net assets		**124,889**	113,905	**102,077**	92,855
Share capital	23	**16,384**	16,290	**16,384**	16,290
Share premium	23	**55,746**	58,314	**55,746**	58,314
Reserves	24	**12,519**	13,965	**10,035**	11,751
Gain on revaluation of tangible assets	9	**18,065**	555	**11,152**	328
Currency translation adjustments		**(3,836)**	(3,437)	**–**	–
Retained earnings (subject to taxation)	24	**5,120**	9,192	**5,120**	9,192
Retained earnings (accumulated losses), taxed	24	**(2,056)**	(15,066)	**3,640**	(3,020)
Shareholders' equity		**101,942**	79,813	**102,077**	92,855
Minority interest		**22,947**	34,092	**–**	–
Invested equity funds		**124,889**	113,905	**102,077**	92,855

The attached notes form an integral part of the financial statements

Chipita International S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(The amounts are stated in Euro thousand)

	The Group									
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation gains	Untaxed reserves	Currency translation adjustments	Minority interest	Retained earnings (untaxed)	Retained earnings (losses), taxed	Total
Balances, as at 31 December 2003	12,603	58,650	2,175	555	13,624	(2,788)	31,336	9,192	(16,257)	109,090
Newly consolidated subsidiaries	-	-	-	-	(197)	-	(57)	-	2	(252)
Issuance of bonus shares	3,781	-	-	-	(3,781)	-	-	-	-	0
Purchase of own shares	(94)	(336)	-	-	-	-	-	-	(163)	(593)
Profit for the year 2004, after tax	-	-	-	-	-	-	2.813	-	5,720	8,533
Profit allocation / dividend distribution	-	-	-	-	2,144	-	-	-	(4,368)	(2,224)
Currency translation adjustments	-	-	-	-	-	(649)	-	-	-	(649)
Balances, as at 31 December 2004	16,290	58,314	2,175	555	11,790	(3,437)	34,092	9,192	(15,066)	113,905
Gain on revaluation of property (after tax)	-	-	-	17,510	-	-	3,106	-		20.616
Purchase of own shares	(19)	(70)	-	-	-	-	-	-	(37)	(126)
Proceeds of disposal of own shares	113	406	-	-	372	-	-	-	200	1,091
Capitalisation of share premium	2,875	(2,875)	-	-	-	-	-	-	-	0
Share capital increase expenses	-	(29)	-	-	-	-	-	-	-	(29)
Reduction of share capital	(2,875)	-	-	-	-	-	-	-	-	(2,875)
Effect of changes in the level of participation of the Group in certain subsidiaries	-	-	-	-	-	-	(21,028)	-	198	(20,830)
Transfer of profits of subsidiaries to reserves	-	-	-	-	270	-	-	-	(270)	0
Transfer of reserves to distributable profits (statutory reserve of holding company set off against accumulated losses of prior years)	-	-	(2,088)	-	-	-	-	(4,072)	6,160	0
Profit for the year 2005, after tax	-	-	-	-	-	-	5,616	-	5,884	11,500
Dividends distributed by subsidiaries (to minority shareholders)	-	-	-	-	-	-	(1,087)	-	-	(1,087)
Currency translation adjustments	-	-	-	-	-	(399)	2,248	-	875	2,724
Balances, as at 31 December 2005	16,384	55,746	87	18,065	12,432	(3,836)	22,947	5,120	(2,056)	124,889

The attached notes form an integral part of the financial statements

8 | Financial Statements

The Company	Share capital	Share premium	Statutory reserve	Fixed assets revaluation gains	Untaxed reserves	Currency translation adjustments	Minority interest	Retained earnings (untaxed)	Retained earnings (losses), taxed	Total
Balances, as at 31 December 2003	12,603	58,650	2,088	328	13,444	-	-	9,192	(2,207)	94,098
Issuance of bonus shares	3,781	-	-	-	(3,781)	-	-	-	-	0
Purchase of own shares	(94)	(336)	-	-	-	-	-	-	(163)	(593)
Profit for the year 2004, after tax	-	-	-	-	-	-	-	-	1,574	1,574
Profit allocation	-	-	-	-	-	-	-	-	(2,224)	(2,224)
Balances, as at 31 December 2004	16,290	58,314	2,088	328	9,663	0	0	9,192	(3,020)	92,855
Gain on revaluation of property (after tax)	-	-	-	10,824	-	-	-	-	-	10,824
Purchase of own shares	(19)	(70)	-	-	-	-	-	-	(37)	(126)
Proceeds of disposal of own shares	113	406	-	-	372	-	-	-	200	1,091
Capitalisation of share premium	2,875	(2,875)	-	-	-	-	-	-	-	0
Share capital increase expenses		(29)	-	-	-	-	-	-	-	(29)
Reduction of share capital	(2,875)	-	-	-	-	-	-	-	-	(2,875)
Transfer of reserves to distributable profits (statutory reserve of holding company set off against accumulated losses of prior years)	-	-	(2,088)	-	-	-	-	(4,072)	6,160	0
Profit for the year 2005, after tax	-	-	-	-	-	-	-	-	337	337
Balances, as at 31 December 2005	16,384	55,746	0	11,152	10,035	0	0	5,120	3,640	102,077

The attached notes form an integral part of the financial statements

8 I Financial Statements

Chipita International S.A.

CASH FLOW STATEMENTS

(The amounts are stated in Euro thousand)

	The Group		The Company	
	2005	2004	**2005**	2004
Cash Flows related to Operating Activities				
Profit, before taxes	**14,839**	9,608	**2,423**	2,446
Adjustments in respect of non-cash transactions:				
Depreciation, amortisation and effect of currency translation adjustments on fixed assets	**25,351**	18,829	**9,522**	8,795
Gain on disposal of property, plant and equipment	**(2,717)**	–	**(1,538)**	–
Government grants recognised as income	**(1,795)**	(1,335)	**(1,499)**	(1,003)
Income from sale & leaseback of property	**(302)**	–	**(203)**	–
Investment income	**(735)**	(521)	**(570)**	(498)
Interest expense	**8,571**	7,470	**3,659**	3,273
Employee retirement benefits	**43**	106	**8**	83
Other adjustments	**(400)**	–	**(400)**	–
	42,855	34,157	**11,402**	13,096
Decrease (increase) of inventories	**(6,365)**	(4,968)	**(2,221)**	(233)
Decrease (increase) of receivables	**(9,893)**	8,218	**(6,978)**	11,689
Decrease (increase) in restricted bank deposits	**(254)**	536	**–**	296
Increase (decrease) of payables	**6,064**	5,185	**8,616**	1,297
	32,407	43,128	**10,819**	26,145
Interest paid	**(7,783)**	(7,427)	**(3,626)**	(3,231)
Income taxes paid	**(2,083)**	(4,302)	**(170)**	(2,143)
Net operating cash inflows (outflows)	**22,541**	31,399	**7,023**	20,771
Cash flows related to Investing Activities				
Acquisition of tangible fixed assets	**(47,935)**	(43,689)	**(11,976)**	(16,230)
Proceeds from the disposal of fixed assets	**12,104**	3,875	**9,195**	7,104
Acquisition of shares in subsidiaries & associates	**(2,935)**	(17,899)	**(7,001)**	(6,945)
Acquisition of other investments	**(1,350)**	–	**–**	–
Proceeds from the disposal of other investments	**335**	–	**239**	–
Dividends received	**577**	13	**412**	13
Net investment cash inflows (outflows)	**(39,204)**	(57,700)	**(9,131)**	(16,058)
Cash Flows related to Financing Activities				
Contracting of loans	**11,531**	14,838	**16,658**	12,111
Proceeds of sale & leaseback transaction	**20,076**	14,979	**20,045**	14,740
Financing of subsidiaries	**–**	–	**(28,075)**	(26,860)
Purchase of own shares	**(126)**	(593)	**(126)**	(593)
Proceeds from disposal of own shares	**1,092**	–	**1,092**	–
Reduction of share capital	**(2,903)**	–	**(2,903)**	–
Payment of dividends to minority shareholders of subsidiaries	**(1,087)**	(2,209)	**–**	(2,209)
Net financing cash inflows (outflows)	**28,583**	27,015	**6,691**	(2,811)
Increase (decrease) of cash balances	**11,920**	714	**4,583**	1,902
Cash balances, at the beginning of the period	**9,110**	7,489	**2,062**	160
Cash balances of newly consolidated subsidiaries, at the beginning of the period	**–**	952	**–**	-
Effect of changes in exchange rates on cash balances	**466**	(45)	**–**	-
Cash balances, at the end of the period	**21,496**	9,110	**6,645**	2,062

The attached notes form an integral part of the financial statements

8 I Financial Statements

Basis of Presentation of the Financial Statements

Chipita International S.A. (the "Company") is an anonymos eteria (corporation) registered in Greece, was established in 1973, has its registered office at Metamorphossi, Attica and is primarily engaged in the production and trading of pre-packed dough-based products (snacks).

The consolidated financial statements of the Company include the Company and its subsidiaries ("The Chipita Group"). Subsidiary companies are all the entities that are managed and controlled, directly or indirectly, by Chipita International S.A., either through the holding of the majority of the shares of the investee company or by the dependence of the latter on the know-how provided by the Group. The financial statements of subsidiaries are included in the consolidated financial statements of the Group as from the date on which control is acquired and are excluded as from the date on which such control ceases to exist.

Associated companies are those entities on which the Group exercises significant influence but they do not qualify to be treated as subsidiaries. The consolidated financial statements of the Group include the share of the Group in the profits or losses of associates, quantified on the basis of the equity method, as from the date the Group acquires the significant influence until the date on which it ceases to have such an influence. When the losses of an associated entity that are attributed to the Group exceed the reported accounting value of the investment, the value of the investment is reduced and the recognition of further losses ceases when the value of the investment is extinguished, except if the Group has assumed liabilities or contingent liabilities of the associate, beyond those that arise as a result of participating in the associate in the capacity of a shareholder.

Intragroup balances and intragroup transactions as well as Group profits that have arisen on intragroup transactions and have not been realised (at Group level) as yet, are eliminated on consolidation.

As a rule, the activities of the Group outside of Greece are considered to be an extension of the activities of the holding Company. The assets and the liabilities of foreign operations are converted into Euros at the rates of exchange prevailing on the balance sheet date, while the revenues and costs of foreign operations are converted into Euros at rates which tend to approximate the rates prevailing on the dates the transactions are entered into. Exceptionally, the non-financial assets (notably the fixed assets) of foreign operations, which are considered to be an extension of the operations of the holding Company, are converted into Euros at the exchange rates applicable on the dates the assets in question were acquired, provided that there is no evidence suggesting a need to recognise a permanent impairment in the value at which these assets are reported. The currency translation gains or losses that arise from the restatement of assets and liabilities of foreign operations that are considered to be an extension of the activities of the holding Company are taken to the results of operations while the currency translation adjustments that arise from the restatement of the assets and liabilities of the remaining foreign operations are taken directly to equity and are reported as "currency translation adjustments".

These financial statements have been approved for publication by the Board of Directors on 21 February 2006.

8 I Financial Statements

These financial statements have been compiled on the basis of the International Financial Reporting Standards that have been adopted by the European Union. The financial statements have been compiled on the basis of historical cost and are stated in Euro thousand.

Group Structure

The Chipita Group comprises the following entities:

Entity	Registered Office	Participation
Chipita International S.A. ▲	Metamorphossi, Attica, Greece	Holding entity
Franca S.A.	Ano Liossia, Attica	100%
Smaky S.A.	Metamorphossis, Attica	100%
Chipita Italia SpA	Bologna, Italy	100%
Anthemia S.A.	Sindos, Thessaloniki	99.54%
Viomar S.A. ▲	Makrichori, Larissa	86.06%
Chipita Germany GmbH	Lunen, Germany	51%
Cream Line S.A. ▲	Sindos, Thessaloniki	95.70%
Chipima Sosiadade de Produtos Alimentares S.A. ▲	Lisbon, Portugal	□ 40%
EDITA SAE ▲	Cairo, Egypt	□ 25%
Chipita Participations Ltd	Nicosia, Cyprus	100%
Chipita Ukraine (Cyprus) Ltd *	Nicosia, Cyprus	100%
Chipita ZAO (dormant) *	Moscow, Russia	100%
Teo Plus (dormant) *	Kiev, Ukraine	100%
Chipita Nigeria (Cyprus) Ltd *	Nicosia, Cyprus	100%
Chipita East Europe (Cyprus) Ltd *	Nicosia, Cyprus	92.75%
(*) Subsidiaries of Chipita Participations Ltd		
Chipita Bulgaria (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Poland (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Romania (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Yugoslavia (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Hungary (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Russia (Cyprus) Ltd **	Nicosia, Cyprus	54.33% ^
Chipita Russia Trading (Cyprus) Ltd **	Nicosia, Cyprus	54.33% ^
Chipita Czech (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Ukraine Trading (Cyprus) Ltd **	Nicosia, Cyprus	54.33% ^
Chipita Foods Bulgaria (Cyprus) Ltd **	Nicosia, Cyprus	92.75% ^
Chipita Bulgaria Transportation Ltd **	Nicosia, Cyprus	55.65% ^
(**) Subsidiaries of Chipita East Europe Ltd		
Chipita Bulgaria S.A. *** ▲	Sofia, Bulgaria	92.75% ^
Chipita Foods Bulgaria EAD *** ▲	Sofia, Bulgaria	92.75% ^
Chipita Poland sp zoo *** ▲	Warsaw, Poland	92.75% ^
Chipita Romania SRL *** ▲	Bucharest, Romania	92.75% ^
Vima International Ltd ***	Bucharest, Romania	92.75% ^

8 | Financial Statements

Entity	Registered Office	Participation
Chipita Belgrade S.A. ***	Belgrade, Serbia	92.75% ^
Chipita Hungary Kft ***	Krasnoje, Hungary	92.75% ^
Chipita St Petersburg ZAO *** ▲ / Eldi OOO ***	St. Petersburg, Russia	54.33% ^
Chipita Russia Trading OOO ***	Moscow, Russia	54.33% ^
Chipita Czech Ltd ***	Brno, The Czech Republic	92.75% ^
Chipita Slovakia Ltd ***	Bratislava, Slovakia	92.75% ^
Chipita Ukraine Trading ZBUT ***	Kiev, Ukraine	54.33% ^
Dias Transportation Ltd ***	Sofia, Bulgaria	55.65% ^
(***)Subsidiaries of the corresponding Cyprus companies		
Cream Line Bulgaria (Cyprus) Ltd ****	Nicosia, Cyprus	95.70% ^
Cream Line (Cyprus) Ltd ****	Nicosia, Cyprus	95.70% ^
Cream Line Romania (Cyprus) Ltd ****	Nicosia, Cyprus	95.70% ^

(****) Subsidiaries and sub-subsidiaries of Cream Line S.A.

▲ *Entities with industrial production*

(^) Equivalent participation of the Group.

□ *Consolidated either on the basis that the management of the investee has been, directly or indirectly, assigned to the Chipita Group or on the basis that the investee is totally dependent on the know-how supplied by the Group.*

In 2005, Cream Commercial Holdings Ltd was renamed Cream Line Bulgaria (Cyprus) Ltd.

In September 2005, the process of renaming Deora Enterprises Ltd as Chipita Nigeria (Cyprus) Ltd was completed. On 1 October 2005, the shares of Chipita Nigeria (Cyprus) Ltd were transferred by Chipita East Europe (Cyprus) Ltd to Chipita Participations Ltd.

In October 2005, Hostess SAE was merged, by absorption, with EDITA SAE. During 2006, the shares of EDITA SAE were transferred by Chipita International S.A. to Chipita Participations Ltd.

In October 2005, TEO Fund, a wholly-owned subsidiary of Chipita Participations Ltd, was liquidated. The said subsidiary had no activities of substance in 2004 or 2005.

On 30 June 2005, it was resolved to place Smaky S.A., a wholly-owned subsidiary of the Group, under voluntary liquidation. The said subsidiary had no activities of substance in 2004 or 2005 and, as at 31 December 2005, it had no assets or liabilities that were not eliminated in the consolidated financial statements.

The associates of the Group are Latin American Snackfoods Ltd (35%) as well as its wholly-owned subsidiary Chipiga S.A., based in Monterey, Mexico, and Tsimis S.A. (30%), which are accounted for on the basis of the equity method.

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Accounting Policies

I. Fixed assets

As from 30 September 2005, land and industrial buildings are reported in the financial statements at their fair market values, in order to provide a more accurate and complete picture of the financial position of the Company and the Group.

The remaining classes of fixed assets are reported in the financial statements at acquisition cost, after deduction of (a) accumulated depreciation and (b) any permanent impairment.

The costs incurred for the replacement of substantial component parts of fixed assets are capitalised. The remaining costs that are incurred subsequent to the installation of fixed assets are capitalised only if they enhance the future economic benefits that will be derived through the use of the affected assets. All other costs and expenses that are incurred for the maintenance, repair etc. of fixed assets are charged to operations at the time they are incurred.

Depreciation is computed and charged to operations on the basis of the straight-line method, over the estimated useful life of the fixed assets. Land is not depreciated. The estimated useful life of each category of assets, is as follows:

Buildings	50	years
Industrial machinery and equipment	12.5	years
Other installations and equipment	6.7	years
Furniture and other equipment	3.3 - 5	years
Vehicles	5 - 6.7	years

As from 1 October 2005, the Group, based on appraisals undertaken by professionally qualified, independent valuers, increased the expected useful life of buildings to 50 years. Up to 30 September 2005, the expected useful life of buildings was deemed to be 20 years for industrial buildings and 33 years for the remaining buildings.

Goodwill (positive or negative) represents the consideration paid for acquiring an equity interest in subsidiaries or associates, in excess of (below) the share of the fair values of the specific assets and liabilities acquired. The value of purchased goodwill (related to investments in subsidiaries effected prior to 1 January 2003, the date of transition to the International Financial Reporting Standards) has been totally amortised by taking it directly to equity. The value of purchased goodwill, which is related to investments effected after 1 January 2003, is reported on the consolidated balance sheet at its acquisition cost and is reduced, in the case of impairment, by charging operations in the period in which such impairment occurs. The purchased goodwill, relating to associated entities, is reported as part of the value of the investment.

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The remaining intangible fixed assets acquired by the Group are reported at their acquisition cost reduced by accumulated amortisation and, if applicable, by any permanent impairment of their value. The costs associated with internally generated goodwill are charged to operations in the period in which they are incurred.

The amortisation of intangible fixed assets is charged to operations on the basis of the straight-line method, over their estimated useful life. The estimated useful life of these assets is as follows:

Trademarks	10	years
Computer software	3 - 5	years

II. Inventories

Inventories are reported at the lower of their purchase or production cost and their corresponding net realisable value. Net realisable value is the estimated re-sale value of the inventories, reduced by the cost of disposal. The cost of inventories is quantified on the basis of the weighted average method and is inclusive of the costs associated with their acquisition or production (in the case of internally produced goods) and the costs incurred in bringing them to their present location and condition.

The specialised spare parts of machinery and equipment that are purchased at the stage of the acquisition of the machinery and equipment they relate to, are considered to be an integral part of and are depreciated along with the assets they are destined to support, while the replacements of such spare parts are expensed at the time of their purchase. In contrast, maintenance materials and general-use spare parts are included in inventories and are expensed as and when they are used.

III. Trade and other receivables

Receivables are reported net of the amounts that are deemed to be doubtful of collection.

IV. Cash and cash equivalents

Cash is inclusive of cash equivalents, such as current account balances and short-term deposits. Bank overdrafts repayable on demand that form part of the cash management system of the Group, are reported, in the statement of cash flows, as forming part of cash balances.

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V. Transactions in foreign currencies

The transactions that are denominated in foreign currencies are stated in Euros on the basis of the exchange rates ruling on the date of the transaction. On the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-stated in Euros on the basis of the exchange rates ruling on this date. The gains and losses arising on restatement are taken to operations.

VI. Acquisition of own shares

In the event of acquiring own shares, the consideration paid for the acquisition, including the related costs, is reported as a deduction from shareholders' equity, while the proceeds from the disposal of own shares are reported as an increase in shareholders' equity.

VII. Dividends

Dividends payable are reported as a liability at the time that they are declared as payable by the shareholders in general meeting.

VIII. Employee benefits

The obligations of the Group towards its employees for the payment of certain benefits at the stage of retirement that are dependent on the length of service, are quantified and reported by reference to the accrued, as at the date of the balance sheet, benefit that is anticipated to be paid to each employee in the future, discounted to its present value, having regard to the anticipated time of payment. The discount rate used is equal to the yield, as at the balance sheet date, of Greek Government bonds.

IX. Provisions

Provisions are set up when the Group has a legal or constructive obligation, in relation to a past event, and it is deemed likely that the settlement of the obligation will absorb resources embodying economic benefits.

X. Financial instruments

The basic financial instruments used by the Group are cash, bank deposits, short-term receivables and payables and certain other forms of financing. Given the short-term nature of these instruments, Group management believes that their fair value is essentially identical to the value at which they are reported in the accounting records of the Group. Furthermore, Group management believes that the interest rates paid in relation to the contracted loans are equivalent to the current fair market rates and, consequently, there are no grounds for adjusting the value at which these obligations are reported. The Chipita Group does not use any financial derivatives.

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XI. Revenues

Sale of goods and services

The revenue derived from the sale of goods is recognised (reported in the statement of earnings) at the stage when the basic risks and benefits associated with the ownership of the goods, are transferred to the buyer. The revenue derived from the rendering of services is recognised (reported in the statements of earnings) on the basis of the stage of completion of the project, at the date of the balance sheet. Revenue is not recognised, if there is substantial uncertainty as to the likelihood of collecting the consideration agreed upon or the possible return of the goods.

Government grants

Government grants are reflected in the financial statements when there is reasonable certainty that they will be collected and the Group is in a position to conform to the terms and conditions imposed for their collection. The grants, which aim at compensating the business for expenses incurred, are reported as income of the period in which the subsidised expenses are charged. The grants, which cover part of the cost of the acquisition of fixed assets, are recognised as income and are taken to the statement of operations in the course of the useful life of the subsidised asset.

Dividend income

Dividend income is recognised on the date the dividends are declared.

XII. Expenses

Operating leases

The payments effected under operating leases are charged to operations in line with the usage of the leased asset.

Finance leases

Finance leases are treated as financing arrangements, resulting in the leased assets being reported as assets of the Group (and depreciated accordingly) with a corresponding liability being reported towards the lessor or the lessors. The cost of financing is taken to operations as an expense, as it accrues.

Cost of financing

The net cost of financing comprises interest paid or accrued on contracted loans, calculated on the basis of the real interest rate, less interest income generated by the short-term investment of surplus cash funds.

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XIII. Income taxes

The income tax charge in the period comprises the current tax charge and the deferred tax element, that is the tax (or the tax relief) which is associated with revenues (or costs) that are reported, for accounting purposes, in the current period but will generate a tax burden or relief in future accounting periods. Income tax charges are shown in the statement of earnings, except for the tax, which relates to transactions taken directly to equity. In the latter case, the tax is, likewise, taken directly to equity.

The current tax charge is quantified by reference to the taxable income of the period, on the basis of the nominal rates of tax applicable as at the balance sheet date, plus any additional taxes imposed in the current period that relate to prior periods. In the case that different tax rates apply to distributed and retained earnings, the quantification of the current tax is based on the rates applicable to each category and by reference to the corresponding amounts. This inevitably results in the differentiation of the effective tax rate over time, depending on the policy followed by the Group with respect to the distribution or the nondistribution of profits.

The deferred tax charge is quantified by the application of the relevant tax rates on the differences between the accounting and tax base of assets and liabilities, to the extent that such differences comprise timing differences that are anticipated to reverse in the future.

A deferred tax asset is recognised, only to the extent that is likely that taxable profits will be generated in the future, sufficient to absorb the tax relief obtained through the recognition of the deferred tax asset. A deferred tax asset is appropriately reduced to the extent that it becomes uncertain whether the anticipated future tax relief will, in fact, be secured.

XIV. Segmental analysis

A “segment” is defined as a separate and distinct group of business activities with common characteristics as to the nature of the activities and the business risk associated with such activities (business segment). A corresponding distinction is made on the basis of the business environment within which the activities are undertaken (geographic segment). The Chipita Group has only one business segment, namely that of production and distribution of standardised food products, with emphasis on dough-based products. On the basis of business risks and, in general, the economic environment of each country in which the Group operates, a distinction is made between the following geographic segments:

Greece
Other European Union states
Other European states (primarily in Eastern Europe)
Other countries

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XV. Discontinued operations

For the purposes of providing a better and more complete financial picture and of rendering the comparative amounts set out in the financial statements truly comparative, the discontinued operations of the Group, either through the disposal of subsidiaries or by other means, are identified and the contribution of such discontinued operations in formulating the financial position and the results of the operations of the Group in the past is quantified and reported in the financial statements.

Notes to the Financial Statements

1. Other Revenues

The other revenues of the Group and those of the Company, for the years of 2005 and 2004, are analysed as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
Commission and subleasing income	**2,004**	4,384	**123**	219
Royalties derived from associated com panies	**113**	193	**113**	193
Intragroup royalties and m anagement fees	**–**	–	**3,745**	3,151
Profit on disposal of fixed assets	**2,717**	764	**1,538**	363
Recognised revenues related to government grants	**1,795**	1,335	**1,499**	1,003
Recognised revenues related to the sale and leaseback of assets	**302**	105	**203**	105
Other revenues	**3,790**	653	**338**	239
	10,721	7,434	**7,559**	5,273

In June 2005, a pre-sale agreement was signed between Chipita International S.A. and an independent third party, entailing the sale of a piece of land and a warehouse, located in the area of Menidi, for a consideration of € 3 million. The transaction was completed and the consideration was paid prior to 31 December 2005. The net book value of the property sold, as at the date of the sale, amounted to € 2 million.

Other revenues include insurance compensation, amounting to € 877 thousand, relating to flood damage and is inclusive of the compensation obtained for the loss of profit.

Other revenues also include miscellaneous revenues derived from the rendering of distribution services to third parties, the recharging of expenses incurred on behalf of customers and the revenues associated with the investment activities of subsidiaries.

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2. Persons Employed by the Group and the Company and Related Costs

The number of the employees of the Group and the Company, as at 31 December 2005 and 2004, and the aggregate cost of their employment in the years 2005 and 2004, were as follows:

	The Group		The Company	
Number o f Persons Employed	**2005**	2004	**2005**	2004
Salaried employees	**1,666**	1,283	**495**	532
Workers	**3,687**	3,007	**561**	638
	5,353	4,290	**1,056**	1,170
Cost	**52,050**	47,999	**27,092**	26,874
Cost per employee (in Euro)	**9,724**	11,189	**25,655**	22,969

3. Allocation of Depreciation Charges for the years 2005 and 2004

The allocation of the depreciation charged in the years 2005 and 2004, for the Group and the Company, is analysed as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
Cost o f production	**16,829**	15,953	**6,583**	6,708
Marketing, distribution and administrative expenses	**4,719**	2,876	**2,940**	2,089
Effect of currency translation adjustments	**(152)**	–	**–**	–
	21,396	18,829	**9,523**	8,797

4. Cost of Financing

The net financing cost of the Group and the Company in the years 2005 and 2004 comprises:

	The Group		The Company	
	2005	2004	**2005**	2004
Interest income	**632**	336	**1,925**	1,240
Interest charges	**(8,644)**	(7,494)	**(5,022)**	(4,201)
Leasing charges	**(562)**	(312)	**(562)**	(312)
	(8,574)	(7,470)	**(3,659)**	(3,273)

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5. Income Taxes

The tax charge for the period has been quantified as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
Profit, before taxes, per the statem ent of earnings	**14,839**	9,608	**2,423**	2,446
Tax rate	**18.5%**	8.6%	**32%**	35%
Income taxes, at the nom inal tax rate	**2,745**	826	**775**	856
Additional taxes of prior years	**111**	172	**16**	–
Tax relief relating to prior years	**–**	(200)	**–**	–
Tax relief associated w ith profits that are not taxable or are taxable at reduced rates	**(2,150)**	(625)	**–**	(68)
Taxes assessed independently that are unrecoverable	**54**	–	**54**	–
Taxes on profits intended for distribution, not previously taxed	**1,181**	–	**1,181**	–
Tax relief on losses that are not deem ed likely to be recovered	**352**	531	**–**	–
Taxes on expenses that are not deductible for tax purposes	**1,045**	382	**12**	69
Valuation adjustments o f deferred tax assets & liabilities	**1**	(11)	**48**	15
Total tax charge	**3,339**	1,075	**2,086**	872
Current tax charge	**3,700**	1,987	**1,263**	–
Deferred tax charge (relief)	**(361)**	(912)	**823**	872
Total tax charge	**3,339**	1,075	**2,086**	872

The fact that, in certain cases, revenues and expenses are recognised for accounting purposes in a different period than the period in which these income items are taxed or expense items provide tax relief, requires the recognition of deferred tax assets and liabilities.

The nominal tax rate applicable to the Group varies from period to period, reflecting changes, over time, in the nominal tax rates in-force in the various countries in which the Group operates, but also because of material differences in national nominal tax rates, which render the Group weighted average tax rate a function of the geographic dispersion of taxable profits within the Group. In the current period, the weighted average tax rate of the Group has been substantially affected by the significant contribution of the Egyptian subsidiary (taxed at a rate of 20%) in arriving at the consolidated profits reported by the Group.

The tax relief that is associated with profits that are not taxed or are taxed at reduced rates primarily emanates from the profits derived from the Egyptian activities of the Group, since these activities enjoy a priviledged tax status ("tax holiday"), which, however, expires at the end of 2007.

The additional taxes, which precipitate from the proposed dividend distribution and the consequent need to utilise reserves that had not been previously taxed, are reported separately in the above table.

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The tax returns of the Greek entities forming part of the Group that are listed below have not been examined by the tax authorities as yet. As a consequence, it is possible that additional taxes may be assessed at the time of such an examination. At this stage, it is practically unfeasible to predict the outcome of such an examination and, therefore, it was unfeasible to make any provision in these financial statements in respect of this matter.

Entity	Tax returns not examined as yet
Chipita International S.A.	2001 to 2005 inclusive
Franca S.A.	2003 to 2005 inclusive
Viomar S.A.	2003 to 2005 inclusive
Smaky S.A.	1999 to 2005 inclusive
Anthemia S.A.	1999 to 2005 inclusive

A similar possibility exists in relation to most of the subsidiaries of the Group operating outside of Greece and, in particular, to the subsidiaries established and operating in Eastern European countries.

6. Segmental Analysis

The geographic dispersion of the revenues and the expenses as well as of the assets and the liabilities of the Group affords protection to the Group against the risk of an adverse differentiation in the operating conditions prevailing in any given market segment but it also imposes constraints on the utilisation of Group assets, as a result of the need to conform to changing local conditions and practices. The segmental analysis of the activities, the assets and the liabilities of the Group, which follows, is intended to facilitate a better understanding of the opportunities and the threats that are associated with the geographic dispersion of the activities of the Group.

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	2005					
	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	94,808	63,930	104,055	34,289	-	297,082
Intersegment sales	27,728	258	15,661	-	(43,647)	0
Total sales	122,536	64,188	119,716	34,289	(43,647)	297,082
Cost of sales to third parties	(55,722)	(51,397)	(67,971)	(22,601)	-	(197,691)
Cost of intersegment sales	(27,728)	(258)	(15,661)	-	43,647	0
Total cost of sales	(83,450)	(51,655)	(83,632)	(22,601)	43,647	(197,691)
Gross profit	39,086	12,533	36,084	11,688	0	99,391
Other third-party revenues	4,553	3,116	2,371	681	-	10,721
Other intersegment revenues	3,707	4,655	-	-	(8,362)	0
Other revenues	8,260	7,771	2,371	681	(8,362)	10,721
	47,346	20,304	38,455	12,369	(8,362)	110,112
Third-party marketing and distribution expenses	(31,131)	(8,394)	(22,591)	(1,535)	-	(63,651)
Intersegment marketing and distribution expenses	-	(185)	(1,058)	(173)	1,416	0
Third-party administrative expenses	(8,628)	(6,384)	(3,756)	(690)	-	(19,458)
Intersegment administrative expenses	(1,832)	(471)	(4,643)	-	6,946	0
Other operating expenses	(1,183)	(320)	(2,209)	13	-	(3,699)
Profit, before finance charges	4,572	4,550	4,198	9,984	0	23,304
Cost of financing						(8,574)
Profit from ordinary activities						14,730
Share of the Group in the profits of associates						109
Profit, before taxes						14,839
Income taxes						(3,339)
Net profit, after taxes						11,500
Minority interest						(5,616)
Profit, after taxes, attributable to the shareholders of the holding company						5,884

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	2004					
	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	95,711	52,342	86,325	21,020	-	255,398
Intersegment sales	22,997	24	8,395	-	(31,416)	0
Total sales	118,708	52,366	94,720	21,020	(31,416)	255,398
Cost of sales to third parties	(57,681)	(40,587)	(57,088)	(15,913)	-	(171,269)
Cost of intersegment sales	(22,997)	(24)	(8,395)	-	31,416	0
Total cost of sales	(80,678)	(40,611)	(65,483)	(15,913)	31,416	(171,269)
Gross profit	38,030	11,755	29,237	5,107	0	84,129
Other third-party revenues	2,607	4,056	788	(17)	-	7,434
Other intersegment revenues	3,158	3,709	49	-	(6,916)	0
Other revenues	5,765	7,765	837	(17)	(6,916)	7,434
	43,795	19,520	30,074	5,090	(6,916)	91,563
Third-party marketing and distribution expenses	(29,456)	(4,351)	(18,363)	(883)	-	(53,053)
Intersegment marketing and distribution expenses	-	(1,852)	-	(139)	1,991	0
Third-party administrative expenses	(6,345)	(4,279)	(7,421)	(704)	-	(18,749)
Intersegment administrative expenses	(3,041)	(1,854)	-	(30)	4,925	0
Other operating expenses	(1,297)	(294)	(812)	(214)	-	(2,617)
Profit, before finance charges	3,656	6,890	3,478	3,120	0	17,144
Cost of financing						(7,470)
Profit from ordinary activities						9,674
Share of the Group in the losses of associates						(66)
Profit, before taxes						9,608
Income taxes						(1,075)
Net profit, after taxes						8,533
Minority interest						(2,813)
Profit, after taxes, attributable to the shareholders of the holding company						5,720

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	31 December 2005					
	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment balances	Group
Investments in associates	1,712	3,133	-	-	-	**4,845**
Total other assets	185,945	87,611	140,225	29,282	-	**443,063**
Intersegment investments	41,036	45,070	-	-	(86,106)	**0**
Intersegment receivables / payables	75,493	(30,640)	(44,800)	(53)	-	**0**
Total liabilities to third parties	(214,515)	(61,410)	(41,284)	(5,810)	-	**(323,019)**
Net assets	**89,671**	**43,764**	**54,141**	**23,419**	**(86,106)**	**124,889**

	31 December 2004					
	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment balances	Group
Investments in associates	1,564	2,478	-	-	-	**4,042**
Total other assets	169,496	57,198	113,101	14,149	-	**353,944**
Intersegment investments	43,179	66,307	-	-	(109,486)	**0**
Intersegment receivables / payables	45,271	(41,794)	(3,447)	(30)	-	**0**
Total liabilities to third parties	(177,449)	(811)	(61,874)	(3,947)	-	**(244,081)**
Net assets	**82,061**	**83,378**	**47,780**	**10,172**	**(109,486)**	**113,905**

It is noted that the geographic dispersion of the minority interests in the subsidiaries of the Group is not uniform.

7. Acquisitions and Disposals of Shares in Subsidiaries

In the first quarter of 2005, the shareholders of Anthemia S.A. resolved to increase the share capital of the company by an amount of € 1,998 thousand, which was subscribed for by Chipita International S.A., thus raising its holding in Anthemia S.A. to 99.54%.

Also in the first quarter of 2005, Chipita International S.A. subscribed for the share capital increase of its whollyowned subsidiary, Chipita Italia SpA, amounting to € 68 thousand.

In the second quarter of 2005, it was resolved to increase the share capital of Cream Line S.A., by an amount of € 2 million, which was exclusively subscribed for by Chipita International S.A., thus raising its equity interest in the investee to 76.73%.

In November 2005, Chipita International S.A. increased its equity interest in Cream Line S.A. to 95.7%, through the acquisition, from related parties participating in the management of the Company, of 99,293 shares, for a total consideration of € 2,935 thousand. This acquisition is subject to the approval of the shareholders of Chipita International S.A., in general meeting. The intention of the Company is to proceed, in the course of 2006, to the acquisition of the remaining 22,506 minority shares of Cream Line S.A., at the same price of € 29.56 per share.

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As stated in the Chipita International S.A. annual financial statements of 2004 and in the interim financial statements of 2005, in March 2001, the Company, through its wholly-owned subsidiary, Chipita Participations Ltd, undertook a contractual commitment towards the 48.67% minority shareholders of Chipita East Europe (Cyprus) Ltd, to purchase their entire holding of shares for a consideration that would have been quantified by reference to the reported net assets of the investee, provided that the option would not have been exercised by the minority shareholders prior to 31 December 2004. The said option was, in fact, exercised in 2005, in respect of 806,499 shares of Chipita East Europe (Cyprus) Ltd, representing 41.42% of the issued and outstanding share capital of the company, and the transfer of the shares was effected on 4 July 2005, in consideration of € 37 million payable to the sellers. A corresponding right (put option) persists in relation to the remaining minority holding in Chipita East Europe (Cyprus) Ltd of 7.25%. The relevant sale/purchase agreement stipulates that the consideration agrred upon shall be paid on or before 28 February 2006. Until the settlement of this obligation, the shares transferred remain pledged in favour of the transferors.

On 4 July 2005, Chipita East Europe (Cyprus) Ltd sold shares of its subsidiaries Chipita Russia (Cyprus) Ltd, Chipita Russia Trading (Cyprus) Ltd and Chipita Ukraine Trading (Cyprus) Ltd, representing an equity interest in these companies of 41.42%, to an independent third party for a total consideration of € 1.7 million, payable in the first quarter of 2006. Under the agreement entered into, the transferee may not assign, transfer or pledge the shares sold, without the transferor's prior written consent, until the full payment of the purchase price.

8. Acquisitions and Disposals of Shares in Associates

In the first quarter of 2005, Tsimis S.A., an associate company, increased its share capital through the issuance of 11,595 new shares, at their nominal value. Chipita International S.A. subscribed for 3,478 of these new shares, for a consideration of € 24 thousand, thus maintaining the equity interest of the Group in the investee at 30%. In December 2005, Chipita International S.A. paid a further amount of € 80 thousand to the aforementioned associate company, in order to participate in a new share capital increase, always maintaining the equity interest of the Group in the investee at 30%. The said capital increase has been sanctioned by the shareholders of Tsimis S.A. but the required approval of the supervisory authorities is still pending.

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9. Tangible Fixed Assets

The tangible fixed assets of the Group and the Company are analysed as follows:

The Group	Land	Buildings & building installations	Plant & machinery	Vehicles	Furniture and other equipment	Assets under construction or installation	Total
At cost or valuation							
As at 31 December 2004	10,022	91,490	166,869	10,522	12,601	18,202	309,706
Currency translation adjustments	144	563	2,406	135	74	76	3,398
Additions 2005	92	1,909	5,787	1,272	1,155	38,780	48,995
Transferred from "assets under construction"	-	10,016	21,896	140	865	(32,917)	0
Disposals 2005	(990)	(2,615)	(7,649)	(2,583)	(728)	-	(14,565)
Effect of sale & leaseback transactions	139	(81)	-	-	-	-	58
Fair value adjustments	7,692	26,939	-	-	-	-	34,631
As at 31 December 2005	17,099	128,221	189,309	9,486	13,967	24,141	382,223
Accumulated depreciation							
As at 31 December 2004	-	(19,962)	(46,432)	(4,886)	(7,045)	-	(78,325)
Currency translation adjustments	-	(136)	(676)	(78)	(38)	-	(928)
Depreciation charges 2005	-	(3,779)	(13,176)	(1,408)	(2,231)	-	(20,594)
Disposals 2005	-	530	2,059	1,552	708	-	4,849
Fair value adjustments	-	(7,861)	-	-	-	-	(7,861)
As at 31 December 2005	0	(31,208)	(58,225)	(4,820)	(8,606)	0	(102,859)
Net book value							
As at 31 December 2005	17,099	97,013	131,084	4,666	5,361	24,141	279,364
As at 31 December 2004	10,022	71,528	120,437	5,636	5,556	18,202	231,381

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	The Company						
	Land	Buildings & building installations	Plant & machinery	Vehicles	Furniture and other equipment	Assets under construction or installation	Total
At cost of valuation							
As at 31 December 2004	7,092	61,412	69,654	3,987	7,153	5,128	**154,426**
Additions 2005	1	773	1,401	49	474	9,705	**12,403**
Transferred from "assets under construction"	-	363	4,350	-	680	(5,393)	**0**
Disposals 2005	(985)	(2,232)	(5,594)	(951)	(715)	-	**(10,477)**
Effect of sale & leaseback transactions	139	(81)	-	-	-	-	**58**
Fair value adjustments	1,573	19,142	-	-	-	-	**20,715**
As at 31 December 2005	7,820	79,377	69,811	3,085	7,592	9,440	**177,125**
Accumulated depreciation							
As at 31 December 2004	-	(15,053)	(24,600)	(2,502)	(4,048)	-	**(46,203)**
Depreciation charges 2005	-	(2,312)	(4,954)	(394)	(1,337)	-	**(8,997)**
Disposals 2005	-	561	1,324	788	686	-	**3,359**
Fair value adjustments	-	(6,186)	-	-	-	-	**(6,186)**
As at 31 December 2005	0	(22,990)	(28,230)	(2,108)	(4,699)	0	**(58,027)**
Net book value							
As at 31 December 2005	7,820	56,387	41,581	977	2,893	9,440	**119,098**
As at 31 December 2004	7,092	46,359	45,054	1,485	3,105	5,128	**108,223**

On 30 September 2005, land and industrial buildings were restated at fair value, based on appraisals undertaken by professionally qualified, independent valuers. The fair value of land was determined by reference to market-based comparative data while the fair value of the industrial buildings was determined on the basis of their depreciated replacement cost.

A comparison between the fair values assigned to these assets and the values at which they would have been reported, had the revaluation model not been adopted, is set out in the following table:

	The Group			The Company		
	Value, as would have been reported	Assigned fair value	Revaluation gain	Value, as would have been reported	Assigned fair value	Revaluation gain
Land	6,199	13,890	7,691	3,343	4,916	1,573
Industrial buildings	68,734	87,813	19,079	30,527	43,483	12,956
	74,933	101,703	26,770	33,870	48,399	14,529
Recognised deferred tax liability			(6,154)			(3,705)
Net revaluation gain (after taxes)			20,616			10,824

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The resulting net revaluation gain (after taxes) has been taken directly to equity and is reported under "fixed assets reveluation gains". This reserve will be retained until such time as the assets affected are disposed of, despite the fact that the gain shall gradually burden the results of operations, in the form of depreciation of the adjusted value of industrial buildings.

As from 1 October 2005, the estimated useful life of buildings was adjusted to 50 years. Up to 30 September 2005, the estimated useful life of buildings was deemed to be 20 years for industrial buildings and 33 years for the remaining buildings.

The following table presents the effect of this change on the results of the 4th quarter of 2005:

	The Group	The Company
Depreciation of buildings in the 4th quarter of 2005, on the basis of the depreciation rates applied as from 1 October 2005	-808	-350
Depreciation of buildings in the 4th quarter of 2005, on the basis of the previously applicable depreciation rates	-1,584	-850
Reduction in depreciation	776	500

In the fourth quarter of 2005, Chipita International S.A. compiled a detailed register of spare parts that were placed in store, at the stage of disassembling retired machinery and equipment. These spare parts were valued and, as a consequence, a profit of the order of € 300 thousand was recognised. The value of these spare parts is considered part of the tangible fixed assets of the Group and the Company and is reported under "plant and machinery".

In June 2004, Chipita International S.A. entered into a contract with a leasing company for the sale and leaseback of the land and the building housing the head-office of the Group, which is located at Metamorphossis in Attica, Greece. The term of the lease is fifteen years and provides the lessee with an option to repurchase the property, at the end of the lease, at a nominal consideration. The leasehold monthly instalments (capital and interest) amount to € 103 thousand and are adjusted by reference to EURIBOR. At the inception of the lease, the effective annual interest rate chargeable under the lease was 3.79%. In accordance with the relevant provisions of the International Financial Reporting Standards, finance leases are reported in the financial statements as a form of borrowing and, as a consequence, the leased land is reported at a value of € 2,764 thousand and the leased building is reported at a value of € 12,593 thousand, i.e. at the value at which these leasing arrangements were entered into (€ 15,000 thousand) plus the related costs, amounting to € 357 thousand. The profit generated as a result of this transaction, amounting to € 3,050 thousand, is recognised over the term of the lease, while the value of the building continues to be amortised over its useful life. The aggregate amount of the outstanding lease instalments is reported, as of 31 December 2005 and 2004, under current liabilities (€ 706 thousand and € 679 thousand, at 31 December 2005 and 2004, respectively) and under long-term liabilities (€ 13,231 thousand and € 13,908 thousand, at 31 December 2005 and 2004, respectively), without taking into consideration the interest charges embodied in the leasehold instalments, which will be charged to operations as they accrue, by reference to the outstanding balance of the "capital" borrowed.

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In December 2005, Chipita International S.A. entered into a contract with a leasing company for the sale and leaseback of the land and the industrial buildings of the Company, which are located at Lamia, Greece. The term of the lease is twelve years and provides the lessee with an option to repurchase the property, at the end of the lease, at a nominal consideration. The leasehold monthly instalments (capital and interest) amount to € 178 thousand and are adjusted by reference to EURIBOR. At the inception of the lease, the effective annual interest rate chargeable under the lease was 3.7%.

This finance lease is also reflected in the financial statements as a form of borrowing, resulting in the leased land being reported at € 2,922 thousand and the leased buildings being reported at € 21,252 thousand, i.e. at the value at which these leasing arrangements were entered into (€ 24,174 thousand). The profit generated as a result of this transaction, amounting to € 58 thousand, is recognised uniformly over the 12-year term of the lease, while the value of the buildings continues to be amortised over their useful life. The aggregate amount of the outstanding lease instalments is reported under current liabilities (€ 1,328 thousand) and under long-term liabilities (€ 20,663 thousand), without taking into consideration the interest charges embodied in the leasehold instalments, which will be charged to operations as they accrue, by reference to the outstanding balance of the "capital" borrowed.

Included in furniture and other equipment are the display shelves placed at the disposal of customers, at no cost, for the purposes of promoting sales. Such display shelves are depreciated over a period of 3 years.

It is noted that certain pieces of production machinery, owned by Chipita International S.A., have been temporarily placed out of the production process and are intended to be utilised for expanding the production facilities outside of Greece. The net book value of this machinery, as at 31 December 2005, of € 1.2 million (2004: € 3.5 million) is believed to be at least equal to its net realisable value.

There are no mortgages or other charges on the property of the Group or the Company.

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10. Intangible Fixed Assets

The intangible fixed assets of the Group and the Company are analysed as follows:

	The Group		
	Computer software	Trademarks	Total
At cost or valuation			
As at 31 December 2004	3,060	2,487	**5,547**
Additions 2005	599	951	**1,550**
Disposals 2005	(4)	-	**(4)**
As at 31 December 2005	3,655	3,438	**7,093**
Accumulated amortisation			
As at 31 December 2004	(923)	(921)	**(1,844)**
Amortisation charges 2005	(646)	(308)	**(954)**
Disposals 2005	2	-	**2**
As at 31 December 2005	(1,567)	(1,229)	**(2,796)**
Net book value			
As at 31 December 2005	**2,088**	**2,209**	**4,297**
As at 31 December 2004	2,137	1,566	3,703

	The Company		
	Computer software	Trademarks	Total
At cost or valuation			
As at 31 December 2004	2,286	131	**2,417**
Additions 2005	447	309	**756**
As at 31 December 2005	2,733	440	**3,173**
Accumulated amortisation			
As at 31 December 2004	(553)	(105)	**(658)**
Amortisation charges 2005	(500)	(26)	**(526)**
As at 31 December 2005	(1,053)	(131)	**(1,184)**
Net book value			
As at 31 December 2005	1,680	309	**1,989**
As at 31 December 2004	1,733	26	**1,759**

The additions of 2005 to “computer software” primarily relate to the cost of acquiring the right to use a data management (disaster recovery) computer software program, while the additions to “trademarks” primarily relate to new product developments (“paximadi” and “cake bars”).

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11. Goodwill

The goodwill reported in these consolidated financial statements relates to the Cream Line S.A. sub-group, to the subsidiaries of Chipita East Europe (Cyprus) Ltd, Chipita Romania (Cyprus) Ltd, Chipita Bulgaria (Cyprus) Ltd, Chipita Foods Bulgaria (Cyprus) Ltd and Chipita Poland (Cyprus) Ltd, as well as to EDITA SAE.

The goodwill reported in the consolidated financial statements has arisen at the stage of the acquisition of shares in the aforementioned entities, subsequent to the first adoption of the International Financial Reporting Standards (on 1 January 2003). The goodwill is reported in the consolidated financial statements at cost and is reduced, to the extent that is deemed necessary to recognise a permanent impairment, by a corresponding charge to operations, in the period in which such an impairment occurs.

The following table presents the movement of goodwill in the year ended 31 December 2005:

	31 December 2004	Additions 2005	31 December 2005
Cream Line S.A.	6,324	2,347	**8,671**
Chipita Romania (Cyprus) Ltd	-	7,376	**7,376**
Chipita Bulgaria (Cyprus) Ltd	-	5,862	**5,862**
Chipita Foods Bulgaria (Cyprus) Ltd	12,663	-	**12,663**
Chipita Poland (Cyprus) Ltd	-	1,280	**1,280**
EDITA SAE	161	-	**161**
	19,148	16,865	**36,013**

The possible impairment of purchased goodwill is periodically assessed, by reference to the anticipated future cash flows of each cash-generating unit. These cash flows are discounted to their net present values, using a discount rate of the order of 10% (this rate corresponds to the interest rate of 10-year Greek State Bonds, adjusted by the assessed risk factor, as perceived by management, of the business environment in which each unit operates).

12. Other investments

The other investments reported represent the value of the participating share of Chipita International S.A. in long-term yield investment funds. These investments are reported at cost, reduced, to the extent necessary to recognise a permanent impairment, by a corresponding charge to operations, in the period in which such impairment occurs. The other investments are also inclusive of the funds invested in new technology ventures.

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13. Long-term Receivables

Through a series of loan agreements, Chipita International S.A. has provided interest-bearing loans, attracting interest at an annual rate of EURIBOR+2%, to its subsidiary company Chipita East Europe (Cyprus) Limited. The total amount of these loans, as at 31 December 2005, was € 56,010 thousand and is reported by the holding company under long-term receivables. Of the aforementioned receivable, an amount of € 23,760 thousand is repayable on or before 31 March 2007 while an amount of € 32,250 thousand is repayable on or before 31 December 2007. Furthermore, the long-term receivables reported by the holding company are inclusive of an intercompany loan to its subsidiary, Chipita Participations Ltd. The amount of this loan, at 31 December 2005, was € 6,650 thousand and it is repayable on or before 31 December 2007.

Beyond the intragroup balances, referred to in the preceding paragraph (which are eliminated in the consolidated financial statements of the Group) and certain guarantee deposits given, no other long-term receivables of the Group or of the Company existed, as at 31 December 2005.

14. Inventories

The inventories of the Group and the Company, as at 31 December 2005 and 31 December 2004, are analysed as follows:

	The Group		The Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Finished goods	**8,768**	7,502	**3,628**	1,909
Raw and packaging materials	**22,188**	17,267	**5,595**	5,306
Spare parts	**3,172**	2,620	**1,776**	1,531
Advances to suppliers (inventory related)	**261**	635	**93**	88
	34,389	28,024	**11,092**	8,834

15. Receivables

The receivables of the Group and those of the Company, as at 31 December 2005 and 31 December 2004, are analysed as follows:

	The Group		The Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Trade receivables and advances to suppliers	**45,700**	40,995	**11,463**	10,210
State receivables	**7,809**	7,432	**2,473**	3,905
Prepaid expenses	**1,214**	1,021	**584**	566
Intragroup receivables	**-**	-	**10,520**	6,796
Receivables from associates	**139**	215	**139**	215
Other receivables	**4,326**	4,782	**1,219**	1,049
	59,188	54,445	**26,398**	22,741

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Included in “other receivables” is an amount of € 1,674 thousand, due from a minority shareholder of certain Group subsidiaries.

16. Cash and Cash Equivalents

Cash and cash equivalents comprise notes held by the Group and the Company as well as bank deposits available on demand.

17. Loans

The loans contracted by the Group and the Company have been advanced by Greek and foreign banks and are primarily denominated in Euros. The amounts that are repayable within one year of the balance sheet date are reported as short-term obligations while the amounts that are repayable at a subsequent stage, are reported as long-term obligations. The loans of the Group and the Company are analysed, by principal lender, as follows:

	The Group		The Company			
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities	Scheduled repayment of long-term liabilities	Applicable interest rate to long-term liabilities
Syndicated debenture loan	(9,800)	(50,129)	(9,800)	(50,129)	Jan. 2009	Euribor+1.25%
National Bank o f Greece S.A.	(11,328)	(8,000)	(194)	(8,000)	Jan. 2009	Euribor+1.35%
EFG Eurobank Ergasias S.A.	(5,875)	(25,000)	(1,790)	(25,000)	Dec. 2008	Euribor+1.45%
Alpha Bank S.A.	(6,764)	(1,080)	-	-	Sept. 2007	Euribor+1.25%
ING Bank	(2,719)	-	-	-		
Emporiki Bank S.A.	-	(15,000)	-	(15,000)	Jan. 2008	Euribor+1.25%
Piraeus Bank S.A.	(625)	(7,162)	-	-	Dec. 2007	Euribor+1.45%
ABN Amro Bank	(3,415)	(12,725)	-	-	June 2010	3.61%
Egnatia Bank S.A.	(10,000)	-	(10,000)	-		
Bayerische Hyp - und Vereinsbank	(5,000)	-	(5,000)	-		
Other Banks	(6,571)	(1,781)	-	-		
	(62,097)	(120,877)	(26,784)	(98,129)		

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The loans and other bank advances contracted are analysed as follows (the amounts are stated in millions of the currency in which the transaction is denominated):

Currency	Short-term	Long-term	Scheduled repaymen	Applicable interest rate
Euro	57.2	120.9	2007-2010	Euribor+1.40% (μέσος όρος)
United States dollar	0.7	-	-	Libor+1.25%
Polish zloty	7.1	-	-	Wibor+1.2%
Czech Korona	26.1	-	-	Pribor+1.1%
Egyptian pound	10.1	-	-	13%
Romanian Lei	0.2	-	-	Euribor+2.4%

Beyond the bank loans contracted, the Group and the Company have entered into finance lease arrangements, in respect of numerous tangible fixed assets, that are extensively referred to in another section of these notes.

18. Financial Instruments

Exchange risks

Given the geographic dispersion of the activities of the Group, the exposure to exchange risks is inevitable. However, the dominant market position of the Chipita products in those countries that have relatively weak currencies, affords the opportunity to the Group to mitigate the adverse consequences of devaluations by a corresponding increase in sale prices. Management's objective is to balance the receivables and payables of the Group, by currency, having regard, at the same time, to the higher cost of financing in weak currencies. The gradual stabilisation of the economies of the countries of Eastern Europe and the admission of certain of these countries into the European Union, tends to lower the exchange risk to which the Group is exposed. The Group does not enter into forward exchange contracts.

Credit risks

The Group has a clearly defined policy, which is followed consistently. The exposure to credit risks is monitored and assessed on a regular basis, thus ensuring that the credit given does not exceed the authorised credit limits of each customer. In relation to receivables, which entail increased credit risks, bank guarantees of € 3.2 million, as at 31 December 2005 (31 December 2004: € 2.2 million), have been secured.

The maximum exposure of the Group to credit risk, assuming that all customers will fail to honour their obligations, is the amount reported, as at 31 December 2005, under receivables, less the aforementioned amount of the bank guarantees secured.

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Interest rate risks

Most of the interest-bearing receivables and payables of the Group are linked to floating interest rates that are adjusted in line with market fluctuations. The Group does not use financial derivatives.

19. Other Long-term Obligations

The present value of the obligations emanating from finance leases and the other long-term obligations of the Group and the Company, as at 31 December 2005 and 31 December 2004, are as follows:

	The Group		The Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Finance lease obligations payable in:				
Not later than 1 year	**(2,145)**	(729)	**(2,034)**	(679)
1 to 5 years	**(9,102)**	(3,993)	**(8,905)**	(3,812)
Over 5 years	**(25,644)**	(10,482)	**(25,644)**	(10,482)
Total finance lease obligations	**(36,891)**	(15,204)	**(36,583)**	(14,973)
Finance lease charges not yet accrued	**655**	386	**655**	386
	(36,236)	(14,818)	**(35,928)**	(14,587)
Short-term obligations under finance leases	**2,145**	729	**2,034**	679
	(34,091)	(14,089)	**(33,894)**	(13,908)
Other long-term obligations	**(514)**	(562)	**-**	-
Total long-term obligations	**(34,605)**	(14,651)	**(33,894)**	(13,908)

The minimum lease charges payable under the leasing contracts in force, as at 31 December 2005,were as follows:

	The Group	The Company
Payable in -		
Not later than 1 year	(3,530)	(3,389)
1 to 2 years	(3,530)	(3,389)
2 to 3 years	(3,478)	(3,389)
3 to 4 years	(3,389)	(3,389)
4 to 5 years	(3,389)	(3,389)
Over 5 years	(30,282)	(30,282)
	(47,598)	(47,227)
Future lease charges	10,707	10,644
Present value of obligations under leasing contracts	(36,891)	(36,583)

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20. Trade Payables

The trade payables of the Group and the Company, as at 31 December 2005 and 31 December 2004, were as follows:

	The Group		The Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Payables to suppliers and custom er advances	**(35,491)**	(32,960)	**(14,391)**	(11,008)
Taxes (other than income tax) and contributions payable	**(2,892)**	(2,586)	**(1,461)**	(1,553)
Accrued expenses	**(1,052)**	(1,668)	**(417)**	(1,036)
Payable to subsidiaries	**-**	-	**(3,582)**	(1,049)
Payable to associated companies	**(1,786)**	(1,576)	**(1,786)**	(1,576)
Dividends payable	**(65)**	(39)	**(47)**	(39)
Other payables	**(5,188)**	(1,803)	**(2,588)**	(1,308)
	(46,474)	(40,632)	**(24,272)**	(17,569)

Other payables include liabilities relating to finance leases and accrued interest expenses, amounting to € 3.7 million.

21. Employee Benefits

The obligation of the Company and the Group towards its employees to provide them with certain future benefits depending on their length of service is quantified and reported on the basis of the accrued entitlement, as at the date of the balance sheet, that is anticipated to be paid, discounted to its present value by reference to the anticipated time of payment. The discount rate used is equal to the yield, as at the balance sheet date, of Greek Government bonds and varies from 2%, in case of the obligations that are expected to crystallise in the near future, to 5%, for the obligations that are expected to crystallise in the distant future.

The movement of the account of employee benefits, in the year 2005, was as follows:

	The Group	The Company
Provision as at 31 December 2004	652	587
Charge for the year	185	137
Amounts actually disbursed	(142)	(129)
Provision as at 31 December 2005	695	595

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22. Government Grants

Government grants primarily relate to Chipita International S.A. and to investments effected in the period from 1992 to 1999 that were subsidised to the extent of between 35% and 50%. The other Group entities, which have been in receipt of such grants, are Viomar S.A., Cream Line S.A., Chipita Bulgaria S.A. and Chipita Romania SRL. These grants are recognised as income of the recipient entity at the rate at which the corresponding assets –mainly production equipment– are depreciated. Depending on the provisions of the law, under which the grants were advanced, certain restrictions apply as to the transfer of the ownership of the subsidised assets and the legal status of the entity to which the grants were advanced. The inspections carried out by the supervisory authorities, at various points in time, have not disclosed cases of noncompliance with these restrictions.

The movement of government grants, in the year 2005, which will be recognised as income in future accounting periods, was as follows:

	The Group	The Company
Government grants, as at 31 December 2004	10,659	7,372
Income recognised in 2005	(1,795)	(1,499)
Deferred government grants, as at 31 December 2005	8,864	5,873

23. Share Capital and Share Premium

As at 31 December 2005, the share capital of the Company amounted to € 16,384 thousand and was divided into 48,187,537 common registered shares of a nominal value of € 0.34 each. The shares of Chipita International S.A. are listed on the Athens Stock Exchange.

According to the Register of shareholders of the Company, at the date of approval of these financial statements, the shareholders holding shares, which, in aggregate, exceed 5% of the total number of issued and outstanding shares, and the shareholders who serve the Group as members of its management were the following (the corresponding percentages, as at the date of the last general meeting of the shareholders of the Company, are given in brackets):

Competrol Establishment, Liechtenstein (subsidiary of the Olayan Group)	18.04%	(14.13%)
Eurohellenic Investment Company S.A., Athens (an entity controlled by S. Theodoropoulos)	17.56%	(17.56%)
Spyros Theodoropoulos	2.44%	(3.31%)
Constantinos Apostolides	3.91%	(3.91%)

Certain other members of Group management hold shares in Chipita International S.A. but in no case do such holdings exceed 0.01%.

The Company, on the basis of the authorisation given by its shareholders on 9 June 2004, acquired, in 2004, 275,560 of its own shares, for an aggregate consideration of € 593 thousand, that is at an average price of € 2.15 per share, while in the first half of 2005, it acquired 57,000 of its own shares, for an aggregate consideration of € 125 thousand, that is at an average price of € 2.2 per share. All the shares thus acquired were sold prior to 31 December 2005, for a total consideration of € 1,092 thousand, that is at an average of € 3.3 per share, resulting in a total profit being realised of € 372 thousand, which was taken directly to equity and is reflected in the Statement of Changes in Shareholders' Equity.

The share premium reported arose in 1999, when new shares were issued for cash at a price above their nominal value. The share premium collected was reduced by the costs of the issue that were incurred at the time.

On 6 June 2005, the shareholders, in general meeting, resolved to increase and, at the same time, decrease the share capital of the Company by € 2,891 thousand, through the capitalisation of part of the share premium previously reported and the refunding of an equal amount to shareholders, in cash. The nominal value of the issued and outstanding shares of the Company remained at € 0.34 per share, as it was not affected by these changes. In practice, the refundable capital was confined to € 2,875 thousand, given the own shares, referred to above, that were held at the time.

24. Reserves

In accordance with the provisions of Greek company law, the creation of a "statutory reserve", by transferring to such a reserve an amount equal to 5% of the annual after tax profits realised, is compulsory until the time the reserve reaches 1/3 of the share capital of the Company. The "statutory reserve" can be distributed only upon the dissolution of the Company but can be utilised to off-set accumulated losses.

In 2005, the statutory reserve of the holding Company was, in fact, utilised to offset losses that had been accumulated up to 2004.

The gain that had arisen in the past on the revaluation of certain fixed assets will be "capitalised" through the issuance of bonus shares, in accordance with the relevant provisions of Greek tax legislation.

The tax related reserves have been created on the basis of provisions of tax legislation, which either permit the subjection of certain forms of income to taxation at the time of distribution to shareholders or provide tax relief as an investment incentive. These tax related reserves can be distinguished between the reseves which, at the option of the shareholders, may, pursuant to a proposal of the Board of Directors, be distributed (by paying the taxes that would precipitate on such distribution) and those the distribution of which is subject to further restrictions. These untaxed reserves are reflected in the Statement of Changes of Shareholders' Equity under the columns "retained earnings (untaxed)" and "untaxed reserves", respectively. The tax liability that will precipitate on the distribution of these reserves, estimated, as at 31 December 2005, at € 1.5 million and € 3 million, respectively, will be recognised as and when a decision to distribute is taken.

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The currency translation adjustments that arise on the conversion of the financial statements of foreign operations included in the consolidation that are not deemed to be an extension of the activities of the holding company (of EDITA SAE and, previously, Hostess SAE, which in the course of 2005 was absorbed by EDITA SAE), are reflected directly in shareholders' equity and are reported under the caption "currency translation adjustments".

25. First Time Adoption of the International Financial Reporting Standards

According to the provisions of the law, the application of the International Financial Reporting Standards by the companies that are listed on the Athens Stock Exchange became compulsory as from 1 January 2005. The Board of Directors of Chipita International S.A. had exercised the option provided under the law to apply the International Financial Reporting Standards a year earlier.

Given the obligation to set out comparatives on the same basis as that used for reporting the amounts of the current period, the required valuation adjustments of the individual assets and liabilities of the Company and the Group had been effectively carried out as at 31 December 2002, resulting in a restatement of the financial statements that had been previously compiled and published, on the basis of the accounting rules then in-force.

The principal adjustments that were deemed necessary and appropriate relate to the writing-off of various expenses that had been capitalised in the past and were being amortised over a period of time, the adjustment of the depreciation rates used in relation to tangible fixed assets so as to reflect the estimated useful life of these assets, the recognition of the obligation of the Company towards its employees to provide them in the future with certain retirement benefits by reference to each employee's years of service, the reclassification of "unearned" government grants from shareholders' equity to liabilities and to report them under the caption of "deferred government grants", the adjustment of the reported value of investments in associated (non-consolidated) enterprises and the recognition of the impact of deferred taxation, that is the recognition of the income taxes which will be paid or recovered in the future in relation to income and expense items that have already been recognised for accounting purposes or, conversely, in relation to income and expense items which, while they have already been subjected to tax or have generated tax relief, they do not relate to the current or past accounting periods and, consequently, will be recognised –accountingwise– in the future. The adjustments effected are set out in the published annual financial statements of the Group and the Company, as of and for the year ended 31 December 2004.

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26. Earnings per Share and Proposed Dividends

Earnings per share are calculated by dividing the profit attributable to the shareholders of the holding Company by the weighted average number of issued and outstanding shares in the accounting period covered by the financial statements.

	The Group		The Company	
	2005	2004	**2005**	2004
Net profit attributable to the shareholders (in Euro thousand)	**5,884**	5,720	**337**	1,574
Weighted average number o f issued and outstanding shares (in thousand pieces)	**47,869**	48,143	**47,869**	48,143
Earnings per share (in €)	**0.12**	0.12	**0.01**	0.03

It is noted that there are no commitments for the issuance of new shares in the future and, therefore, the requirement to calculate and report diluted earnings per share (i.e. the earnings per share that would have taken into consideration the dilutive effect of such future issues of shares) does not apply.

The Board of Directors of Chipita International S.A. has resolved to propose the distribution of a dividend of € 0.06 per share, or a total of € 2,891 thousand, to the shareholders of the Company. The distribution of the dividend is subject to the approval of the shareholders, at their forthcoming annual general meeting. The dividend will be recognised as a liability of the Company at the time of the approval of the proposed distribution.

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27. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are quantified at the level of each separate entity forming part of the Group and, to the extent that deferred tax assets and deferred tax liabilities arise, they are off set against each other (but only at the level of the individual entities involved). The deferred tax assets and liabilities emanate from the following causes:

	The Group		The Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Claiming tax relief for the depreciation of fixed assets, prior to the time of charging the depreciation to operations	(2,171)	(5,086)	185	(1,947)
Write-off o f capitalised expenses, which, for tax purposes, are being amortised over a period of five years	1,232	2,316	1,081	1,780
Recognising the tax burden that will arise on the disposal o f the land and the industrial buildings that have been revalued, and other related adjustments	(8,497)	-	(6,048)	-
Recognition o f the impairment in the value of investments, which, for tax purposes, is recognised at the time of the disposal of the investment	843	930	843	930
Government grants recognised as revenue in different accounting periods than the periods in which they are subject to taxation	760	890	803	882
Recognition o f em ployee benefits, which, for tax purposes, are recognised at the time of payment	158	190	146	170
Recognition of the tax relief that will be obtained as a result o f o ff-setting accumulated tax losses against future profits	3,900	2,149	366	-
Miscellaneous timing differences between accounting profits and taxable income	(229)	65	(127)	(27)
Income taxes, which w ill burden (provide relief in) future accounting periods	(4,004)	1,454	(2,751)	1,788

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28. Related Party Transactions and Balances

The transactions of the Group, in the year 2005, and the receivables from and payables to related parties, as at 31 December 2005, are analysed as follows:

	Sales to associates	Purchases from associates	Receivable from associates	Payable to associates
Tsimis S.A.	5,281	13,363	-	1,786
Chipiga S.A.	3	-	139	-
S. Mouzakis & Sons - Olympic S.A.	90	42	47	13
Digma SAE (Berzi Group)	35,162	-	363	-

The Chipita Group holds 30% of the shares of Tsimis S.A. while S. Mouzakis & Sons – Olympic S.A. is a company that is indirectly controlled by S. Theodoropoulos. The Egyptian Berzi Group participates in the share capital of EDITA SAE to the extent of 75%. The sales of this subsidiary are exclusively directed to the Berzi Group.

The compensation of the members of the Board of Directors of Chipita International S.A., in the year 2005, including the related social security contributions, is as follows (in Euro thousand):

Spyros I. Theodoropoulos, Chairman of the Board of Directors, Constantinos P. Apostolides, Vice chairman of the Board, Nikolaos S. Stellakis, Vice chairman of the Board and Themistoklis A. Makris, Managing Director (aggregate compensation)	470
Non-executive members of the Board (aggregate compensation)	29

It is noted that T. Makris is a shareholder of Cream Line S.A., with an equity interest of 4.3%.

29. Commitments and Contingent Liabilities

In March 2001, Chipita International S.A. contractually granted, through its wholly owned subsidiary Chipita Participations Ltd, to the 48.67% minority shareholders of Chipita East Europe (Cyprus) Ltd, another subsidiary of the Group, a put option to sell to Chipita International S.A. the shares held by them, at a price that would be a function of the profits before taxes or the net assets of the investee. This option was exercised, in July 2005, by institutional investors representing 41.4% of the company's share capital. A corresponding option is held by the minority shareholders that represent 7.25% of the Chipita East Europe (Cyprus) Ltd share capital.

As of 31 December 2005, the Group and the Company were committed to purchase fixed assets of an aggregate value of € 8 million and € 1 million, respectively.

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In October 2005, an agreement was signed with the Leventis AG Group, which provides for the establishment of a joint venture in Nigeria, for the production and distribution of croissants. The total investment is expected to be € 7 million and the participation of the Group in this venture is anticipated to be 40%.

In November 2005, Chipita International S.A. acquired, from related parties that participate in the management of the Company, 99,293 shares of Cream Line S.A., previously held by minority shareholders, for a total consideration of € 2,935 thousand. The intention of the Company is to proceed, in 2006, with the acquisition of the remaining 22,506 minority shares, at an identical price of € 29.56 per share. Both acquisitions are subject to the approval of the shareholders of the Company, in general meeting.

The Group is contractually committed under operating leases for the leasing of motor vehicles. The anticipated lease payments, under these contracts, within one year and within 2-5 years, amount to € 679 thousand and € 359 thousand, respectively. The corresponding amounts relating to the Company are € 581 thousand and € 356 thousand.

Included in receivables is an amount of € 549 thousand, which represents a claim against the Greek State for the refunding of consumption taxes on materials used in the production process. The Company has appealed against the assessments that were raised by the Elefsis and Patra customs authorities and a favourable court judgement has already been secured in respect of all these assessments. According to legal counsel advising the Group, the refund claim is fully supportable and, therefore, there are no grounds for setting up a provision in this respect.

The Company has provided corporate guarantees to banks, in relation to obligations of subsidiary companies, amounting, as at 31 December 2005, to € 66 million (31 December 2004: € 75 million).

The Chipita Group has provided guarantees to a financial institution, amounting to € 7,440 thousand, in favour of the distributor of its products in Poland. In November 2005, the ownership status of the Polish distributor was changed and the new owners have stated their intention to substitute the Chipita Group, as guarantors, or, alternatively, to seek the annulment of the guarantee.

30. Post Balance Sheet Events

On 16 December 2005, the Board of Directors of Chipita International S.A. approved a proposal under which DELTA Holdings S.A. would absorb Chipita International S.A., and resolved to place this proposal before the shareholders of the Company, in general meeting, for their approval.

The merger of Chipita International S.A. is intended to take place in parallel with the absorption, by DELTA Holdings S.A., of DELTA Milk Dairies S.A., Goody's S.A. and Uncle Stathis General Foods S.A., while disposing its participation interest in DELTA Ice Cream S.A., the ultimate goal being to create the largest company within the food industry in Greece and one of a substantial size in Europe – a business of top food brands.

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The merged entity will offer better development and international expansion prospects to Chipita International S.A. and it will generate significant added value for its shareholders.

According to the proposed share exchange ratios, Chipita International S.A. shareholders will acquire an equity interest in the merged entity of the order of 24%.

The merger is subject to the securing of the approval of the Monopolies Commission and of the other required approvals and permits of the supervisory authorities, as well as the approval of the shareholders of Chipita International S.A. and of the shareholders of the other companies involved. The completion of the merger is anticipated by July 2006.

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